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Retirement Systems
of Alabama

GASB STATEMENT NO. 67 REPORT
FOR THE
ALABAMA JUDICIAL RETIREMENT FUND
PREPARED AS OF SEPTEMBER 30, 2023





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

November 29, 2023

Board of Control
Alabama Judicial Retirement Fund
Montgomery, Alabama

Ladies and Gentlemen:

Presented in this report is information to assist the Alabama Judicial Retirement Fund in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending September 30, 2023.

The annual actuarial valuation used as a basis for determining the Total Pension Liability was performed as of September 30, 2022. The valuation was based on data provided by the Retirement System staff for active, inactive and retired members along with pertinent financial information.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the Fund, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonably based on the actual experience of the Fund. In addition, the calculations were completed in compliance with the laws governing the Fund and, in our opinion, meet the requirements of GASB 67.

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



Board of Control
November 29, 2023
Page 2

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 undersigned designated as members of the American Academy of Actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Sincerely yours,

A handwritten signature in blue ink, appearing to be 'LL'.

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

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

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink, appearing to be 'Edward J. Koebel'.

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

A handwritten signature in blue ink, appearing to be 'Jennifer Johnson'.

Jennifer Johnson
Senior Consultant



Table of Contents

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Introduction	1
II	Financial Statement Notes	3
III	Required Supplementary Information	8
 <u>Schedule</u>		
A	Required Supplementary Information Tables	10
B	Summary of Benefit Provisions Evaluated	13
C	Statement of Actuarial Assumptions and Methods	20
D	Board Funding Policy	23





Section I: Introduction

**REPORT OF THE ANNUAL GASB STATEMENT NO. 67
REQUIRED INFORMATION FOR THE
ALABAMA JUDICIAL RETIREMENT FUND
PREPARED AS OF SEPTEMBER 30, 2023**

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, 2023 (the Measurement Date), presents information to assist the Alabama Judicial Retirement Fund (Fund) 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 Alabama Judicial Retirement Fund as of September 30, 2022. The results of the valuation were detailed in a report dated March 30, 2023.

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 Plan 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 Fund 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 Fidelity





Section I: Introduction

General Obligation AA 20-year Municipal Bond Index, and the S&P High Grade 20-year Municipal Bond Index. We have determined that a discount rate of 7.40 percent meets the requirements of GASB 67.

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 material presented herein will follow the order presented in GASB 67. 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 Alabama Judicial Retirement Fund were furnished by the System office. The following table summarizes the membership of the Fund as of September 30, 2022, the actuarial valuation date.

Membership

	Number
Retirees and beneficiaries currently receiving benefits	459
Terminated employees entitled to benefits but not yet receiving benefits	11
Non-vested inactive members	25
Active members	372
Total	867

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, 2023, is presented in the following table.





Section II: Financial Statement Notes

Fiscal Year Ending September 30, 2023	
Total Pension Liability	\$551,866,527
Plan Fiduciary Net Position	<u>323,525,575</u>
Net Pension Liability	\$228,340,952
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	58.62%

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, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary increases	2.75 - 3.50 percent, including inflation
Investment rate of return	7.40 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:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward(+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
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





Section II: Financial Statement Notes

The actuarial assumptions used in the September 30, 2022 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 7.40% as adopted by the Board of Trustees on September 14, 2021.

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	22.0%	2.8%
US Large Stocks	39.0%	8.0%
US Mid Stocks	11.0%	10.0%
US Small Stocks	5.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	1.0%	9.0%
Real Estate	2.0%	6.5%
Cash	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 7.40 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.





Section II: Financial Statement Notes

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 Fund, calculated using the discount rate of 7.40 percent, as well as what the Fund’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate:

	1% Decrease (6.40%)	Current Discount Rate (7.40%)	1% Increase (8.40%)
Fund’s net pension liability	\$278,898,541	\$228,340,952	\$184,616,662

Paragraph 31(c): September 30, 2022 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of September 30, 2023, 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, 2023, based on the TPL roll-forward in the September 30, 2022 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:





Section II: Financial Statement Notes

TPL Roll-Forward		
	<u>Expected</u>	<u>Actual</u>
(a) TPL as of September 30, 2022	\$504,805,472	\$544,413,091
(b) Expected Rate of Return	7.40%	7.40%
(c) Entry Age Normal Cost* for the Year October 1, 2022 – September 30, 2023	11,699,148	11,699,148
(d) Actual Benefit Payments (including refunds) for the Year October 1, 2022 – September 30, 2023	42,943,376	42,943,376
(e) TPL as of September 30, 2023 = [(a) x (1+(b))] + (c) – [(d) x (1+0.5x(b))]	\$509,327,944	\$551,866,527
(f) Difference between Expected and Actual Experience (Gain)/Loss		\$42,538,583

*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 Fund'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. The member contribution rate was increased from 6.00% of salary to 8.25% of salary on October 1, 2011, and to 8.50% of salary on October 1, 2012. Members elected or appointed on or after November 8, 2016, are covered under a new benefit structure.

Changes of assumptions.

In 2021, rates of retirement 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 7.65% to 7.40%. 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 Board lowered the discount rate from 7.75% to 7.65%.

In 2016, rates of 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 adjusted 115% for males and 112% for females older than 78. The rates of disabled mortality were changed to the RP-2000 Disabled Mortality Table projected to 2020 using scale BB adjusted 105% for males and 120% for females.





Section III: Required Supplementary Information

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, 2020 for the fiscal year 2023 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	18.4 years
Asset valuation method	5-year smoothed market
Inflation	2.75 percent
Salary increase	3.25 - 3.50 percent, including inflation
Investment rate of return	7.65 percent, net of pension plan investment expense, including inflation
Cost of Living Adjustments	3.00 percent per year for certain members prior to July 30, 1979, and for spousal benefits subject to increase





Schedule A: Required Supplementary Information

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability										
Service Cost*	\$ 9,480,793	\$ 9,644,372	\$ 9,806,737	\$ 9,815,388	\$ 9,811,232	\$ 9,574,324	\$ 9,511,788	\$ 9,825,308	\$ 10,275,112	\$ 11,699,148
Interest	31,520,691	32,385,346	32,695,978	33,667,786	34,111,836	33,909,566	33,959,647	35,315,990	35,775,147	35,766,700
Benefit changes	0	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience	0	(7,391,432)	(2,487,337)	(4,398,778)	(9,133,889)	(4,517,687)	13,350,802	746,396	(4,259,273)	42,538,583
Changes of assumptions	0	0	17,791,866	0	3,872,903	0	0	15,905,243	0	0
Benefit payments	(29,837,625)	(30,355,855)	(30,902,279)	(32,806,695)	(33,419,168)	(36,909,073)	(38,811,594)	(39,089,204)	(40,541,892)	(42,579,719)
Refunds of contributions	(46,072)	(147,025)	(105,614)	(353,255)	(130,333)	(646,441)	(255,984)	(27,748)	(325,008)	(363,657)
Net change in total pension liability	11,117,787	4,135,406	26,799,351	5,924,446	5,112,581	1,410,689	17,754,659	22,675,985	924,086	47,061,055
Total pension liability - beginning	408,950,482	420,068,269	424,203,675	451,003,026	456,927,472	462,040,053	463,450,742	481,205,401	503,881,386	504,805,472
Total pension liability - ending (a)	\$ 420,068,269	\$ 424,203,675	\$ 451,003,026	\$ 456,927,472	\$ 462,040,053	\$ 463,450,742	\$ 481,205,401	\$ 503,881,386	\$ 504,805,472	\$ 551,866,527
Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability										
Contributions - employer	\$ 15,249,507	\$ 15,077,149	\$ 17,529,125	\$ 17,373,081	\$ 17,179,828	\$ 18,021,653	\$ 18,099,247	\$ 18,259,911	\$ 20,617,329	\$ 21,609,195
Contributions - member	3,764,158	3,683,420	3,723,276	3,972,336	3,867,366	4,101,223	4,183,789	4,271,766	4,691,655	5,019,289
Net investment income/(loss)	31,342,778	(855,904)	28,321,581	32,685,097	27,623,262	11,015,165	23,159,022	63,731,778	(51,779,449)	42,819,803
Benefit payments	(29,837,625)	(30,355,855)	(30,902,279)	(32,806,695)	(33,419,168)	(36,909,073)	(38,811,594)	(39,089,204)	(40,541,892)	(42,579,719)
Refunds of contributions	(46,072)	(147,025)	(105,614)	(353,255)	(130,333)	(646,441)	(255,984)	(27,748)	(325,008)	(363,657)
Administrative expenses	0	(356,549)	(397,913)	(334,472)	(326,279)	(357,439)	(357,821)	(376,226)	(441,591)	(528,718)
Other	0	1,853,467	0	0	(56,494)	0	0	0	0	0
Net change in plan fiduciary net position	20,472,746	(11,101,297)	18,168,176	20,536,092	14,738,182	(4,774,912)	6,016,659	46,770,277	(67,778,956)	25,976,193
Plan fiduciary net position - beginning	254,502,415	274,975,161	263,873,864	282,042,040	302,578,132	317,316,314	312,541,402	318,558,061	365,328,338	297,549,382
Plan fiduciary net position - ending (b)	\$ 274,975,161	\$ 263,873,864	\$ 282,042,040	\$ 302,578,132	\$ 317,316,314	\$ 312,541,402	\$ 318,558,061	\$ 365,328,338	\$ 297,549,382	\$ 323,525,575
Net pension liability - ending (a) - (b)	\$ 145,093,108	\$ 160,329,811	\$ 168,960,986	\$ 154,349,340	\$ 144,723,739	\$ 150,909,340	\$ 162,647,340	\$ 138,553,048	\$ 207,256,090	\$ 228,340,952

*Also called the Entry Age Normal Cost





Schedule A: Required Supplementary Information

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total pension liability	\$420,068,269	\$424,203,675	\$451,003,026	\$456,927,472	\$462,040,053	\$463,450,742	\$481,205,401	\$503,881,386	\$504,805,472	\$ 551,866,527
Plan fiduciary net position	274,975,161	263,873,864	282,042,040	302,578,132	317,316,314	312,541,402	318,558,061	365,328,338	297,549,382	323,525,575
Net pension liability	\$145,093,108	\$160,329,811	\$168,960,986	\$154,349,340	\$144,723,739	\$150,909,340	\$162,647,340	\$138,553,048	\$207,256,090	\$ 228,340,952
Plan Fiduciary Net Position as a % of the Total Pension Liability	65.46%	62.20%	62.54%	66.22%	68.68%	67.44%	66.20%	72.50%	58.94%	58.62%
Covered payroll*	\$ 43,274,688	\$ 44,086,624	\$ 44,098,773	\$ 44,313,578	\$ 45,620,671	\$ 45,133,920	\$ 46,685,605	\$ 48,379,324	\$ 49,208,725	\$ 56,875,014
Net pension liability as a percentage of covered payroll	335.28%	363.67%	383.14%	348.31%	317.23%	334.36%	348.39%	286.39%	421.18%	401.48%

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





Schedule A: Required Supplementary Information

SCHEDULE OF EMPLOYER CONTRIBUTIONS GASB 67 Paragraph 32(c)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	\$21,609,195	\$20,617,329	\$18,259,911	\$18,099,247	\$18,021,653	\$17,179,828	\$17,373,081	\$17,529,125	\$15,077,149	\$15,249,507
Actual employer contributions	<u>21,609,195</u>	<u>20,617,329</u>	<u>18,259,911</u>	<u>18,099,247</u>	<u>18,021,653</u>	<u>17,179,828</u>	<u>17,373,081</u>	<u>17,529,125</u>	<u>15,077,149</u>	<u>15,249,507</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll*	\$55,337,247	\$51,802,334	\$47,403,715	\$45,816,601	\$43,530,563	\$42,853,150	\$42,738,207	\$42,774,829	\$42,784,191	\$43,273,000
Actual contributions as a percentage of covered payroll**	39.05%	39.80%	38.52%	39.50%	41.40%	40.09%	40.65%	40.98%	35.24%	35.24%

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

**Beginning with the 2020 fiscal year this represents a blended rate based on separate Tier 1 and Tier 2 contribution rates.





Schedule B: Summary of Benefit Provisions Evaluated

The Judicial Retirement Fund was established September 18, 1973. This valuation included amendments to the Fund effective through the valuation date. There is a new tier of benefits, Tier II (Group 3), for all justices, judges, and circuit clerks elected or appointed on or after November 8, 2016. In addition, there is a new tier of benefits (District Attorneys' Plan) for all district attorneys serving in the capacity of district attorney on or after November 8, 2016. The following summary describes the main benefit and contribution provisions of the Fund as interpreted for the valuation.

Membership

Any justice of the Supreme Court, judge of the Court of Civil Appeals, judge of the Court of Criminal Appeals, judge of the Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State treasury became a member of the Fund if he was holding office on the effective date of the Act and elected to come under its provisions. Any such justice or judge elected or appointed to office after the effective date of the Act or any district or probate judge elected or appointed to office after October 10, 1975, or October 1, 1976, respectively, automatically becomes a member. Any circuit clerk or district attorney serving in the capacity of circuit clerk or district attorney on or after November 8, 2016, automatically becomes a member. Certain other district and probate judges as well as certain former county court judges, district attorneys or assistant district attorneys serving as circuit judges, and certain supernumerary judges and justices could also elect to become members.

Average Final Compensation

The average compensation of a Tier II (Group 3) or District Attorney member for the 5 highest years in the last 10 years of creditable service.

Creditable Service

Creditable service is service as a member plus certain periods of previous service creditable in accordance with the provisions of the Act.





Schedule B: Summary of Benefit Provisions Evaluated

Benefits

Service Retirement Benefit

Condition for Benefit

Tier I (Groups 1 and 2):

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

Completed 12 years of creditable service and attained age 65, or

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

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

Completed 10 years of creditable service and attained age 70.

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

Completed 12 years of creditable service and attained age 65, or

Completed at least 15 years of creditable service and attained age 60, whose age plus credible service equals or exceeds 77, or

Completed 10 years of creditable service and attained age 70, or

Completed 25 years of creditable service (or completed 24 years of creditable service provided the member purchases one year of service prior to retirement) regardless of age.

Tier II (Group 3) and District Attorneys:

Completed 10 years of credible service and attained age 62.

Amount of Benefit

Tier I (Groups 1 and 2):

The service retirement benefit for a member is equal to:

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





Schedule B: Summary of Benefit Provisions Evaluated

- (b) For a circuit or appellate judge who became a member on or after July 30, 1979, 75% of the member's salary at the time of separation from service.
- (c) For a district judge, 75% of the position's salary immediately prior to retirement.
- (d) For a probate judge, 75% of the member's salary at the time of separation from service.

Tier II (Group 3) and District Attorneys:

The service retirement benefit for a member is equal to:

- (a) For a member who is a judge with less than 18 years of creditable service, 4% of average final compensation multiplied by the number of years of creditable service; for a member who is a judge with 18 or more years of creditable service, 75% of average final compensation, not to exceed 75% of average final compensation.
- (b) For a member who is a clerk or district attorney, 3% of average final compensation multiplied by the number of years of creditable service, not to exceed 80% of average final compensation.

Disability Retirement Benefit

Condition for Benefit

A disability retirement benefit is payable to any member who becomes permanently, physically, or mentally unable to carry out his duties on a full-time basis, provided the member has completed five or more years of creditable service. (ten years for new tier members)

Amount of Benefit

Tier I (Groups 1 and 2):

The disability retirement benefit for a member other than a district or probate judge who was a member prior to July 30, 1979, is equal to 25% of the salary prescribed by law for the position from which the member retires plus 10% of such salary for each year of creditable service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.

The disability retirement benefit for a judge who became a member on or after July 30, 1979, or who is a district or probate judge is equal to 25% of his salary immediately prior to retirement plus 10% of such salary for each year of





Schedule B: Summary of Benefit Provisions Evaluated

creditable service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.

Tier II (Group 3) and District Attorneys:

For a member who is a judge with less than 18 years of creditable service, 4% of average final compensation multiplied by the number of years of creditable service; for a member who is a judge with 18 or more years of creditable service, 75% of average final compensation, not to exceed 75% of average final compensation.

For a member who is a clerk or district attorney, 3% of average final compensation multiplied by the number of years of creditable service, not to exceed 80% of average final compensation.

Spouse's Benefit

Condition for Benefit

Tier I (Groups 1 and 2):

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

Amount of Benefit

Tier I (Groups 1 and 2):

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

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

The death benefit payable to the spouse of a probate judge is a yearly benefit equal to the greater of \$480 for each year of creditable service to a maximum of 10 years, or 3% of the member's salary at the time of separation from service for each year of creditable service not to exceed 30% of such salary.





Schedule B: Summary of Benefit Provisions Evaluated

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

Death in Active Service Benefit

Amount of Benefit

Tier II (Group 3) and District Attorneys:

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under “Special Privileges at Retirement – All Employees” or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the 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 who is not eligible for retirement, the designated beneficiary shall receive the accumulated contributions not to exceed \$5,000 or the accumulated contributions of the member plus 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)

Benefit Payable on Separation from Service

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

A member terminating service before reaching eligibility for retirement benefits may elect to receive a return of contributions and accrued interest. “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)).





Schedule B: Summary of Benefit Provisions Evaluated

Contributions

By Members

Tier I (Groups 1 and 2): Prior to October 1, 2011, each member contributed 6.0% of salary.
Beginning October 1, 2011, each member contributed 8.25% of salary.
Beginning October 1, 2012, each member contributes 8.50% of salary.

**Tier II (Group 3) and
District Attorneys:**

Each Tier II member and District Attorney member contributes 8.50% of salary.

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

By State

The State makes contributions which, in addition to the members' contributions, are sufficient to carry out the provisions of the Act.

Special Privileges at Retirement

**Tier II (Group 3) and
District Attorneys:**

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 value of the annuity in the member's account at the date of retirement, the balance is paid to a designated beneficiary or to the estate, or

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





Schedule B: Summary of Benefit Provisions Evaluated

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

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





Schedule C: Statement of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation are based on the actuarial 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 2.75%.

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

<u>Years of Service</u>	<u>Annual Rate of</u>				
	<u>Withdrawal</u>	<u>Age</u>	<u>Death*</u>		<u>Disability**</u>
			<u>Male</u>	<u>Female</u>	
<1	3.00%	30	0.0195%	0.0111%	0.020%
1	3.00	35	0.0267	0.0169	0.040
2-5	3.00	40	0.0371	0.0260	0.068
6-9	3.00	45	0.0585	0.0403	0.108
10-14	1.30	50	0.0969	0.0605	0.163
15-19	1.30	55	0.1508	0.0878	0.250
20+	1.30	60	0.2321	0.1326	0.395
	1.30	64	0.3439	0.1995	0.570

* Base rates of pre-retirement mortality as of 2010 from the sex distinct Pub-2010 Teacher Employee Below Median Table with an adjustment factor of 65%, before application of the improvement scale

** Disability rates turn off at retirement eligibility.





Schedule C: Statement of Actuarial Assumptions and Methods

Rates of Retirement:

Age	Tier I Judges (Groups 1 and 2)*	Tier II Judges (Group 3)		Clerks and District Attorneys***
		<18 years	≥18 years**	
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





Schedule C: Statement of Actuarial Assumptions and Methods

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.





Schedule D: Funding Policy

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.





Schedule D: Funding Policy

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.





Schedule D: Funding Policy

- 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.

