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Retirement Systems
of Alabama

**Alabama Clerks and Registers Supernumerary
Fund Report of the Actuary on the Annual
Valuation Prepared as of
September 30, 2010**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

January 19, 2011

Retirement Systems of Alabama
Alabama Clerks and Registers Supernumerary Fund
Montgomery, AL

Dear Sir or Madam:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Clerks and Registers Supernumerary Fund, prepared as of September 30, 2010. The purpose of this report is to provide a summary of the funded status of the Fund as of September 30, 2010, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. On the basis of the valuation, it is recommended that the State make contributions to the Fund at the rate of 82.35% of payroll.

It was determined in 1998 that the definition of a defined benefit pension plan under GASB 25 and 27 includes programs such as the supernumerary program that the State of Alabama operates for Clerks and Registers. The State program consists of the following: (1) pay as you go payments directly from the Administrative Office of Courts to clerks and registers upon election of supernumerary status (retirement), and (2) the Clerks and Registers Supernumerary Fund (CRSF) into which each active clerk and register must contribute six percent (6%) of salary and from which payments are made to surviving spouses of those who meet minimum service requirements.

This valuation, prepared as of September 30, 2010, shows that the State would need to contribute employer contributions of 82.35% of payroll to the CRSF for the year ending September 30, 2013. In conjunction with the required funding, benefits for those clerks and registers in supernumerary status should be paid from the CRSF rather than the Administrative Office of Courts. In order to accomplish this, State law would need to be amended to allow employer contributions to the CRSF and the payment of benefits from the Fund. Because less than the annual required contributions were made under the program, there is a net pension obligation under GASB 25 and 27.

The financing objective of the Fund is to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Five year market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 4.0% annually. The assumptions recommended by the actuary are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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We have prepared the Schedule of Active Member Valuation Data, Schedule of Funding Progress, Trend Information and the Solvency Test for the financial section of the Annual Report.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Fund and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Fund.

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.

Since the program is funded primarily on a pay-as-you-go basis, the Fund is not operating in an actuarially prefunded manner. Assuming that contributions to the Fund are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the sufficiency of the retirement fund to provide the benefits called for under the Fund may be safely anticipated.

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

Respectfully submitted,

A handwritten signature in cursive script, reading 'Edward A. Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA
President

EAM:mjn



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**ALABAMA CLERKS AND REGISTERS SUPERNUMERARY FUND
REPORT OF THE ACTUARY ON THE
ANNUAL VALUATION
PREPARED AS OF SEPTEMBER 30, 2010**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation are summarized below:

| VALUATION DATE | September 30, 2010 | September 30, 2009 |
|--|---------------------------|---------------------------|
| Active clerks and registers: | | |
| Number | 68 | 68 |
| Annual compensation | \$ 5,979,811 | \$ 5,987,980 |
| Supernumerary officials: | | |
| Number | 62 | 63 |
| Annual allowances | \$ 3,678,057 | \$ 3,709,746 |
| Spouses receiving benefits: | | |
| Number | 11 | 11 |
| Annual allowances | \$ 347,832 | \$ 347,832 |
| Former clerks and registers eligible for future benefits | | |
| Number | 5 | 5 |
| Annual allowances | 372,831 | 372,831 |
| Assets: | | |
| Actuarial Value | \$ 10,247,955 | \$ 9,534,673 |
| Market Value | 10,397,897 | 9,433,518 |
| Unfunded accrued liability | \$ 63,370,074 | \$ 63,509,387 |
| CONTRIBUTIONS FOR FISCAL YEAR ENDING | September 30, 2013 | September 30, 2012 |
| Employer Annual Required Contribution Rate (ARC): | | |
| Normal | 22.21% | 22.19% |
| Accrued Liability | <u>60.14</u> | <u>60.19</u> |
| Total | 82.35% | 82.38% |
| Employer Contribution Rate | 82.35% | 82.38% |
| Employee Contribution Rate | <u>6.00</u> | <u>6.00</u> |
| Total | 88.35% | 88.38% |
| Liquidation Period | 30 years | 30 years |

2. Comments on the valuation results as of September 30, 2010 are given in Section IV and further discussion of the contribution levels is set out in Section V.



3. The valuation takes into account the effect of amendments to the Fund through the valuation date. Provisions of the Fund, as summarized in Schedule F, were taken into account in the current valuation.

SECTION II - MEMBERSHIP

1. The following table shows the number of active clerks and registers and their annual compensation as of September 30, 2010 on the basis of which the valuation was prepared.

TABLE 1

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE CLERKS AND REGISTERS AS OF SEPTEMBER 30, 2010

| GROUP | NUMBER | COMPENSATION |
|--------------|---------------|---------------------|
| Males | 38 | \$ 3,510,461 |
| Females | <u>30</u> | <u>2,469,350</u> |
| Total | 68 | \$ 5,979,811 |

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

TABLE 2

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| <u>Valuation Date</u> | <u>Number</u> | <u>Annual Payroll</u> | <u>Annual Average Pay</u> | <u>% Increase in Average Pay</u> |
|----------------------------------|----------------------|----------------------------------|--------------------------------------|---|
| 9/30/2005 | 64 | \$ 5,053,386 | \$ 78,959 | 5.3% |
| 9/30/2006 | 66 | 5,490,866 | 83,195 | 5.4 |
| 9/30/2007 | 73 | 5,619,524 | 76,980 | -7.5 |
| 9/30/2008 | 68 | 5,749,755 | 84,555 | 9.8 |
| 9/30/2009 | 68 | 5,987,980 | 88,059 | 4.1 |
| 9/30/2010 | 68 | 5,979,811 | 87,938 | -0.1 |



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

TABLE 3
THE NUMBER AND ANNUAL ALLOWANCES OF CLERKS AND REGISTERS
IN SUPERNUMERARY STATUS AND SPOUSES IN RECEIPT
AS OF SEPTEMBER 30, 2010

| GROUP | NUMBER | ANNUAL RETIREMENT ALLOWANCES |
|----------------------------|---------------|---|
| Supernumerary Officials | 62 | \$ 3,678,057 |
| Spouses Receiving Benefits | <u>11</u> | <u>347,832</u> |
| Total | 73 | \$ 4,025,889 |

In addition, there are five former clerks and registers eligible for future benefits totaling \$372,831.

4. Table 1 of Schedule G gives the distribution by age and by years of service of the active clerks and registers included in the valuation, while Table 2 gives the number and annual retirement allowances of supernumerary officials and spouses receiving benefits included in the valuation, distributed by age.

SECTION III - ASSETS

1. As of September 30, 2010 the total market value of assets reported amounted to \$10,397,897.
2. The five-year market related actuarial value of assets as of September 30, 2010 was \$10,247,955. Schedule B shows the development of the actuarial value of assets.
3. Schedule C shows the receipts and disbursements of the Fund for the two years preceding the valuation date and a reconciliation of the fund balances at market value.



SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the Fund as of September 30, 2010.
2. The valuation balance sheet shows that the Fund has total prospective liabilities of \$86,663,812. Of this amount, \$49,595,307 is for the prospective benefits payable on account of present supernumerary officials, spouses receiving benefits and former clerks and registers eligible for future benefits and \$37,068,505 is for the prospective benefits payable on account of present active clerks and registers. Against these liabilities, the Fund has total present actuarial value of assets of \$10,247,955 as of September 30, 2010. The difference of \$76,415,857 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future. Of this amount, \$2,774,972 is the present value of future contributions expected to be made by active clerks and registers, and the balance of \$73,640,885 represents the present value of future contributions payable by the employer.
3. The employer's regular contributions to the Fund consist of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions at the rate of 22.21% of payroll are required to provide the benefits of the Fund for the average new hire.
4. Prospective normal contributions at the rate of 22.21% have a present value of \$10,270,811. When this amount is subtracted from \$73,640,885, which is the present value of the total future contributions to be made by the employer, there remains \$63,370,074 as the amount of future accrued liability contributions. Annual accrued liability contributions at the rate of 60.14% of payroll will liquidate the unfunded accrued liability within 30 years from the valuation date on the assumption that the aggregate amount of accrued liability contribution will increase by 4.00% each year.



SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYER

1. On the basis of the actuarial valuation prepared as of September 30, 2010 it is recommended that the employer make contributions at the following rates:

TABLE 4
RECOMMENDED CONTRIBUTION RATES

| CONTRIBUTION | PERCENTAGE OF ACTIVE CLERKS' AND REGISTERS' COMPENSATION |
|-------------------|---|
| Normal | 22.21% |
| Accrued Liability | <u>60.14</u> |
| Total | 82.35% |

SECTION VI – ANALYSIS OF FINANCIAL EXPERIENCE

The following table shows the estimated gain or loss from various factors that resulted in a decrease of \$139,313 in the unfunded accrued liability from \$63,509,387 to \$63,370,074 during the year ending September 30, 2010.

ANALYSIS OF FINANCIAL EXPERIENCE (in thousands of dollars)

| ITEM | AMOUNT OF INCREASE/ (DECREASE) |
|---|--------------------------------------|
| Interest (8.00%) added to previous unfunded accrued liability | \$ 5,080.8 |
| Accrued liability contribution | (2,419.7) |
| Experience: | |
| Valuation asset growth | 73.2 |
| Pensioners' mortality | (148.1) |
| Turnover and retirements | (78.4) |
| New entrants | 23.5 |
| Salary increases | (927.5) |
| Method changes | 0.0 |
| Amendments/COLA | (1,799.7) |
| Assumption changes | 0.0 |
| Miscellaneous changes | <u>56.6</u> |
| Total | \$ 139.3 |



SECTION VII - ACCOUNTING INFORMATION

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

NUMBER OF ACTIVE AND RETIRED MEMBERS AS OF SEPTEMBER 30, 2010

| GROUP | NUMBER |
|--|-----------|
| Retirees and beneficiaries currently receiving benefits | 73 |
| Terminated employees entitled to benefits but not yet receiving benefits | 5 |
| Active Members | <u>68</u> |
| Total | 146 |

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

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|--|--|--------------------------------------|----------------------------|---------------------------|--|
| 9/30/2005 | \$8,025,847 | \$57,579,139 | \$49,553,292 | 13.9% | \$5,053,386 | 980.6% |
| 9/30/2006 | 8,456,074 | 59,044,634 | 50,588,560 | 14.3 | 5,490,866 | 921.3 |
| 9/30/2007 | 8,775,487 | 64,714,032 | 55,938,545 | 13.6 | 5,619,524 | 995.4 |
| 9/30/2008 | 8,999,210 | 72,008,375 | 63,009,165 | 12.5 | 5,749,755 | 1,095.9 |
| 9/30/2009 | 9,534,673 | 73,044,060 | 63,509,387 | 13.1 | 5,987,980 | 1,060.6 |
| 9/30/2010 | 10,247,955 | 73,618,029 | 63,370,074 | 13.9 | 5,979,811 | 1,059.7 |



3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending September 30, 2010.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending 9/30/2010

| | | |
|-----|--|--------------|
| (a) | Employer annual required contribution | \$ 4,738,800 |
| (b) | Interest on net pension obligation | 389,200 |
| (c) | Adjustment to annual required contribution | (276,100) |
| (d) | Annual pension cost: (a) + (b) + (c) as of 9/30/2010 | \$ 4,851,900 |
| (e) | Employer contributions made for fiscal year ending 9/30/2010 | 3,658,000* |
| (f) | Increase (decrease) in net pension obligation: (d) - (e) | \$ 1,193,900 |
| (g) | Net pension obligation 9/30/2009 | 4,865,600 |
| (h) | Net pension obligation 9/30/2010: (f) + (g) | \$ 6,059,500 |

*No employer contributions are made to the Fund. This represents benefit payments made to Supernumerary officials on a pay-as-you-go basis from the Administrative Office of Courts.

TREND INFORMATION

| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage APC Contributed</u> | <u>Net Pension Obligation</u> |
|--------------------|----------------------------------|-----------------------------------|-------------------------------|
| September 30, 2008 | \$ 4,346,500 | 83.6% | \$4,291,500 |
| September 30, 2009 | 4,358,100 | 86.8 | 4,865,600 |
| September 30, 2010 | 4,851,900 | 75.4 | 6,059,500 |

4. The annual required contribution (ARC) of the employer as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below. The accrued liability rate is based on amortization of the unfunded actuarial accrued liability over a 30-year period from the valuation date.

**2012/2013 FISCAL YEAR
ANNUAL REQUIRED CONTRIBUTION (ARC)
BASED ON THE VALUATION AS OF SEPTEMBER 30, 2010**

| ANNUAL REQUIRED CONTRIBUTION (ARC) | RATE |
|---|-------------|
| Normal | 22.21% |
| Accrued liability | 60.14 |
| Total | 82.35% |



5. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at September 30, 2010. Additional information as of the latest actuarial valuation follows.

| | |
|-------------------------------|--------------------------------|
| Valuation date | 9/30/2010 |
| Actuarial cost method | Entry age |
| Amortization method | Level percent open |
| Remaining amortization period | 30 years |
| Asset valuation method | Five-year market related value |
| Actuarial assumptions: | |
| Investment rate of return* | 8.00% |
| Projected salary increases* | 4.00% |
| Cost-of-living adjustments | 4.00% |
| *Includes inflation at | 4.00% |



SCHEDULE A

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE ALABAMA CLERKS AND REGISTERS SUPERNUMERARY FUND
AS OF SEPTEMBER 30, 2010**

| <u>ASSETS</u> | | |
|---|-------------------|----------------------|
| Actuarial Value of Present Assets | | \$ 10,247,955 |
| Present value of future clerks' and registers' contributions | | 2,774,972 |
| Present value of future employer contributions | | |
| Normal contributions | \$ 10,270,811 | |
| Unfunded accrued liability contributions | <u>63,370,074</u> | |
| Total prospective employer contributions | | <u>73,640,885</u> |
| Total Assets | | \$ <u>86,663,812</u> |
| <u>LIABILITIES</u> | | |
| Present value of benefits payable on account of Supernumerary officials, spouses receiving benefits, and former clerks and registers eligible for future benefits | | \$ 49,595,307 |
| Present value of prospective benefits payable on account of present active clerks and registers | | <u>37,068,505</u> |
| Total Liabilities | | \$ <u>86,663,812</u> |



SCHEDULE A (continued)

SOLVENCY TEST

| Valuation Date | Aggregate Accrued Liabilities For | | | Reported Assets | Portion of Accrued Liabilities Covered by Reported Assets | | |
|----------------|------------------------------------|------------------------------------|---|-----------------|---|-----|-----|
| | (1) Active Member Contributions | (2) Retirants and Beneficiaries | (3) Active Members (Employer Financed Portion) | | (1) | (2) | (3) |
| 9/30/2005 | \$3,577,209 | \$37,102,107 | \$16,899,823 | \$ 8,025,847 | 100% | 12% | 0% |
| 9/30/2006 | 3,980,898 | 35,689,285 | 19,374,451 | 8,456,074 | 100 | 13 | 0 |
| 9/30/2007 | 3,242,432 | 47,025,078 | 14,446,522 | 8,775,487 | 100 | 12 | 0 |
| 9/30/2008 | 3,292,261 | 52,200,126 | 16,515,988 | 8,999,210 | 100 | 11 | 0 |
| 9/30/2009 | 3,782,813 | 50,524,210 | 18,737,037 | 9,534,673 | 100 | 11 | 0 |
| 9/30/2010 | 4,173,961 | 49,595,307 | 19,848,761 | 10,247,955 | 100 | 12 | 0 |



SCHEDULE B

DEVELOPMENT OF SEPTEMBER 30, 2010 ACTUARIAL VALUE OF ASSETS

| | | | |
|------|---|----|------------|
| (1) | Actuarial Value of Assets on September 30, 2009 | \$ | 9,534,673 |
| (2) | Market Value of Assets on September 30, 2010 | | 10,397,897 |
| (3) | Market Value of Assets on September 30, 2009 | | 9,433,518 |
| (4) | Net Cash Flow During the Fiscal Year | | |
| | a. Contributions | | 370,600 |
| | b. Disbursements | | (347,832) |
| | c. Net Cash Flow (4)a + (4)b | | 22,768 |
| (5) | Actual Investment Return (2) - (3) - (4)c | | 941,611 |
| (6) | Assumed Rate of Return on Assets | | 8.00% |
| (7) | Amount for Immediate Recognition [(3) * (6)] + [(4)c * .5 * (6)] | | 755,592 |
| (8) | Amount for Phased in Recognition (5) - (7) | | 186,019 |
| (9) | Phased-In Recognition of Investment Gain/(Loss) | | |
| | a. Current Fiscal Year 0.2 * (8) | | 37,204 |
| | b. Prior Fiscal Year | | 87,378 |
| | c. Second Prior Fiscal Year | | (110,699) |
| | d. Third Prior Fiscal Year | | (39,602) |
| | e. Fourth Prior Fiscal Year | | (39,359) |
| | f. Total Recognized Investment Gain/(Loss) for Fiscal Year | | (65,078) |
| (10) | Actuarial Value of Assets on September 30, 2010 (1) + (4)c + (7) + (9)f. | \$ | 10,247,955 |



SCHEDULE C

SUMMARY OF RECEIPTS AND DISBURSEMENTS

| | YEAR ENDING | |
|--|---------------------------|---------------------------|
| | <u>September 30, 2010</u> | <u>September 30, 2009</u> |
| <u>Receipts for the Year</u> | | |
| Contributions: | | |
| Members | \$ 370,600 | \$ 351,144 |
| Employer* | 0 | 0 |
| Subtotal | \$ 370,600 | \$ 351,144 |
| Investment Income | 529,647 | 518,586 |
| Unrealized Gain (Loss) | 411,964 | 583,626 |
| TOTAL | \$ 1,312,211 | \$ 1,453,356 |
| <u>Disbursements for the Year</u> | | |
| Benefit Payments** | \$ 347,832 | \$ 321,597 |
| Refunds to Members | 0 | 0 |
| TOTAL | \$ 347,832 | \$ 321,597 |
| <u>Excess of Receipts over Disbursements</u> | \$ 964,379 | \$ 1,131,759 |
| <u>Reconciliation of Asset Balances</u> | | |
| Market Value of Assets as of Beginning of Year | \$ 9,433,518 | \$ 8,301,759 |
| Excess of Receipts over Disbursements | 964,379 | 1,131,759 |
| Market Value of Assets as of End of Year | \$ 10,397,897 | \$ 9,433,518 |

*No employer contributions are made to the Fund. Active members contribute 6% of salary for surviving spouse's benefits.

**Represents benefit payments from the fund for surviving spouse's benefits. Benefit payments to Supernumerary officials are made on a pay-as-you-go basis from the Administrative Office of Courts.



SCHEDULE D

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INVESTMENT RATE OF RETURN: 8.00% per annum, compounded annually.

SALARY INCREASES: 4.00% per annum, at all ages, including inflation at 4.00%.

SEPARATIONS BEFORE ELIGIBILITY FOR SUPERNUMERARY STATUS: Representative values of the assumed annual rates of death and disability:

| <u>Age</u> | <u>Annual Rate</u> | |
|------------|--------------------|-------------------|
| | <u>Death</u> | <u>Disability</u> |
| 20 | 0.06% | 0.06% |
| 25 | 0.08 | 0.07 |
| 30 | 0.11 | 0.09 |
| 35 | 0.17 | 0.11 |
| 40 | 0.25 | 0.17 |
| 45 | 0.38 | 0.30 |
| 50 | 0.59 | 0.50 |
| 55 | 0.93 | 0.88 |
| 60 | 1.51 | 1.56 |
| 65 | 2.42 | 5.00 |
| 69 | 3.48 | 9.00 |

RATES OF ATTAINING SUPERNUMERARY STATUS: Representative values of the assumed annual rates of becoming a Supernumerary official are as follows:

| <u>Age</u> | <u>Annual Rate*</u> |
|------------|---------------------|
| 50 | 5.0% |
| 55 | 5.0 |
| 60 | 5.0 |
| 62 | 5.0 |
| 65 | 5.0 |
| 70 | 100.0 |

* An additional 25% are assumed to retire when first eligible for supernumerary status.

DEATHS AFTER BECOMING A SUPERNUMERARY OFFICIAL: According to the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females rated back one year for the period after becoming a supernumerary official. Special tables are used for the period after disability retirement.

VALUATION METHOD: Entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.



ASSETS: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected value.

PERCENT MARRIED: 100%.

EXPENSE LOAD: None.



SCHEDULE E

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 8 percent), of each member's expected benefit payable at retirement or death is determined based on his age, service, sex and compensation. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the probability of his terminating with a service, disability or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Fund on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Fund are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the present value of prospective employer normal contributions and member contributions together with the current assets held from the present value of expected benefits to be paid from the Fund.



SCHEDULE F

SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

The following summary describes the main benefit and contribution provisions of The Alabama Clerks and Registers Supernumerary Fund as interpreted for the valuation.

1 - DEFINITIONS

A "Supernumerary Official" is a former clerk or register who has met the age and service requirements who takes the oath of office as a Supernumerary Clerk or Register. "Service" is the service, prior service, and any other previous service established as creditable in accordance with the provisions of the retirement law.

2 - BENEFITS

Supernumerary Official Status

Condition for Allowance

A clerk or register may become a supernumerary official after he or she has completed 23 years of service at any age, or according to the following table:

| <u>Age</u> | <u>Years of Service</u> |
|------------|-------------------------|
| 55 to 59 | 18 |
| 60 | 17 |
| 61 | 16 |
| 62 to 64 | 15 |
| 65 to 69 | 12 |
| 70 | 10 |

Amount of Allowance

A supernumerary official is paid 75% of the State salary payable to the clerk or register on the date he or she attains a supernumerary status. Increases in allowances are granted when active State Employees receive a cost-of-living salary increase.



Disability Allowance

Condition for Allowance

A disability supernumerary allowance may be granted to a member who becomes totally and permanently disabled while in office and who has 5 years or more of service.

Amount of Allowance

75% of the State salary payable to the clerk or register on the date he or she attains supernumerary status.

Benefits Payable on Separation from Service with 12 or more Years of Service

Condition for Allowance

Any clerk or register who ceases to be in service who has met the service eligibility for supernumerary status (12 or more years) is entitled to be commissioned a supernumerary clerk or register upon attaining the specified age.

Amount of Allowance

75% of the State salary payable to the clerk or register on the date he or she attains supernumerary status.

Benefits Payable on Separation From Service with less than 12 Years of Service

Refund employee contributions plus accrued interest.

Benefits Payable upon Death in Active Service

Condition for Allowance

In case of the death of a clerk or register in active service who is eligible for supernumerary status, a spousal benefit is payable to the surviving spouse.

Amount of Allowance

3% at the salary payable from the State treasury for the position of circuit clerk for each year of service, not to exceed 30%.

Benefits Payable upon Death in Supernumerary Status

Condition for Allowance

Surviving spouses of clerks and registers who assume supernumerary status on or after January 16, 1989, are eligible for spousal benefits upon the death of the clerk or register.

Amount of Allowance

3% at the salary payable from the State treasury for the position of circuit clerk for each year of service, not to exceed 30%.



Form of Payment

Modified cash refund.

3 - CONTRIBUTIONS

Member Contributions

Each active clerk and register contributes 6% of his salary.



SCHEDULE G

**NUMBER OF ACTIVE CLERKS AND REGISTERS
BY AGE AND SERVICE AS OF SEPTEMBER 30, 2010**

| Age | Years of Service | | | | | | | | | Total |
|----------|------------------|--------|--------|----------|----------|----------|----------|----------|---------|-------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 & Up | |
| Under 30 | | | | | | | | | | |
| 30 to 34 | | | | | | | | | | |
| 35 to 39 | | 4 | | | | | | | | 4 |
| 40 to 44 | | 3 | | 1 | | | | | | 4 |
| 45 to 49 | | 2 | 2 | | | | | | | 4 |
| 50 to 54 | 1 | 8 | 4 | | 3 | 1 | | | | 17 |
| 55 to 59 | | 7 | 5 | 2 | 5 | 4 | | | | 23 |
| 60 to 64 | | 1 | | | 6 | 1 | | 1 | | 9 |
| 65 to 69 | | | 1 | 1 | 1 | | | | 1 | 4 |
| 70 & Up | | | | | 1 | | 2 | | | 3 |
| Total | 1 | 25 | 12 | 4 | 16 | 6 | 2 | 1 | 1 | 68 |



TABLE 2
NUMBER AND ANNUAL RETIREMENT ALLOWANCES
OF SUPERNUMERARY OFFICIALS AND SPOUSES
RECEIVING BENEFITS AS OF SEPTEMBER 30, 2010

| Age | Number of Members | Total Annual Benefits |
|------------|------------------------------|----------------------------------|
| Under 50 | 0 | \$ 0 |
| 50 – 54 | 1 | 79,052 |
| 55 – 59 | 4 | 314,245 |
| 60 – 64 | 8 | 618,071 |
| 65 – 69 | 14 | 895,528 |
| 70 – 74 | 15 | 785,666 |
| 75 – 79 | 10 | 515,574 |
| 80 – 84 | 10 | 423,615 |
| 85 – 89 | 9 | 330,761 |
| 90 – 94 | 2 | 63,377 |
| 95 & Over | 0 | 0 |
| Total | 73 | \$ 4,025,889 |