

Employees' Retirement System of Alabama



Actuarial Valuation Report

Prepared as of September 30, 2025



May 20, 2026

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

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Employees' Retirement System of Alabama (System), prepared as of September 30, 2025 in accordance with Section 36-27-23(p) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the System as of September 30, 2025 and to recommend rates of State contribution for the fiscal year ending September 30, 2028.

The findings in this report are based on data and other information through September 30, 2025. The valuation was based upon information furnished by RSA Staff, concerning RSA benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal reasonability and year-to-year consistency but did not audit the data. 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. The complete cooperation of the RSA staff in furnishing materials requested is hereby acknowledged with appreciation.

The valuation reflects Act 2026-608, which grants an additional 2% salary increase to State employees and State police officers effective October 1, 2026, as well as a one-time bonus provided to all retired members and beneficiaries of deceased members payable October 1, 2026. In addition, in this year's valuation, we have altered our methodology in the development of the total employer contribution rate for State employees and State police officers from past years to accommodate for the 2-year contribution lag between the valuation date that calculates the contribution rate and the fiscal year in which the contribution is actually made.

On the basis of the valuation, the projected employer contribution rates for the fiscal year ending September 30, 2028 for both State employees and State Police are lower than the employer contribution rates established for FY 2027. Nevertheless, we recommend maintaining the FY 2027 employer contribution rates for State employees at the rates of 17.15% of payroll for Tier I members and 16.85% of payroll for Tier II members and for State Police at the rates of 58.82% of payroll for Tier I members and 56.41% for Tier II members for the fiscal year ending September 30, 2028.

We refer to this as the FY 2027 Employer Rate Floor in subsequent pages. Maintaining level rates from FY 2027 to FY 2028 is expected to improve the System's funded ratio, support the long-term funding condition of the System, and provide a hedge against potential cost increases associated with assumption changes to be reviewed this fall during experience investigation or adverse experience in future valuations.



The contribution rates for local employers for the fiscal year beginning October 1, 2027 will be submitted in a separate report and will include the impact of the employer-elected changes through September 30, 2025, and the impact of any employer elections of Act 2022-348 approved by the Board through September 30, 2025.

Effective with the September 30, 2021 valuation, the Board approved a phase in of the increase in the required contributions due to the assumption changes made in the most recent experience investigation over a period not to exceed five years with a floor equal to the 2023 fiscal year employer contribution rates. As of the 2028 fiscal year, employer rates in this September 30, 2025 actuarial valuation have been fully phased-in.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded actuarial accrued liability (UAAL) that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 2.75% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters outlined in the Board's funding policy.

In this report, we provide the following information and supporting schedules in the Actuarial and Statistical Sections of the Annual Comprehensive Financial Report:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Schedule of Active Member Valuation Data

We also provide the following schedules for the Annual Comprehensive Financial Report in a separate supplemental report:

- Analysis of Actuarial Gains and Losses
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2025
- Ten-Year History of Average Monthly Benefit Payments as of September 30

The necessary GASB Statements No. 67 and 68 disclosure information is provided in separate supplemental reports. However, some accounting information is provided for informational purposes only.

This is to certify that Larry Langer, Ed Koebel and Wendy Ludbrook are members of the American Academy of Actuaries and have 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 retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

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.

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.

The actuarial computations presented in this report are for purposes of determining the recommended funding amount for the System and appropriate for the determination of the employer contribution rates herein. The results contained herein are not appropriate for the settlement of liabilities. Use of these computations for purposes other than meeting these requirements may not be appropriate.

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System 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 continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

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

Respectfully submitted,

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

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

Jennifer Johnson
Managing Director

Wendy Ludbrook FSA, EA, FCA, MAAA
Consulting Actuary



TABLE OF CONTENTS

Section		
I	Summary of Principal Results	1
II	Membership Data	6
III	Assets	9
IV	Comments on Valuation	13
V	Contributions Payable by Employer	18
VI	Analysis of Financial Experience	21
VII	Accounting Information	25
VIII	Risk Assessment	28
Schedule		
A	Valuation Balance Sheet and Solvency Test	33
B	Development of the Actuarial Value of Assets	35
C	Summary of Receipts and Disbursements	36
D	Actuarial Assumptions and Methods	38
E	Actuarial Cost Method	46
F	Board Funding Policy	47
G	Projections	50
H	Main Plan Provisions	55
I	Schedules of Membership Data	67





SECTION I - SUMMARY OF PRINCIPAL RESULTS

SUMMARY OF PRINCIPAL RESULTS FOR STATE EMPLOYEES

Results as of September 30,	2025	2024
Active Members		
Number	29,489	27,838
Annual Compensation	\$ 1,848,456,623	\$ 1,743,400,587
Retired members and beneficiaries ¹		
Number	25,465	25,307
Annual Allowances	\$ 628,484,468	\$ 612,478,873
Deferred vested members		
Number	1,166	1,248
Estimated deferred allowances	\$ 18,057,970	\$ 19,298,169
Actuarial accrued liability (AAL)	\$ 9,732,574,417	\$ 9,465,504,482
Assets		
Actuarial value (AVA)	\$ 5,733,827,437	\$ 5,397,947,927
Market value (MVA)	6,144,619,357	5,779,326,227
UAAL based on AVA	\$ 3,998,746,980	\$ 4,067,556,555
Funded Ratio based on AVA	58.9 %	57.0 %
UAAL based on MVA	\$ 3,587,955,060	\$ 3,686,178,255
Funded Ratio based on MVA	63.1 %	61.1 %
Employer Rates for FYE September 30,	2028	2027
Tier I (first hired prior to January 1, 2013)		
Normal Cost	9.33 %	9.08 %
Member Contributions	(7.63)	(7.63)
Employer Normal Cost	1.70 %	1.45 %
UAAL Amortization Payment*	14.45	15.33
FY 2027 Employer Rate Floor**	0.63	-
Death Benefit	0.07	0.07
Administration	0.30	0.30
Total Tier I Employer Contribution Rate	17.15 %	17.15 %
Tier II (first hired on or after January 1, 2013)		
Normal Cost	7.48 %	7.24 %
Member Contributions	(6.10)	(6.09)
Employer Normal Cost	1.38 %	1.15 %
UAAL Amortization Payment*	14.45	15.33
FY 2027 Employer Rate Floor**	0.65	-
Death Benefit	0.07	0.07
Administration	0.30	0.30
Total Tier II Employer Contribution Rate	16.85 %	16.85 %
Blended Amortization Period	22.9 years	24.0 years

¹ Includes post-DROP members in suspended status who are also active with a second retirement account.

* Includes the impact of Act 2026-608 of 0.42% of payroll.

** Additional payment to maintain the FYE September 30, 2027 Tier I Employer Rate of 17.15% and Tier II Employer Rate of 16.85%.





SECTION I - SUMMARY OF PRINCIPAL RESULTS

SUMMARY OF PRINCIPAL RESULTS FOR STATE POLICE

Results as of September 30,	2025	2024
Active Members		
Number	781	765
Annual Compensation	\$ 67,380,648	\$ 64,960,890
Retired members and beneficiaries		
Number	1,011	1,006
Annual Allowances	\$ 51,839,766	\$ 51,120,154
Deferred vested members		
Number	23	23
Estimated deferred allowances	\$ 422,750	\$ 423,667
Actuarial accrued liability (AAL)	\$ 831,902,627	\$ 808,488,304
Assets		
Actuarial value (AVA)	\$ 448,454,982	\$ 413,787,298
Market value (MVA)	479,809,017	442,954,983
UAAL based on AVA	\$ 383,447,645	\$ 394,701,006
Funded Ratio based on AVA	53.9 %	51.2 %
UAAL based on MVA	\$ 352,093,610	\$ 365,533,321
Funded Ratio based on MVA	57.7 %	54.8 %
Employer Rates for FYE September 30,	2028	2027
Tier I (first hired prior to January 1, 2013)		
Normal Cost	21.74 %	21.10 %
Member Contributions	(10.00)	(10.00)
Employer Normal Cost	11.74 %	11.10 %
UAAL Amortization Payment*	44.53	47.35
FY 2027 Employer Rate Floor**	2.18	-
Death Benefit	0.07	0.07
Administration	0.30	0.30
Total Tier I Employer Contribution Rate	58.82 %	58.82 %
Tier II (first hired on or after January 1, 2013)		
Normal Cost	19.19 %	18.69 %
Member Contributions	(10.00)	(10.00)
Employer Normal Cost	9.19 %	8.69 %
UAAL Amortization Payment*	44.53	47.35
FY 2027 Employer Rate Floor**	2.32	-
Death Benefit	0.07	0.07
Administration	0.30	0.30
Total Tier II Employer Contribution Rate	56.41 %	56.41 %
Blended Amortization Period	16.8 years	17.9 years

* Includes the impact of Act 2026-608 of 0.42% of payroll.

** Additional payment to maintain the FYE September 30, 2027 Tier I Employer Rate of 58.82% and Tier II Employer Rate of 56.41%.





SECTION I - SUMMARY OF PRINCIPAL RESULTS

SUMMARY OF PRINCIPAL RESULTS FOR LOCAL EMPLOYEES

Results as of September 30,	2025	2024
Active Members		
Number	61,889	60,310
Annual Compensation	\$ 3,500,509,894	\$ 3,268,583,841
Retired members and beneficiaries*		
Number	33,305	32,508
Annual Allowances	\$ 784,671,275	\$ 747,315,149
Deferred vested members		
Number	2,413	2,425
Estimated deferred allowances	\$ 35,835,000	\$ 35,409,402
Actuarial accrued liability (AAL)	\$ 14,724,629,765	\$ 14,002,973,803
Assets		
Actuarial value (AVA)	\$ 10,474,634,440	\$ 9,648,953,337
Market value (MVA)	11,209,096,995	10,329,013,731
UAAL based on AVA	\$ 4,249,995,325	\$ 4,354,020,466
Funded Ratio based on AVA	71.1 %	68.9 %
UAAL based on MVA	\$ 3,515,532,770	\$ 3,673,960,072
Funded Ratio based on MVA	76.1 %	73.8 %
Employer Rates for FYE September 30,	2028	2027
Tier I (first hired prior to January 1, 2013)		
Total Normal Cost	Varies	Varies
Member Contributions	<u>Varies</u>	<u>Varies</u>
Employer Normal Cost	Varies	Varies
Unfunded actuarial accrued liability	Varies	Varies
Death benefit	0.07	0.07
Administration	<u>0.30</u>	<u>0.30</u>
Total Tier I Employer Contribution Rate	Varies	Varies
Tier II (first hired on or after January 1, 2013)		
Total Normal Cost	Varies	Varies
Member Contributions	<u>Varies</u>	<u>Varies</u>
Employer Normal Cost	Varies	Varies
Unfunded actuarial accrued liability	Varies	Varies
Death benefit	0.07	0.07
Administration	<u>0.30</u>	<u>0.30</u>
Total Tier II Employer Contribution Rate	Varies	Varies
Blended Amortization Period	Varies: <30 years	Varies: <30 years

* Includes post-DROP members in suspended status who are also active with a second retirement account.





SECTION I - SUMMARY OF PRINCIPAL RESULTS

SUMMARY OF PRINCIPAL RESULTS FOR ALL GROUPS

Results as of September 30,	2025	2024
Active Members		
Number	92,159	88,913
Annual Compensation	\$ 5,416,347,165	\$ 5,076,945,317
Retired members and beneficiaries*		
Number	59,781	58,821
Annual Allowances	\$ 1,464,995,509	\$ 1,410,914,176
Deferred vested members		
Number	3,602	3,696
Estimated deferred allowances	\$ 54,315,720	\$ 55,131,238
Actuarial accrued liability (AAL)	\$ 25,289,106,809	\$ 24,276,966,589
Assets		
Actuarial value (AVA)	\$ 16,656,916,859	\$ 15,460,688,562
Market value (MVA)	17,833,525,369	16,551,294,941
UAAL based on AVA	\$ 8,632,189,950	\$ 8,816,278,027
Funded Ratio based on AVA	65.9 %	63.7 %
UAAL based on MVA	\$ 7,455,581,440	\$ 7,725,671,649
Funded Ratio based on MVA	70.5 %	68.2 %

* Includes post-DROP members in suspended status who are also active with a second retirement account.





SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. Comments on the valuation results as of September 30, 2025 are given in Section IV and further discussion of the contribution levels is set out in Section V. The valuation results reflect the 2% salary increase granted to State employees and State police officers effective October 1, 2026, as well as the one-time bonus to retired members and beneficiaries of deceased members payable October 1, 2026. In addition, in this year's valuation, we have altered our methodology in the development of the total employer contribution rate from past years to accommodate for the 2-year contribution lag between the valuation date that calculates the contribution rate and the fiscal year in which the contribution is actually made. More information is included in Section V of this report.
2. Schedule B of this report shows the development of the actuarial value of assets. The actuarial value return on assets is estimated at 10.5% for the fiscal year ending September 30, 2025, which is compared to the current expected return of 7.45%.
3. Schedule D of this report outlines the full set of actuarial assumptions and methods used in the current valuation. There have been no changes since the previous valuation. The next actuarial experience study will be for the period from October 1, 2020 to September 30, 2025.
4. The Board's Funding Policy is provided in Schedule F.
5. Projections of the Fund's assets, liabilities, and contribution rates are presented in Schedule G.
6. Provisions of the System, as summarized in Schedule H, were taken into account in the current valuation. There have been no changes since the previous valuation.
7. The results shown in this report reflect all local employer elections approved by the Board through October 1, 2025. The contribution rates for local employers for the fiscal year beginning October 1, 2027 will be submitted in a separate report.
8. The Summary of Principal Results shows the funded ratio and UAAL (unfunded actuarial accrued liability) on both asset basis: the AVA (actuarial value of assets) and the MVA (market value of assets). The funded ratio is the ratio of the assets to the actuarial accrued liability. The UAAL is the AAL (actuarial accrued liability) less the assets. The funded ratio is an indication of progress in funding the promised benefits. The AVA basis is used to determine employer contribution rates and is the traditional measurement of the funded ratio and UAAL. References to funded ratio and UAAL throughout this report are the traditional amounts. Since the funded ratio is less than 100% and the UAAL is greater than zero, there is a need for additional contributions towards payment of the UAAL. In addition, this funded ratio does not have any relationship to measuring sufficiency if the plan had to settle its liabilities.





SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual compensation as of September 30, 2025 on the basis of which the valuation was prepared.

TABLE 1
THE NUMBER AND ANNUAL COMPENSATION
OF ACTIVE MEMBERS AS OF SEPTEMBER 30, 2025

Group	Number	Compensation
State Employees		
Tier 1, FLC	1,392	\$ 120,971,837
Tier 1, Non-FLC	11,260	855,514,475
Tier 2, FLC	1,315	90,512,127
Tier 2, Non-FLC	15,464	775,321,984
Post-DROP Members Still in Active Service	58	6,136,200
Total	29,489	\$ 1,848,456,623
State Police		
Tier 1, Group 1	483	\$ 45,997,522
Tier 2, Group 1	298	21,383,126
Post-DROP Members Still in Active Service	-	-
Total	781	\$ 67,380,648
Local Employees		
Tier 1, FLC	5,893	\$ 473,255,140
Tier 1, Non-FLC	16,680	1,100,252,515
Tier 2, FLC	8,110	486,847,308
Tier 2, Non-FLC	31,180	1,437,266,359
Post-DROP Members Still in Active Service	26	2,888,572
Total	61,889	\$ 3,500,509,894
All Groups		
Tier 1	35,708	\$ 2,595,991,489
Tier 2	56,367	2,811,330,904
Post-DROP Members Still in Active Service	84	9,024,772
Total	92,159	\$ 5,416,347,165

The table reflects the active membership for whom complete valuation data were submitted. The results of the valuation include an estimated liability for an additional 36 vested inactive members where complete data was not available (with liabilities equal to contribution balances multiplied by a factor of 3), contribution balances for an additional 28,886 non-vested inactive members who have contributed in the last 5 years, and 28,343 non-vested inactive members who have not contributed for more than 5 years.





SECTION II - MEMBERSHIP DATA

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

TABLE 2
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	% Increase in Annual Payroll*	Annual Average Pay (Not Loaded)	% Increase in Average Pay**
State Employees					
9/30/2025	29,489	\$ 1,848,456,623	6.03 %	\$ 62,683	0.09 %
9/30/2024	27,838	1,743,400,587	9.74	62,627	6.51
9/30/2023	27,019	1,588,688,342	5.74	58,799	4.32
9/30/2022	26,656	1,502,382,664	5.62	56,362	9.10
9/30/2021	27,535	1,422,423,897	(0.09)	51,659	2.30
9/30/2020	28,193	1,423,647,929	4.84	50,497	6.11
State Police					
9/30/2025	781	\$ 67,380,648	3.72 %	\$ 86,275	1.60 %
9/30/2024	765	64,960,890	13.47	84,916	9.62
9/30/2023	739	57,248,096	10.31	77,467	8.07
9/30/2022	724	51,897,979	2.12	71,682	12.56
9/30/2021	798	50,818,742	(1.68)	63,683	1.77
9/30/2020	826	51,686,733	20.19	62,575	(0.91)
Local Employees					
9/30/2025	61,889	\$ 3,500,509,894	7.10 %	\$ 56,561	4.36 %
9/30/2024	60,310	3,268,583,841	7.93	54,196	5.03
9/30/2023	58,692	3,028,428,877	7.25	51,599	4.74
9/30/2022	57,317	2,823,642,750	8.76	49,264	6.72
9/30/2021	56,238	2,596,107,201	2.37	46,163	2.79
9/30/2020	56,466	2,535,901,049	5.97	44,910	3.82
All Employees					
9/30/2025	92,159	\$ 5,416,347,165	6.69 %	\$ 58,772	2.93 %
9/30/2024	88,913	5,076,945,318	8.61	57,100	5.60
9/30/2023	86,450	4,674,365,315	6.77	54,070	4.61
9/30/2022	84,697	4,377,923,393	7.58	51,689	7.42
9/30/2021	84,571	4,069,349,840	1.45	48,118	2.55
9/30/2020	85,485	4,011,235,711	5.73	46,923	4.55

* Annual increase in *total pay* since 2020:

- State Employees: 5.36%
- State Police: 5.45%
- Local Employees: 6.66%
- All Employees: 6.19%

** Annual increase in *average pay* since 2020:

- State Employees: 4.42%
- State Police: 6.63%
- Local Employees: 4.72%
- All Employees: 4.61%





SECTION II - MEMBERSHIP DATA

3. The following table shows the number and annual retirement allowances payable to retired members and their beneficiaries on the rolls of the Retirement System as of the valuation date.

TABLE 3

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCE
OF RETIRED MEMBERS AND BENEFICIARIES ON THE ROLLS
AS OF SEPTEMBER 30, 2025**

Type of Retirement	Group			
	State Employees ¹	State Police ²	Local Employees ³	Total Employees
Service:				
Number ⁴	21,358	866	28,319	50,543
Annual Allowances ⁴	\$562,965,620	\$ 47,691,768	\$710,408,811	\$1,321,066,199
Disability:				
Number	2,074	43	1,924	4,041
Annual Allowances	\$ 32,079,362	\$ 1,454,368	\$ 30,126,419	\$ 63,660,149
Beneficiaries:				
Number	2,033	102	3,062	5,197
Annual Allowances	\$ 33,439,486	\$ 2,693,630	\$ 44,136,045	\$ 80,269,161
Total:				
Number	25,465	1,011	33,305	59,781
Annual Allowances	\$628,484,468	\$ 51,839,766	\$784,671,275	\$1,464,995,509

¹ In addition, there are 1,166 vested inactive members with estimated deferred annual allowances totaling \$18,057,970.

² In addition, there are 23 vested inactive members with estimated deferred annual allowances totaling \$422,750.

³ In addition, there are 2,413 vested inactive members with estimated deferred annual allowances totaling \$35,835,000.

⁴ Includes post-DROP members in suspended status who are also active with a second retirement account.

4. Tables in Schedule I show the distribution by age and service of the number and average annual compensation of active members included in the valuation. In addition, tables in Schedule I show the distribution by age and benefit type of the number, annual benefits, and average annual benefits of retired members included in the valuation.





SECTION III - ASSETS

1. The current retirement law provides for the maintenance of five funds for the purpose of recording the fiscal transactions of the System, namely, the Annuity Savings Fund, the Pension Accumulation Fund, the Deferred Retirement Option Plan (DROP) Fund, the Pre-Retirement Death Benefit Fund, and the Expense Fund.

- (a) ***Annuity Savings Fund***

The Annuity Savings Fund is the fund to which are credited all contributions made by members together with regular interest thereon. When a member retires or when a survivor allowance becomes payable, the amount of the member's accumulated contributions are transferred from the Annuity Savings Fund to the Pension Accumulation Fund. On September 30, 2025, the market value of assets credited to this Fund amounted to \$3,974,263,211 which represent the contributions of members to this date.

- (b) ***Pension Accumulation Fund***

The Pension Accumulation Fund is the fund to which are credited all contributions made by the employers, except those contributions made to the Pre-Retirement Death Benefit Fund which was created October 1, 1983. When a member retires or when a survivor allowance becomes payable, the pension is paid from this fund. The market value of assets credited to this fund amounted to \$13,831,398,409 on September 30, 2025.

- (c) ***DROP Fund***

The DROP Fund is the fund to which are credited deferred retirement benefits on behalf of members who elect to participate in the DROP, together with regular interest thereon. In addition, member contributions while participating in the DROP, together with regular interest therein, are credited to the Fund. At the end of the DROP deferral period, the member receives the amount of the deferred retirement benefits and contributions plus interest in the member's DROP account. The DROP is closed to new participants as of June 1, 2011. On September 30, 2025, the market value of assets credited to this Fund amounted to \$27,863,749.

- (d) ***Pre-Retirement Death Benefit Fund***

The Pre-Retirement Death Benefit Fund is the fund to which are credited contributions made by the employer for the special pre-retirement death benefit which became effective October 1, 1983. On September 30, 2025, the market value of assets credited to this fund amounted to \$12,005,285. These assets are not included in the valuation and the liabilities associated with these death benefits are not included in the valuation.





SECTION III - ASSETS

(e) **Expense Fund**

The Expense Fund is the fund from which the expenses of the administration of the Retirement System are paid. Any amounts credited to the accounts of members withdrawing before retirement and not returnable under the provisions of Code Section 36-27-16(c) are credited to the Expense Fund. Additional contributions required to meet the expenses of the Retirement System made by the employer are also credited to this fund. On September 30, 2025, the book value of assets credited to this fund amounted to \$16,792,201. These assets are not included in the valuation.

2. As of September 30, 2025 the total market value of assets, exclusive of the Pre-Retirement Death Benefit Fund and the Expense Fund, amounted to \$17,833,525,369 as shown in the following table.

TABLE 4A
MARKET VALUE OF ASSETS BY FUND
AS OF SEPTEMBER 30, 2025

Fund	Market Value of Assets
Annuity Savings Fund	\$ 3,974,263,211
Pension Accumulation Fund	13,831,398,409
DROP Fund	27,863,749
Total Market Value of Assets	\$ 17,833,525,369

3. The five-year market related actuarial value of assets as of September 30, 2025 was \$16,656,916,859. The following table shows the actuarial value of assets used for the current valuation allocated among State Employees, State Police and Local Employees.

TABLE 4B
COMPARISON OF ACTUARIAL VALUE OF ASSETS
AT SEPTEMBER 30, 2025 AND SEPTEMBER 30, 2024

Group	September 30, 2025 Actuarial Value	September 30, 2024 Actuarial Value
State Employees	\$ 5,733,827,437	\$ 5,397,947,927
State Police	448,454,982	413,787,298
Local Employees	10,474,634,440	9,648,953,337
Total Actuarial Value of Assets	\$ 16,656,916,859	\$ 15,460,688,562





SECTION III - ASSETS

- Schedule C shows the receipts and disbursements of the System for the year preceding the valuation date and a reconciliation of the fund balances at market value.
- The following table shows the history of the expected and actual rates of investment returns.

TABLE 4C
HISTORICAL EXPECTED AND ACTUAL RETURNS

FYE September 30,	Expected Return	Market Return	Actuarial Return
2025	7.450 %	10.2 %	10.5 %
2024	7.450	21.2	8.8
2023	7.450	12.9	4.7
2022	7.450	(13.0)	5.3
2021	7.700	22.2	10.0
2020	7.700	5.8	7.7
2019	7.700	2.8	7.3
2018	7.750	9.3	9.1
2017	7.875	12.9	9.9
2016	8.000	10.2	8.9

- The table on the following page shows a historical reconciliation of the market value of assets by source.





SECTION III - ASSETS

TABLE 4D

HISTORICAL RECONCILIATION MARKET VALUE BY SOURCE (\$ MILLIONS)

FYE 9/30	Beginning of Year Market Value of Assets (a)	Contributions (b)	Benefit Payments and Expenses (c)	Investment Income (d)	Change in Market Value Assets (e) = (b) + (c) + (d)	End of Year Market Value of Assets (f) = (a) + (e)
State Employees						
2025	\$ 5,779.2	\$ 419.8	\$ (638.8)	\$ 584.4	\$ 365.4	\$ 6,144.6
2024	4,978.9	389.2	(625.9)	1,037.0	800.3	5,779.2
2023	4,683.0	338.9	(637.6)	594.6	295.9	4,978.9
2022	5,714.0	319.0	(631.5)	(718.5)	(1,031.0)	4,683.0
2021	4,931.9	314.4	(602.4)	1,070.1	782.1	5,714.0
2020	4,917.4	324.0	(584.3)	274.9	14.6	4,931.9
2019	5,059.4	297.5	(566.8)	127.3	(142.0)	4,917.4
2018	4,910.5	270.7	(565.4)	443.6	148.9	5,059.4
2017	4,616.0	267.0	(550.1)	577.6	294.5	4,910.5
2016	4,455.8	279.8	(562.7)	443.0	160.1	4,616.0
State Police						
2025	\$ 443.0	\$ 42.7	\$ (50.8)	\$ 44.9	\$ 36.8	\$ 479.8
2024	375.9	38.0	(49.2)	78.3	67.1	443.0
2023	338.4	32.4	(38.4)	43.5	37.5	375.9
2022	410.1	30.6	(51.2)	(51.1)	(71.7)	338.4
2021	348.9	30.7	(45.3)	75.8	61.2	410.1
2020	342.7	29.6	(42.6)	19.2	6.2	348.9
2019	352.9	25.3	(44.4)	8.8	(10.2)	342.7
2018	344.0	22.0	(43.9)	30.8	8.9	352.9
2017	318.9	27.4	(42.2)	39.9	25.1	344.0
2016	310.8	22.9	(45.2)	30.5	8.2	318.9
Local Employees						
2025	\$ 10,329.0	\$ 674.4	\$ (841.8)	\$ 1,047.5	\$ 880.1	\$ 11,209.1
2024	8,717.0	585.9	(792.8)	1,818.9	1,612.0	10,329.0
2023	7,917.7	539.2	(753.8)	1,013.9	799.3	8,717.0
2022	9,293.0	506.4	(706.0)	(1,175.7)	(1,375.3)	7,917.7
2021	7,809.5	442.3	(667.9)	1,709.1	1,483.5	9,293.0
2020	7,246.7	766.3	(631.3)	427.8	562.8	7,809.5
2019	7,244.5	385.0	(566.5)	183.7	2.2	7,246.7
2018	6,797.8	361.8	(536.1)	621.0	446.7	7,244.5
2017	6,173.6	352.6	(508.9)	780.5	624.2	6,797.8
2016	5,718.7	357.0	(478.4)	576.2	454.9	6,173.6
All Employees						
2025	\$ 16,551.2	\$ 1,136.9	\$ (1,531.4)	\$ 1,676.8	\$ 1,282.3	\$ 17,833.5
2024	14,071.8	1,013.1	(1,467.9)	2,934.2	2,479.4	16,551.2
2023	12,939.1	910.5	(1,429.8)	1,652.0	1,132.7	14,071.8
2022	15,417.1	856.0	(1,388.7)	(1,945.3)	(2,478.0)	12,939.1
2021	13,090.3	787.4	(1,315.6)	2,855.0	2,326.8	15,417.1
2020	12,506.8	1,119.9	(1,258.2)	721.9	583.6	13,090.3
2019	12,656.8	707.8	(1,177.6)	319.8	(150.0)	12,506.8
2018	12,052.3	654.5	(1,145.4)	1,095.4	604.5	12,656.8
2017	11,108.5	647.0	(1,101.2)	1,398.0	943.8	12,052.3
2016	10,485.3	659.7	(1,086.3)	1,049.7	623.2	11,108.5





SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheets which show the present and prospective assets and liabilities of the System as of September 30, 2025. Separate balance sheets are shown for each employee group as well as in total for all groups.
2. The total valuation balance sheet shows that the System has total prospective liabilities of \$29,200,411,605. Of this amount, \$13,583,204,111 is for the prospective benefits payable on account of present retired members, beneficiaries of deceased members, and DROP participants, \$473,931,330 is for the prospective benefits payable on account of present inactive members and \$15,143,276,164 is for the prospective benefits payable on account of present active members. Against these liabilities the System has total actuarial value of assets of \$16,656,916,859 as of September 30, 2025. The difference of \$12,543,494,746 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, \$2,626,059,335 is the present value of future contributions expected to be made by members to the Annuity Savings Fund, and the balance of \$9,917,435,411 represents the present value of future contributions payable by the employers.
3. The employer's regular contributions to the System consist of normal contributions and unfunded actuarial accrued liability (UAAL) contributions and contributions for administrative expenses. Prospective employer normal contributions have a present value of \$1,285,245,464. When this amount is subtracted from \$9,917,435,411, which is the present value of the total future contributions to be made by the employers, there remains \$8,632,189,947 as the amount of future UAAL contributions.
4. The funding policy adopted by the Board, as shown in Schedule F, provides that the initial total UAAL established as of September 30, 2021 shall be amortized over a closed 27-year period for state employees and a closed 21-year period for state police. Each subsequent valuation may produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation which shall be amortized over a closed 15-year period. Each valuation beginning with the September 30, 2028 valuation for State employees, and the September 30, 2022 valuation for State Police 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 and will be amortized over closed 20- year periods. All gains and losses occurring after the establishment of the initial total UAAL and before those dates, except for those due to benefit improvements, shall be included in the remaining initial total UAAL each year and amortized over the remaining closed period.
5. The total UAAL rate payable by the State is 14.45% of payroll for State employees and 44.53% of payroll for State Police determined in accordance with the Board's funding policy. The UAAL contribution rate has been calculated on the assumption that each incremental component of accrued liability contribution will increase by 2.75% each year.





SECTION IV - COMMENTS ON VALUATION

6. Effective with the September 30, 2025 actuarial valuation, past expected events are incorporated into the development of the employer contribution dollar amount using the same methodology to accommodate for the 2-year contribution lag between the valuation date and the fiscal year in which the contribution is actually made. To transition this policy, we explicitly developed the pre-2025 amortization bases as shown below.

DEVELOPMENT OF PRE-2025 AMORTIZATION BASES STATE EMPLOYEES

Fiscal Year End 9/30	Benefit Improvement 2021*			Benefit Improvement 2023**		
	Outstanding		Amortization	Outstanding		Amortization
	UAAL as of Fiscal Year Beginning	Period	Payment for Fiscal Year End	UAAL as of Fiscal Year Beginning	Period	Payment for Fiscal Year End
2022	10,513,204	n/a	-	-	n/a	-
2023	11,296,437	n/a	-	-	n/a	-
2024	12,138,022	15	1,126,039	(2,657,103)	n/a	-
2025	11,875,074	14	1,157,005	(2,855,057)	n/a	-
2026	11,560,438	13	1,188,823	(3,067,759)	15	(284,595)
2027	11,189,379	12	1,221,516	(3,001,301)	14	(292,421)
2028	10,756,788	11	1,255,107	(2,921,780)	13	(300,463)

* Act 2022-351 and Act 2022-184

** Act 2023-73





SECTION IV - COMMENTS ON VALUATION

DEVELOPMENT OF PRE-2025 AMORTIZATION BASES STATE POLICE

Fiscal Year End 9/30	Initial UAAL			Benefit Improvement 2021*			Benefit Improvement 2023*		
	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period
	2022	309,010,437	-	n/a	264,104	-	n/a	-	-
2023	332,031,714	-	n/a	283,779	-	n/a	-	-	n/a
2024	356,768,077	26,558,501	21	304,921	28,287	15	21,590,346	-	n/a
2025	355,817,264	27,288,860	20	298,316	29,065	14	23,198,826	-	n/a
2026	354,038,538	28,039,303	19	290,413	29,865	13	24,927,139	2,312,480	-
2027	351,349,403	28,810,384	18	281,091	30,686	12	24,387,139	2,376,074	-
2028	347,660,639	29,602,670	17	270,224	31,530	11	23,740,987	2,441,416	-

Fiscal Year End 9/30	New Incremental 2022			New Incremental 2023			New Incremental 2024		
	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period	Outstanding UAAL as of Fiscal Year Beginning	Amortization Payment for Fiscal Year End	Period
	2022	-	-	n/a	-	-	n/a	-	-
2023	27,489,656	-	n/a	-	-	n/a	-	-	n/a
2024	29,537,635	-	n/a	17,739,021	-	n/a	-	-	n/a
2025	31,738,189	2,434,112	20	19,060,578	-	n/a	24,222,971	-	n/a
2026	31,579,530	2,501,050	19	20,480,591	1,570,728	20	26,027,582	-	n/a
2027	31,339,665	2,569,829	18	20,378,208	1,613,923	19	27,966,637	2,144,858	-
2028	31,010,634	2,640,499	17	20,223,423	1,658,305	18	27,826,833	2,203,842	-

* Act 2022-351 and Act 2022-184

** Act 2023-73





SECTION IV - COMMENTS ON VALUATION

7. The following table shows the components of the expected unfunded actuarial accrued liability (UAAL) as of the fiscal year beginning October 1, 2027 and the derivation of the actuarial accrued liability contribution rate for State employees and State Police, which now takes into account the contribution lag.

TABLE 5
TOTAL UAAL AND UAAL CONTRIBUTION RATE
STATE EMPLOYEES

Base	Initial Amounts			Amounts for FYE September 30, 2028		
	Balance	Valuation Date Established	Amortization Period	Outstanding Amortization Balance as of Beginning of Fiscal Year*	Payment for Fiscal Year Ending	Remaining Amortization Period
Initial UAAL Base	\$3,235,144,946	9/30/2021	27	\$ 3,964,576,758	\$ 279,766,173	23
Benefit Improvements**	10,513,204	9/30/2021	15	10,756,788	1,255,107	11
Benefit Improvements***	(2,657,103)	9/30/2023	15	(2,921,780)	(300,463)	13
Benefit Improvements****	7,039,614	9/30/2025	1	8,127,588	8,424,903	1
Total Bases				\$ 3,980,539,354	\$ 289,145,720	
Estimated Payroll for FYE 9/30/2028					\$ 2,000,962,210	
UAAL Contribution Rate for FYE 9/30/2028					14.45%	

STATE POLICE

Base	Initial Amounts			Amounts for FYE September 30, 2028		
	Balance	Valuation Date Established	Amortization Period	Outstanding Amortization Balance as of Beginning of Fiscal Year*	Payment for Fiscal Year Ending	Remaining Amortization Period
Initial UAAL Base	\$ 309,010,437	9/30/2021	21	\$ 347,660,639	\$ 29,602,670	17
Benefit Improvements**	264,104	9/30/2021	15	270,224	31,530	11
New Incremental UAAL	27,489,656	9/30/2022	20	31,010,634	2,640,499	17
New Incremental UAAL	17,739,021	9/30/2023	20	20,223,423	1,658,305	18
Benefit Improvements***	21,590,346	9/30/2023	15	23,740,987	2,441,416	13
New Incremental UAAL	24,222,971	9/30/2024	20	27,826,833	2,203,842	19
New Incremental UAAL	(70,865,759)	9/30/2025	20	(81,818,080)	(6,274,912)	20
Benefit Improvements****	317,024	9/30/2025	1	366,020	379,409	1
Total Bases				\$ 369,280,680	\$ 32,682,759	
Estimated Payroll for FYE 9/30/2028					\$ 73,397,754	
UAAL Contribution Rate for FYE 9/30/2028					44.53%	

* Does not recognize deferred actuarial value of asset gains and losses nor the FY 2027 Employer Rate Floor.

** Reflects the provisions of Act 2022-351 and Act 2022-184

*** Reflects the provisions of Act 2023-73

**** Reflects the provisions of Act 2026-608





SECTION IV - COMMENTS ON VALUATION

8. The Pre-Retirement Death Benefit Program was established October 1, 1983 under Act No. 83-616. The liabilities and assets associated with the pre-retirement death benefit are not included in the annual actuarial valuation of the System; however, the sufficiency of the Fund to provide the promised benefits is reviewed annually. The contribution requirements are determined every five years during our experience investigation. For all employers, an additional contribution of 0.07% of payroll will be required to meet the cost of the pre-retirement death benefit program this year.
9. For all employers, an additional contribution of 0.30% of payroll is required to cover the expenses of administering the System.
10. In our opinion, the current experience, assumptions, and methods adopted by the Board support the funding policy and generally accepted and emerging practice. Assuming that required contributions continue to be made each year, the funding of the System and the objectives of the Funding Policy will continue to remain on track.





SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYER

1. The retirement act provides that the Board of Control shall certify to the Chief Fiscal Officer of each employer the rates of contribution required to be paid by the employer.
2. Contribution rates for Local Employers will be submitted in a separate report. The rates for the fiscal year beginning October 1, 2027 were determined as of September 30, 2025, and will reflect any elections made pursuant to Act 2011-676, and Act 2022-348 as of September 30, 2025.
3. On the basis of the actuarial valuation prepared as of September 30, 2025 it is recommended that the State make contributions at the following rates for the fiscal year beginning October 1, 2027:

Component	Employer Contribution Rates for FYE September 30, 2028			
	State Employees		State Police	
	Tier I	Tier II*	Tier I	Tier II*
Normal Cost	9.33 %	7.48 %	21.74 %	19.19 %
Member Contributions**	<u>(7.63)</u>	<u>(6.10)</u>	<u>(10.00)</u>	<u>(10.00)</u>
Employer Normal Cost	1.70 %	1.38 %	11.74 %	9.19 %
UAAL Amortization Payment***	14.45	14.45	44.53	44.53
FY 2027 Employer Rate Floor****	0.63	0.65	2.18	2.32
Death Benefit	0.07	0.07	0.07	0.07
Administration	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>	<u>0.30</u>
Employer Contribution Rate*****	17.15 %	16.85 %	58.82 %	56.41 %

* All members initially joining the System on and after January 1, 2013 are Tier II members.

** Tier I State members contribute 7.50% (8.50% for FLC members) and Tier II State members contribute 6.20% (7.20% for FLC members). All State Police members contribute 10.00%.

*** Includes the impact of Act 2026-608:

- For State Employees, 0.42% of payroll
- For State Police, 0.52% of payroll

**** Additional payment to maintain the FYE September 30, 2027 Employer Rate:

- For State Employees, 17.15% for Tier I and 16.85% for Tier II.
- For State Police, 58.82% for Tier I and 56.41% for Tier II.

***** Effective with the FYE September 30, 2028 Contribution Rates, reflects full recognition of the 2021 assumption changes.

4. The total employer contribution rate includes the full phase-in of the increase in the required contributions due to the assumption changes made in the most recent experience investigation.
5. The derivation of the employer contribution rates for fiscal year ending September 30, 2028 are developed using an alternative method from previous year's valuations that takes into account the 2-year contribution lag. The table on the next page outlines this methodology.





SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYER

DEVELOPMENT OF EMPLOYER CONTRIBUTION RATE STATE EMPLOYEES

Employer Contribution Rate for year ending September 30, 2028	Tier I	Tier II ¹	Total
(1) Expected Actuarial Accrued Liability (AAL) as of September 30, 2027			
a. AAL as of September 30, 2025			\$ 9,732,574,417
b. Normal Cost for year ending September 30, 2026			160,399,183
c. Expected Benefit Payments for year ending September 30, 2026			679,269,547
d. Interest			706,096,040
e. Expected AAL as of September 30, 2026: a. + b. - c. + d.			9,919,800,093
f. Normal Cost for year ending September 30, 2027			164,220,187
g. Expected Benefit Payments for year ending September 30, 2027			3
h. Interest			719,001,658
i. Expected AAL as of September 30, 2027: e. + f. - g. + h.			10,091,427,608
(2) Expected Actuarial Value of Assets (AVA) as of September 30, 2027			
a. AVA as of September 30, 2025			\$ 5,733,827,437
b. Total Contributions for year ending September 30, 2026			461,394,330
c. Expected Benefit Payments for year ending September 30, 2026			686,365,159
d. Interest			418,940,505
e. Expected AVA as of September 30, 2026: a. + b. - c. + d.			5,927,797,112
f. Total Contributions for year ending September 30, 2027			469,494,419
g. Expected Benefit Payments for year ending September 30, 2027			718,900,653
h. Interest			432,497,376
i. Expected AVA as of September 30, 2027: e. + f. - g. + h.			6,110,888,255
(3) Expected UAAL as of September 30, 2027: (1)i. - (2)i.			\$ 3,980,539,354
(4) UAAL Amortization Payment for year ending September 30, 2028			
a. Expected UAAL as of September 30, 2027: (3)			\$ 3,980,539,354
b. Outstanding balance of previously established payments			7,835,008
c. New UAAL to be amortized: a. - b.			3,972,704,346
d. New UAAL Amortization Payments			
i. Initial UAAL Base of \$3,964,576,758 over 23 years			279,766,173
ii. Benefit Improvements* of \$8,127,588 over 1 years			8,424,903
iii. Total New UAAL Amortization Payments			288,191,076
e. Previous UAAL amortization payments			954,644
f. UAAL Amortization Payment for year ending September 30, 2028: d.iii.+e.			289,145,720
(5) Employer Dollar Contribution for year ending September 30, 2028			
a. Normal Cost	\$ 77,881,897	\$ 87,261,280	\$ 165,143,177
b. Member Contributions ²	63,658,582	71,134,158	134,792,740
c. Employer Normal Cost: a. - b.	14,223,315	16,127,122	30,350,437
d. UAAL Amortization Payment ³	120,623,579	168,522,141	289,145,720
e. FY 2027 Employer Rate Floor ⁴	5,258,900	7,580,406	12,839,305
f. Death Benefit	584,322	816,351	1,400,673
g. Term Life	-	-	-
h. Administration	2,504,238	3,498,649	6,002,887
i. Employer Dollar Contribution for year ending September 30, 2028 c. + d. + e. + f. + g. + h.	143,194,354	196,544,669	339,739,022
(6) Expected Payroll for year ending September 30, 2028	\$ 834,745,964	\$ 1,166,216,246	\$ 2,000,962,210
(7) Employer Contribution Rate for year ending September 30, 2028**			
a. Normal Cost	9.33%	7.48%	
b. Member Contributions	7.63%	6.10%	
c. Employer Normal Cost: a. - b.	1.70%	1.38%	
d. UAAL Amortization Payment	14.45%	14.45%	
e. FY 2027 Employer Rate Floor	0.63%	0.65%	
f. Death Benefit	0.07%	0.07%	
g. Term Life	0.00%	0.00%	
h. Administration	0.30%	0.30%	
i. Employer Contribution Rate for year ending September 30, 2028 c. + d. + e. + f. + g. + h.	17.15%	16.85%	

1 All members initially joining the System on and after January 1, 2013 are Tier II members.

2 Tier I members contribute 7.50%(8.50%for FLC members) and Tier II members contribute 6.20%(7.20%for FLC members).

3 UAAL payment is allocated based on payroll so that the rate is the same for Tier I and Tier II

4 Additional payment to maintain the FYE September 30, 2027 Tier I Employer Rate of 17.15%and Tier II Employer Rate of 16.85%

* Includes the impact of Act 2026-608 of 0.42%of payroll.

** Employer Contribution Rates are the Employer Dollar Contributions calculated in section 5 divided by the Expected Payroll in 6.





SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYER

DEVELOPMENT OF EMPLOYER CONTRIBUTION RATE STATE POLICE

Employer Contribution Rate for year ending September 30, 2028	Tier I	Tier II ¹	Total
(1) Expected Actuarial Accrued Liability (AAL) as of September 30, 2027			
a. AAL as of September 30, 2025			\$ 83,190,262
b. Normal Cost for year ending September 30, 2026			14,663,638
c. Expected Benefit Payments for year ending September 30, 2026			53,870,478
d. Interest			60,542,524
e. Expected AAL as of September 30, 2026: a. + b. - c. + d.			853,238,310
f. Normal Cost for year ending September 30, 2027			14,980,712
g. Expected Benefit Payments for year ending September 30, 2027			56,970,905
h. Interest			62,030,214
i. Expected AAL as of September 30, 2027: e. + f. - g. + h.			873,278,332
(2) Expected Actuarial Value of Assets (AVA) as of September 30, 2027			
a. AVA as of September 30, 2025			\$ 448,454,982
b. Total Contributions for year ending September 30, 2026			49,188,890
c. Expected Benefit Payments for year ending September 30, 2026			54,132,469
d. Interest			33,229,056
e. Expected AVA as of September 30, 2026: a. + b. - c. + d.			476,740,459
f. Total Contributions for year ending September 30, 2027			49,271,348
g. Expected Benefit Payments for year ending September 30, 2027			57,239,825
h. Interest			35,225,670
i. Expected AVA as of September 30, 2027: e. + f. - g. + h.			503,997,652
(3) Expected UAAL as of September 30, 2027: (1)i. - (2)i.			\$ 369,280,680
(4) UAAL Amortization Payment for year ending September 30, 2028			
a. Expected UAAL as of September 30, 2027: (3)			\$ 369,280,680
b. Outstanding balance of previously established payments			450,732,740
c. New UAAL amortization: a. - b.			(818,18,080)
d. New UAAL Amortization Payments			
i. New Incremental UAAL of \$(818,18,080) over 20 years			(6,274,912)
ii. Benefit Improvements* of \$366,020 over 1 years			379,409
iii. Total New UAAL Amortization Payments			(5,895,503)
e. Previous UAAL amortization payments			38,578,262
f. UAAL Amortization Payment for year ending September 30, 2028: d.iii. + e.			32,682,759
(5) Employer Dollar Contribution for year ending September 30, 2028			
a. Normal Cost	\$ 8,215,146	\$ 6,832,071	\$ 15,047,217
b. Member Contributions ²	3,778,667	3,561,108	7,339,775
c. UAAL Amortization Payment: a. - b.	4,436,479	3,270,963	7,707,442
d. UAAL Amortization Payment ³	16,825,756	15,857,003	32,682,759
e. FY 2027 Employer Rate Floor ⁴	823,749	826,177	1,649,927
f. Death Benefit	26,451	24,928	51,379
g. Term Life	-	-	-
h. Administration	113,360	106,833	220,193
i. Employer Dollar Contribution for year ending September 30, 2028 c. + d. + e. + f. + g. + h.	22,225,795	20,085,904	42,311,700
(6) Expected Payroll for year ending September 30, 2028	\$ 37,786,673	\$ 35,611,081	\$ 73,397,754
(7) Employer Contribution Rate for year ending September 30, 2028**			
a. Normal Cost	21.74%	19.19%	
b. Member Contributions	10.00%	10.00%	
c. Employer Normal Cost: a. - b.	11.74%	9.19%	
d. UAAL Amortization Payment	44.53%	44.53%	
e. FY 2027 Employer Rate Floor	2.18%	2.32%	
f. Death Benefit	0.07%	0.07%	
g. Term Life	0.00%	0.00%	
h. Administration	0.30%	0.30%	
i. Employer Contribution Rate for year ending September 30, 2028 c. + d. + e. + f. + g. + h.	58.82%	56.41%	

¹ All members initially joining the System on and after January 1, 2013 are Tier II members.

² Tier I members contribute 7.50%(8.50% for FLC members) and Tier II members contribute 6.20%(7.20% for FLC members).

³ UAAL payment is allocated based on payroll so that the rate is the same for Tier I and Tier II

⁴ Additional payment to maintain the FYE September 30, 2027 Tier I Employer Rate of 58.82% and Tier II Employer Rate of 56.41%

* Includes the impact of Act 2026-608 of 0.52% of payroll.

** Employer Contribution Rates are the Employer Dollar Contributions calculated in section 5 divided by the Expected Payroll in 6.





SECTION VI - ANALYSIS OF FINANCIAL EXPERIENCE

The calculation of the System's liabilities and actuarial value of assets requires the use of several assumptions concerning the future experience of the System and its members. In each annual actuarial valuation, the experience of the System is compared with what was expected based on the actuarial assumptions. The differences between the actual and expected experience are called actuarial gains or losses depending on whether the difference increases or decreases the UAAL, respectively.

For State employees, the UAAL decreased approximately \$69 million; for State Police, the UAAL decreased approximately \$11 million. The most significant items contributing to the decrease for State employees and State Police were higher than expected investment earnings on an actuarial value basis. Slightly offsetting this was a loss due to higher-than-expected salary increases for the fiscal year ending September 30, 2025. Other sources of gains and losses were relatively small and there appear to be no trends developing that would be of concern to the System.

The following tables show the reconciliation of the UAAL of the System and a breakdown by source of the actuarial gains and losses for State employees and State Police. These sources include the expected return on assets, salary increases, retirement, withdrawal, disability, and mortality.

Since the benefits, assumptions and accrued liability rates vary by location for the Local employees, we do not develop an analysis of financial experience by source for this group.





SECTION VI - ANALYSIS OF FINANCIAL EXPERIENCE

RECONCILIATION OF UAAL, AVA, AND AAL FOR THE YEAR ENDING SEPTEMBER 30, 2025 (\$ THOUSANDS)

UAAL (Unfunded Actuarial Accrued Liability)	State Employees	State Police
(1) UAAL at beginning of year	\$ 4,067,557	\$ 394,701
(2) Total normal cost beginning of the year	141,459	13,332
(3) Actual contributions	419,761	42,734
(4) Interest accrual: [[(1) + (2)] - ½ [(3)]] x 7.45%	297,935	28,807
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ 4,087,190	\$ 394,106
(6) Changes in benefit provisions	7,040	317
(7) Changes from revised actuarial assumptions and methods	-	-
(8) Expected UAAL after changes: (5) + (6) + (7)	\$ 4,094,230	\$ 394,423
(9) Actual UAAL at end of year	3,998,747	383,448
(10) Total (Gain)/Loss: (9) - (8)	\$ (95,483)	\$ (10,975)
AVA (Actuarial Value of Assets)	State Employees	State Police
(11) AVA at beginning of year	\$ 5,397,948	\$ 413,787
(12) Actual contributions	419,761	42,734
(13) Actual disbursements	(638,848)	(50,761)
(14) Expected Return: [(11) + ½ [(12) + (13)]] x 7.45%	393,986	30,528
(15) Expected AVA before changes: [(11) + (12) + (13) + (14)]	\$ 5,572,847	\$ 436,288
(16) Changes in benefit provisions	-	-
(17) Changes in actuarial assumptions and methods	-	-
(18) Expected AVA after changes: (15) + (16) + (17)	\$ 5,572,847	\$ 436,288
(19) AVA at end of year	5,733,828	448,455
(20) AVA (Gain)/Loss: (18) - (19)	\$ (160,981)	\$ (12,167)
AAL (Actuarial Accrued Liability)	State Employees	State Police
(21) AAL at beginning of year	\$ 9,465,505	\$ 808,488
(22) Total normal cost at beginning of year	141,459	13,332
(23) Actual disbursements	(638,848)	(50,761)
(24) Interest accrual: [[(21) + (22)] + ½ [(23)]] x 7.45%	691,921	59,335
(25) Expected AAL before changes: (21) + (22) + (23) + (24)	\$ 9,660,037	\$ 830,394
(26) Changes in benefit provisions	7,040	317
(27) Changes in actuarial assumptions and methods	-	-
(28) Expected AAL after changes: (25) + (26) + (27)	\$ 9,667,077	\$ 830,711
(29) AAL at end of year	9,732,574	831,903
(30) AAL (Gain)/Loss: (29) - (28)	\$ 65,497	\$ 1,192





SECTION VI - ANALYSIS OF FINANCIAL EXPERIENCE

(GAINS)/ LOSSES BY SOURCE FOR THE YEAR ENDING SEPTEMBER 30, 2025 (\$ THOUSANDS)

(Gains)/Losses by Source for FYE September 30, 2025				
Source	State Employees		State Police	
	Total	% of AAL	Total	% of AAL
Age and Service Retirements. Generally, earlier retirements cause losses and later retirements cause gains.	\$ (28,298)	(0.29%)	\$ (3,521)	(0.42%)
Withdrawal. More withdrawals than expected usually cause gains and less withdrawals than expected cause losses.	(7,835)	(0.08%)	(1,706)	(0.21%)
Disability Retirements. More disabilities than expected generally cause losses and less disabilities than expected cause gains.	(1,768)	(0.02%)	(11)	0.00%
Death-In-Service Benefits. If survivor claims are less than assumed, there is a gain. If claims are more than assumed, there is a loss.	5,157	0.05%	314	0.04%
Salary Increases. If salaries increase more than expected, there is a loss. If salaries increase less than expected, there is a gain.	63,838	0.66%	1,266	0.15%
New Members/Rehires. Any past service causes losses.	31,282	0.32%	5,012	0.60%
Retiree Mortality. More deaths than expected cause gains, less than expected cause losses.	5,662	0.06%	623	0.07%
Investment Return. Investment income greater than expected causes gains while investment income less than expected cause losses.	(160,981)	(1.66%)	(12,167)	(1.46%)
Other. Miscellaneous gains and losses resulting from data corrections, timing of financial transactions, unit transfers, changes in valuation software, etc.	(2,540)	(0.03%)	(785)	(0.09%)
Total Actuarial (Gains)/Losses	\$ (95,483)	(0.99%)	\$ (10,975)	(1.32%)





SECTION VI - ANALYSIS OF FINANCIAL EXPERIENCE

(GAINS)/ LOSSES BY SOURCE HISTORICAL TRENDS (\$ THOUSANDS)

Five-year History of (Gains)/Losses by Source					
SOURCE	2025	2024	2023	2022	2021
State Employees					
Age and Service Retirements	\$ (28,298)	\$ (20,525)	\$ (21,949)	\$ 2,159	\$ (15,321)
Withdrawal	(7,835)	(7,035)	(15,616)	(21,391)	(14,843)
Disability Retirements	(1,768)	(1,224)	(437)	549	(45)
Death-In-Service Benefits	5,157	(1,026)	(719)	4,032	2,608
Salary Increases	63,838	181,968	138,341	195,670	(807)
New Members/Rehires	31,282	32,874	25,578	21,005	19,376
Retiree Mortality	5,662	8,408	(9,320)	(2,868)	(4,450)
Investment Return	(160,981)	(65,589)	146,719	109,260	(119,475)
Other	<u>(2,540)</u>	<u>490</u>	<u>6,638</u>	<u>1,156</u>	<u>311</u>
Total (Gain)/Loss	\$ (95,483)	\$ 128,341	\$ 269,235	\$ 309,572	\$ (132,646)
State Police					
Age and Service Retirements	\$ (3,521)	\$ (2,195)	\$ (2,704)	\$ (581)	\$ (936)
Withdrawal	(1,706)	(988)	(312)	(1,711)	(1,747)
Disability Retirements	(11)	(78)	(47)	(37)	(77)
Death-In-Service Benefits	314	269	218	205	207
Salary Increases	1,266	20,350	5,478	16,645	(4,162)
New Members/Rehires	5,012	8,525	1,590	1,203	2,804
Retiree Mortality	623	2,008	(153)	(907)	(2,519)
Investment Return	(12,167)	(5,092)	10,491	7,926	(8,289)
Other	<u>(785)</u>	<u>(2,786)</u>	<u>309</u>	<u>2,880</u>	<u>(203)</u>
Total (Gain)/Loss	\$ (10,975)	\$ 20,013	\$ 14,870	\$ 25,623	\$ (14,922)





SECTION VII - ACCOUNTING INFORMATION

The information required under Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 is issued in separate reports. The following information is provided for informational purposes only.

1. The following is a distribution of the number of employees by type of membership.

NUMBER OF ACTIVE AND RETIRED MEMBERS AS OF SEPTEMBER 30, 2025

Group	Number			
	State Employees	State Police	Local Employees	Total Employees
Retirees and beneficiaries currently receiving benefits	25,465	1,011	33,305	59,781
Terminated Employees entitled to benefits but not yet receiving benefits	7,536	56	24,932	32,524
Non-vested inactive members who have not contributed for more than 5 years	28,343	-	-	28,343
Active members	29,489	781	61,889	92,159
Total	90,833	1,848	120,126	212,807

2. The schedule of funding progress is shown on the next page, which may not add due to rounding differences.





SECTION VII - ACCOUNTING INFORMATION

SCHEDULE OF FUNDING PROGRESS (\$ THOUSANDS)

as of 9/30	Actuarial Value of Plan Assets (AVA) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (c) = (b) - (a)	Funded Ratio (d) = (a) ÷ (b)	Covered Payroll (e)	UAAL as a Percentage of Covered Payroll (f) = (c) ÷ (e)
State Employees						
2025 ⁵	\$ 5,733,827	\$ 9,732,574	\$ 3,998,747	58.9 %	\$ 1,848,457	216.3 %
2024	5,397,948	9,465,504	4,067,556	57.0	1,743,401	233.3
2023 ⁴	5,191,171	9,102,403	3,911,232	57.0	1,588,688	246.2
2022	5,256,066	8,850,586	3,594,520	59.4	1,502,383	239.3
2021 ^{1,3}	5,294,885	8,540,543	3,245,658	62.0	1,422,424	228.2
2020	5,083,172	8,155,858	3,072,686	62.3	1,423,649	215.8
2019	4,964,556	7,964,131	2,999,575	62.3	1,357,896	220.9
2018 ¹	4,887,403	7,723,822	2,836,419	63.3	1,295,230	219.0
2017 ¹	4,759,602	7,581,147	2,821,545	62.8	1,271,675	221.9
2016 ¹	4,598,818	7,404,587	2,805,769	62.1	1,265,311	221.7
State Police						
2025 ⁵	\$ 448,455	\$ 831,903	\$ 383,448	53.9 %	\$ 67,381	569.1 %
2024	413,787	808,488	394,701	51.2	64,961	607.6
2023 ⁴	391,154	764,734	373,580	51.1	57,248	652.6
2022	379,554	715,489	335,935	53.0	51,898	647.3
2021 ^{1,3}	380,496	689,771	309,275	55.2	50,819	608.6
2020	359,724	658,319	298,595	54.6	51,687	577.7
2019	346,309	639,187	292,878	54.2	43,005	681.0
2018 ¹	341,389	620,411	279,022	55.0	41,181	677.6
2017 ¹	333,960	607,107	273,147	55.0	40,366	676.7
2016 ¹	318,103	590,658	272,555	53.9	41,214	661.3
Local Employees						
2025 ⁵	\$ 10,474,634	\$ 14,724,630	\$ 4,249,995	71.1 %	\$ 3,500,510	121.4 %
2024	9,648,953	14,002,974	4,354,021	68.9	3,268,584	133.2
2023	9,070,856	13,244,125	4,173,269	68.5	3,028,429	137.8
2022	8,869,194	12,529,862	3,660,668	70.8	2,823,643	129.6
2021 ^{1,2,3}	8,615,712	11,874,628	3,258,916	72.6	2,596,107	125.5
2020	8,048,280	10,972,295	2,924,015	73.4	2,535,901	115.3
2019	7,334,924	9,940,224	2,605,300	73.8	2,393,057	108.9
2018 ¹	7,011,805	9,485,502	2,473,697	73.9	2,342,711	105.6
2017 ¹	6,597,390	9,062,580	2,465,190	72.8	2,272,659	108.5
2016 ¹	6,165,359	8,732,588	2,567,229	70.6	2,266,367	113.3
All Employees						
2025 ⁵	\$ 16,656,917	\$ 25,289,107	\$ 8,632,190	65.9 %	\$ 5,416,347	159.4 %
2024	15,460,688	24,276,966	8,816,278	63.7	5,076,946	173.7
2023 ⁴	14,653,181	23,111,262	8,458,081	63.4	4,674,365	180.9
2022	14,504,814	22,095,937	7,591,123	65.6	4,377,924	173.4
2021 ^{1,2,3}	14,291,093	21,104,942	6,813,849	67.7	4,069,350	167.4
2020	13,491,176	19,786,472	6,295,296	68.2	4,011,237	156.9
2019	12,645,789	18,543,542	5,897,753	68.2	3,793,958	155.5
2018 ¹	12,240,597	17,829,735	5,589,138	68.7	3,679,122	151.9
2017 ¹	11,690,952	17,250,834	5,559,882	67.8	3,584,700	155.1
2016 ¹	11,082,280	16,727,833	5,645,553	66.3	3,572,892	158.0

¹ Reflects changes in actuarial assumptions and methods.

² Reflects impact of Act 2019-132.

³ Reflects impact of Act 2022-351 and Act 2022-184.

⁴ Reflects impact of Act 2023-73.

⁵ Reflects impact of Act 2026-608.





SECTION VII - ACCOUNTING INFORMATION

3. The information presented above was determined as part of the annual actuarial valuation at September 30, 2025. Additional information as of the latest actuarial valuation follows.

Group	State Employees	State Police	Local Employees
Valuation Date	September 30, 2025	September 30, 2025	September 30, 2025
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent closed	Level percent closed	Level percent closed
Blended amortization period	22.9 years	16.8 years	Within 30 years - varies by employer
Asset valuation method	Five-year market related value	Five-year market related value	Five-year market related value
Actuarial Assumptions			
Investment rate of return*	7.45%	7.45%	7.45%
Projected salary increases*	3.25 - 6.00%	4.00 - 7.75%	3.25 - 6.00%
Cost-of-living adjustment	None	None	None
*Includes price inflation at	2.50%	2.50%	2.50%





SECTION VIII - RISK ASSESSMENT

Overview

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States. This standard was issued as final in September 2017 with application to measurement dates on or after November 1, 2018.

The term “risk” frequently has a negative connotation, but from an actuarial perspective, it can simply be considered that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so understandably, there is a focus on aspects of risk that are negative.

Risk can usually be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk of accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in US Treasury bonds, which have almost no risk, but also in equities, which are considerably riskier – because they have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called upon to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. In this section, we identify some of the key risks for the System and provide information to help interested parties better understand these risks.





SECTION VIII - RISK ASSESSMENT

Investment Risk

The investment return on assets is the most obvious risk – and usually the largest risk – to funding a pension plan. To illustrate the magnitude of this risk, the following chart shows the Asset Volatility Ratio (AVR), defined as the fair value of assets divided by covered payroll.

ASSET VOLATILITY RATIO (AVR) (\$ THOUSANDS)

Valuation	Fair Value of Assets	Covered Payroll	Asset Volatility Ratio (AVR)
State Employees			
2025	\$6,144,619	\$1,848,457	3.32
2024	\$5,779,326	\$1,743,401	3.31
2023	\$4,978,869	\$1,588,688	3.13
2022	\$4,682,983	\$1,502,383	3.12
2021	\$5,714,043	\$1,422,424	4.02
2020	\$4,931,877	\$1,423,648	3.46
State Police			
2025	\$479,809	\$67,381	7.12
2024	\$442,955	\$64,961	6.82
2023	\$375,932	\$57,248	6.57
2022	\$338,356	\$51,898	6.52
2021	\$410,079	\$50,819	8.07
2020	\$348,883	\$51,687	6.75

The asset volatility ratio is especially useful to compare across plans or through time. It is also frequently useful to consider how the AVR translates into changes in the Required Contribution Rate (actuarially determined employer contribution rate). The greater the AVR, the more volatility there is in the Required Contribution Rate. For plans with low AVRs, the impact of investment gains and losses on Required Contribution Rates is less than for plans with high AVRs. The AVR for State Employees as of September 30, 2025 is 3.32 and the AVR for State Police is 7.12.





SECTION VIII - RISK ASSESSMENT

As shown in the table below, if the market value return is 5% below assumed, or 2.45% (7.45% minus 5.00%) for the System, there will be an increase in the Required Contribution Rate of 0.47% of payroll in the first year for State Employees and 1.01% of payroll for State Police. Without asset smoothing or without returns above the expected return in the next four years, the impact on the Required Contribution Rate would be 2.36% for State Employees and 5.07% for State Police.

IMPACT ON EMPLOYER RATE BASED ON AVR

AVR	Unsmoothed Amortization	Smoothed Amortization
State Employees		
3.00	2.14%	0.43%
3.32	2.36%	0.47%
4.00	2.85%	0.57%
State Police		
7.00	4.98%	1.00%
7.12	5.07%	1.01%
8.00	5.70%	1.14%

Sensitivity Measures

Valuations are generally performed with a single set of assumptions that reflects the best estimate of future conditions, in the opinion of the actuary and typically the governing board. Note that under actuarial standards of practice, the set of economic assumptions used for funding must be consistent. To enhance the understanding of the importance of an assumption, a sensitivity test can be performed where the valuation results are recalculated using a different assumption or set of assumptions.





SECTION VIII - RISK ASSESSMENT

The following tables contain the key measures for the System using the valuation assumption for investment return of 7.45%, along with the results if the assumption were 6.45% or 8.45%. In this analysis, only the investment return assumption is changed. Consequently, there may be inconsistencies between the investment return and other economic assumptions such as inflation or payroll increases. In addition, simply because the valuation results under alternative assumptions are shown here, it should not be implied that CavMac believes that either assumption (6.45% or 8.45%) would comply with actuarial standards of practice.

Component	Based on Discount Rate of:		
	7.45% (Current)	6.45% (Current less 1%)	8.45% (Current plus 1%)
State Employees			
Results as of September 30, 2025			
Actuarial Accrued Liability (AAL)	\$9,732,574	\$10,764,612	\$8,844,322
Actuarial Value of Assets (AVA)	<u>5,733,827</u>	<u>5,733,827</u>	<u>5,733,827</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$3,998,747	\$5,030,785	\$3,110,495
Funded Ratio (AVA ÷ AAL)	58.9%	53.3%	64.8%
State Police			
Results as of September 30, 2025			
Actuarial Accrued Liability (AAL)	\$831,903	\$920,604	\$756,189
Actuarial Value of Assets (AVA)	<u>448,455</u>	<u>448,455</u>	<u>448,455</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$383,448	\$472,149	\$307,734
Funded Ratio (AVA ÷ AAL)	53.9%	48.7%	59.3%

Mortality Risk

The mortality assumption is a significant assumption for valuation results, second only to the investment assumption in most situations. The System's mortality assumption utilizes a mortality table (with separate rates for males and females, as well as different rates by status) and a projection scale for how the mortality table is expected to improve through time.

The future, however, is unknown, and actual mortality improvements may occur at a faster rate than expected, or at a slower rate than expected. Although changes in mortality will affect the benefits paid, this assumption is reviewed carefully during the regular experience studies that the System conducts so that incremental changes can be made to smoothly reflect emerging experience. The risk to the System due to mortality is significantly reduced due to the use of the generational improvement method. The next actuarial experience study will be for the period from October 1, 2020 to September 30, 2025.





SECTION VIII - RISK ASSESSMENT

Contribution Risk

The System is funded primarily by member and employer contributions to the trust fund, together with the earnings on those accumulated contributions. Each year in the valuation, the Actuarially Determined Employer Contribution (ADEC) rate is determined, based on the System's funding policy. This rate is the sum of the rates for the normal cost for the plan (which includes expected administrative expenses), and the rate necessary to amortize the UAAL. Since the level percentage of payroll method is used to determine the UAAL amortization amounts, there is an expectation that future payments will grow at the assumed 2.75% annual rate of increase in covered payroll. If payroll grows at a slower rate, under this amortization method, less than expected UAAL amortization payments would result in a greater UAAL in future years and may require increases to either the amortization rate or the amortization period. From a policy perspective, since the ADEC rate has always been made by the plan sponsors, and that procedure is expected to continue, there is no risk to the System associated with the contribution amounts being less than the ADEC.

Liquidation Risk

Under the revised Actuarial Standards of Practice (ASOP) No. 4 effective for valuations after February 15, 2023, we must now include a low-default-risk obligation measure of the System's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or health of this plan.

This measure uses the unit credit cost method and reflects all the assumptions and provisions of the funding valuation except that the discount rate is derived from considering low-default-risk fixed income securities. We considered the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of September 30, 2025 and with the 30-year spot rate used for all durations beyond 30. Using these assumptions, we calculate a low-default risk obligation measure liability of approximately \$27.5 billion for all plans.

This amount approximates the termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. This assurance of funded status and benefit security is typically more relevant for corporate plans than for governmental plans since governments rarely have the need or option to completely terminate a plan.





SCHEDULE A - VALUATION BALANCE SHEET AND SOLVENCY TEST

VALUATION BALANCE SHEET SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES AS OF SEPTEMBER 30, 2025

	State Employees	State Police	Local Employees	All Employees
Assets				
Actuarial Value of Present Assets	\$ 5,733,827,437	\$ 448,454,982	\$ 10,474,634,440	\$ 16,656,916,859
Present value of future members' contributions to the Annuity Savings Fund	\$ 938,413,487	\$ 52,161,993	\$ 1,635,483,855	\$ 2,626,059,335
Present value of future employer contributions to the Pension Accumulation Fund:				
Normal contributions	\$ 211,893,768	\$ 56,245,104	\$ 1,017,106,592	\$ 1,285,245,464
Unfunded accrued liability contributions	\$ 3,998,746,979	\$ 383,447,643	\$ 4,249,995,325	\$ 8,632,189,947
Total prospective employer contributions	\$ 4,210,640,747	\$ 439,692,747	\$ 5,267,101,917	\$ 9,917,435,411
Total Assets	\$ 10,882,881,671	\$ 940,309,722	\$ 17,377,220,212	\$ 29,200,411,605
Liabilities				
Present value of benefits in payment on account of:				
Service Retirements	\$ 5,010,856,264	\$ 471,906,946	\$ 6,889,247,203	\$ 12,372,010,413
Disability Retirements	274,276,408	13,426,296	267,783,867	555,486,571
Beneficiaries of Deceased Members	248,372,838	19,605,914	359,864,626	627,843,378
DROP Participant Accounts	19,632,939	-	8,230,810	27,863,749
Total In Payment Liabilities	\$ 5,553,138,449	\$ 504,939,156	\$ 7,525,126,506	\$ 13,583,204,111
Present value of benefits payable to Inactives for:				
Inactive Members	\$ 137,964,520	\$ 3,131,694	\$ 303,330,933	\$ 444,427,147
Inactive T-section accounts	29,504,183	-	-	29,504,183
Total Inactive Liabilities	\$ 167,468,703	\$ 3,131,694	\$ 303,330,933	\$ 473,931,330
Present value of prospective benefits payable on account of present active members:				
Service retirement allowances	\$ 4,523,939,127	\$ 408,938,438	\$ 8,388,292,032	\$ 13,321,169,597
Disability retirement allowances	262,178,709	8,144,046	379,554,313	649,877,068
Death Benefits	46,544,793	1,358,022	79,430,169	127,332,984
Termination Benefits	329,611,890	13,798,366	701,486,259	1,044,896,515
Total Active Liabilities	\$ 5,162,274,519	\$ 432,238,872	\$ 9,548,762,773	\$ 15,143,276,164
Total Liabilities	\$ 10,882,881,671	\$ 940,309,722	\$ 17,377,220,212	\$ 29,200,411,605





SCHEDULE A - VALUATION BALANCE SHEET AND SOLVENCY TEST

SOLVENCY TEST (\$ MILLIONS)

Val Date 9/30	Aggregate Accrued Liabilities for:				Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contribs	Retirants and Beneficiaries	Employer Financed Portion of Active Members	Reported Assets			
	(a)	(b)	(c)		(a)	(b)	(c)
2025 ⁵	\$ 3,974	\$ 13,583	\$ 7,732	\$ 16,657	100 %	93 %	- %
2024	3,762	13,110	7,405	15,461	100	89	-
2023 ⁴	3,571	12,645	6,895	14,653	100	88	-
2022	3,406	12,266	6,424	14,505	100	90	-
2021 ^{1,2,3}	3,292	11,795	6,018	14,291	100	93	-
2020	3,207	10,985	5,595	13,491	100	94	-
2019	3,039	10,300	5,205	12,646	100	93	-
2018 ¹	2,922	9,945	4,963	12,241	100	94	-
2017 ¹	2,817	9,567	4,866	11,691	100	93	-
2016 ¹	2,707	9,210	4,811	11,082	100	91	-

¹ Reflects changes in actuarial assumptions and methods.

² Reflects impact of Act 2019-132.

³ Reflects impact of Act 2022-351 and Act 2022-184.

⁴ Reflects impact of Act 2023-73.

⁵ Reflects impact of Act 2026-608.





SCHEDULE B - DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

AS OF SEPTEMBER 30, 2025 ALL GROUPS

Development of Actuarial Value of Assets	State Employees	State Police	Local Employees	Total - All Groups
(1) Actuarial Value of Assets on September 30, 2024				
a. Actuarial Value on September 30, 2024	\$5,397,947,927	\$413,787,298	\$9,648,953,337	\$15,460,688,562
b. Adjustment	0	0	0	0
c. Adjusted Actuarial Value on September 30, 2024	\$5,397,947,927	\$413,787,298	\$9,648,953,337	\$15,460,688,562
(2) Market Value of Assets on September 30, 2025	\$6,144,619,357	\$479,809,017	\$11,209,096,995	\$17,833,525,369
(3) Market Value of Assets on September 30, 2024				
a. Market Value on September 30, 2024	\$5,779,326,224	\$442,954,983	\$10,329,013,731	\$16,551,294,938
b. Adjustment	3	0	0	3
c. Adjusted Market Value on September 30, 2024	\$5,779,326,227	\$442,954,983	\$10,329,013,731	\$16,551,294,941
(4) Cash Flow				
a. Contributions	\$419,761,341	\$42,733,800	\$674,351,396	\$1,136,846,537
b. Benefit Payments and DROP Disbursements	(632,354,922)	(51,647,710)	(782,420,399)	(1,466,423,031)
c. Refunds to Members and Employers	(11,959,359)	(223,620)	(48,263,742)	(60,446,721)
d. Transfers to Expense Fund - Interest Forfeitures	(4,513,762)	0	0	(4,513,762)
e. Transfers Among Employers	9,979,943	1,110,251	(11,090,194)	0
f. Investment Expenses	(5,023,737)	0	0	(5,023,737)
g. Net	(\$224,110,496)	(\$8,027,279)	(\$167,422,939)	(\$399,560,714)
(5) Investment Income				
a. Market total: (2) – (3)c – (4)g	\$589,403,626	\$44,881,313	\$1,047,506,203	\$1,681,791,142
b. Assumed Rate	7.45%	7.45%	7.45%	7.45%
c. Amount for Immediate Recognition $[(3)c \times (5)b] + [(4)a + (4)b + (4)c + (4)d + (4)e] \times (5)b \times 0.5 - (4)f$	\$427,422,560	\$32,701,130	\$763,275,018	\$1,223,398,708
d. Adjustment for Employer Lump Sums			(\$43,195)	(\$43,195)
e. Adjusted Amount for Immediate Recognition (5)c + (5)d	\$427,422,560	\$32,701,130	\$763,231,823	\$1,223,355,513
f. Amount for Phased-in Recognition (5)a – (5)e	\$161,981,066	\$12,180,183	\$284,274,380	\$458,435,629
(6) Phased-In Recognition of Investment Income				
a. Current Year: $0.20 \times (5)f$	\$32,396,213	\$2,436,037	\$56,854,876	\$91,687,126
b. First Prior Year	135,017,203	10,123,454	235,435,422	380,576,079
c. Second Prior Year	51,110,430	3,710,898	86,661,208	141,482,536
d. Third Prior Year	(226,425,843)	(16,182,272)	(372,225,185)	(614,833,300)
e. Fourth Prior Year	140,469,443	9,905,716	223,145,898	373,521,057
f. Total Recognized Investment Gain	\$132,567,446	\$9,993,833	\$229,872,219	\$372,433,498
(7) Actuarial Value of Assets on September 30, 2025: (1)c + (4)g + (5)e + (6)f	\$5,733,827,437	\$448,454,982	\$10,474,634,440	\$16,656,916,859





SCHEDULE B - DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

AS OF SEPTEMBER 30, 2025

Five-year History of Investment Gain/(Loss) Recognition			
FYE	Investment Gain/(Loss)	Amount Recognized	Remaining Balance as of September 30, 2025
September 30, 2025	\$458,435,629	91,687,126	\$366,748,503
September 30, 2024	1,902,880,393	761,152,158	1,141,728,235
September 30, 2023	707,412,680	424,447,608	282,965,072
September 30, 2022	(3,074,166,500)	(2,459,333,200)	(614,833,300)
September 30, 2021	1,867,592,852	1,867,592,852	0





SCHEDULE C - SUMMARY OF RECEIPTS AND DISBURSEMENTS

Summary of Receipts and Disbursements for FYE September 30, 2025	State Employees	State Police	Local Employees	Total All Groups
(1) Receipts for the Period				
a. Contributions:				
i. Members	\$132,033,054	\$6,715,193	\$252,221,086	390,969,333
ii. Employers	287,398,287	36,018,607	422,130,310	745,547,204
iii. Other	330,000	0	0	330,000
iv. Total Contributions	\$419,761,341	\$42,733,800	\$674,351,396	\$1,136,846,537
b. Investment Income	\$589,403,626	44,881,313	1,047,506,203	\$1,681,791,142
c. Total Receipts for the Period	\$1,009,164,967	\$87,615,113	\$1,721,857,599	\$2,818,637,679
(2) Disbursements for the Period				
a. Benefit Payments	(\$625,507,394)	(\$51,647,710)	(\$781,319,624)	(1,458,474,728)
b. Refunds to Members	(11,959,359)	(223,620)	(48,263,742)	(60,446,721)
c. DROP Distributions	(6,847,528)	0	(1,100,775)	(7,948,303)
d. Miscellaneous:				
i. Transfers to Plant Fund	\$0	\$0	\$0	\$0
ii. Transfers to Expense Fund-Interest Forfeitures	(4,513,762)	0	0	(4,513,762)
iii. Transfers to Expense Fund-Investment Expenses	(3,791,685)	0	0	(3,791,685)
iv. Transfers to Pre-retirement Death Benefit Fund	(1,232,052)	0	0	(1,232,052)
v. Transfers Among Employers	9,979,943	1,110,251	(11,090,194)	0
vi. Unit Withdrawal	0	0	0	0
e. Total Disbursements for the Period	(\$643,871,837)	(\$50,761,079)	(\$841,774,335)	(\$1,536,407,251)
(3) Excess of Receipts Over Disbursements: (1)c. + (2)e.	\$365,293,130	\$36,854,034	\$880,083,264	\$1,282,230,428
(4) Reconciliation of Asset Balances				
a. Market Value of Assets as of September 30, 2024	\$5,779,326,224	\$442,954,983	\$10,329,013,731	\$16,551,294,938
b. Adjustment	\$3	\$0	\$0	3
c. Excess of Receipts Over Disbursements (3)	\$365,293,130	\$36,854,034	\$880,083,264	\$1,282,230,428
d. Market Value of Assets as of September 30, 2025	<u>\$6,144,619,357</u>	<u>\$479,809,017</u>	<u>\$11,209,096,995</u>	<u>\$17,833,525,369</u>
Estimated Rate of Return on Market Value of Assets*	10.40%	10.40%	10.40%	10.40%

* Calculated assuming middle of year cash flow experience.





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

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

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

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 2.75% per annum. Salaries are anticipated to increase by an additional 2% effective October 1, 2026:

STATE AND LOCAL EMPLOYEES

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

STATE POLICE

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

* Includes wage inflation at 2.75% per annum.





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

SEPARATIONS FROM ACTIVE SERVICE- STATE AND LOCAL EMPLOYEES

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

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

There are no withdrawal decrements after eligibility for service retirement.

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





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

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

REGULAR MEMBERS

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

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

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

FLC MEMBERS

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

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

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





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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

STATE EMPLOYEES

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





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

LOCAL EMPLOYEES

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

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





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

STATE POLICE

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

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

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

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





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

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

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

DEATH IN ACTIVE SERVICE BENEFIT: For those eligible for service retirement who die in active service, it is assumed that 70% of beneficiaries will elect the lump sum death benefit, 20% will elect the Option 2 allowance, and 10% will elect the Option 3 allowance.

BENEFITS PAYABLE UPON SEPARATION FROM SERVICE: For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity.

UNUSED SICK LEAVE: 1.00% load on service retirement liabilities for State Tier 1 active members, and for Local Tier 1 active members of employers that have elected sick leave conversion.

PERCENT MARRIED: 100% of employees are assumed to be married, with the wife 3 years younger than the husband.

ACTUARIAL METHOD: Individual entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

ASSET METHOD: 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 market value.





SCHEDULE D - ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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





SCHEDULE E - ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 7.45%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to 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 to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach and consist of a normal contribution and an actuarial accrued liability contribution.
3. The normal contribution is determined using the "individual 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 each new member during the entire period of their anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on their behalf.
4. The unfunded accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.





SCHEDULE F - BOARD FUNDING POLICY

FUNDING POLICY OF THE EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL Effective September 30, 2021

The purpose of the funding policy is to state the overall funding objectives for the Employees' 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 Board's funding policy applies to all plans administered by the Board of Control. The funding policy reflects the Board's long-term strategy for stability in funding of the plans.

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 or as a dollar amount for employers with no active members 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 F - BOARD FUNDING POLICY

- **Unfunded Actuarial Accrued Liability (UAAL) for State Employees and State Police**
 - **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 for State Employees, and September 30, 2021 for State Police, 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.
 - **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 for State Employees and the September 30, 2022 valuation for State Police, 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 for State Employees and State Police**
 - The Initial Total UAAL will be amortized over a 27-year closed period for State Employees and a 21-year closed period for State Police.
 - 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 36-27-24.
 - 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, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate for the remaining initial total UAAL.
- **UAAL and UAAL Amortization Period and Contribution Rates for Local Employers**

Local employers have assumptions and funding appropriate for their situations as deemed by Actuary and staff





SCHEDULE F - BOARD FUNDING POLICY

- **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 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.
- **Special Consideration**--If the resulting contribution rate will not support the cash flow and projected benefit payment needs of a particular unit or employer, then the RSA staff may approve a more aggressive funding policy for these units or employers. In addition, If the resulting contribution rate is determined to be in excess of the cash flow and projected benefit payment needs of a particular unit or employer, then the RSA staff may approve a less aggressive funding policy for these units or employers.

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.





SCHEDULE G - PROJECTIONS

Projection Assumptions

Actuarial Assumptions:

- Net rate of return on fair value of assets is assumed to be 7.45%. As a result, asset gains and losses will occur as outstanding bases from the actuarial value of assets are recognized.
- All future cashflows – benefit payments and contributions – are assumed to occur on average halfway through the year.
- New hires are assumed to replace members who leave active status to result in a total active System population which stays level. All new hires are to enter Tier II. The demographics of new hires are consistent with recent new hires in the system.
- All other projected experience is assumed to conform to the valuation assumptions except as noted.





SCHEDULE G - PROJECTIONS

Projected Contribution Rates and Dollars State Employees

Fiscal Year End	Normal Cost Rates			FY 2027		Employer Contribution Rates		Estimated Fiscal Year Payroll (12)	Required Contributions		Total (15)			
	Tier I (3)	Total Member/Employer (4)	Tier II (6)	Misc. Employer Rate (8)	UAAAL Payment Rate (9)	Tier I (10)	Tier II (11)		Member (13)	Employer (14)				
9/30 (1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
2028	9.33%	7.63%	1.70%	7.48%	6.10%	1.38%	0.37%	14.45%	17.15%	16.85%	\$ 2,000,962,210	\$134,792,740	\$339,739,022	\$474,531,762
2029	9.32%	7.63%	1.69%	7.50%	6.10%	1.40%	0.37%	14.09%	16.15%	15.86%	2,027,839,240	135,513,624	323,791,243	459,304,867
2030	9.32%	7.63%	1.69%	7.51%	6.10%	1.41%	0.37%	13.22%	15.28%	15.00%	2,057,442,224	136,432,564	310,570,097	447,002,661
2031	9.31%	7.63%	1.68%	7.51%	6.10%	1.41%	0.37%	12.61%	14.66%	14.39%	2,088,269,326	137,434,722	302,408,384	439,843,106
2032	9.31%	7.63%	1.68%	7.52%	6.09%	1.43%	0.37%	12.61%	14.66%	14.41%	2,119,612,458	138,466,969	306,980,464	445,447,433
2033	9.31%	7.62%	1.69%	7.53%	6.09%	1.44%	0.37%	12.76%	14.82%	14.57%	2,152,361,181	139,591,710	314,860,741	454,452,451
2034	9.30%	7.62%	1.68%	7.53%	6.09%	1.44%	0.37%	12.90%	14.95%	14.71%	2,187,448,107	140,883,471	322,969,474	463,852,945
2035	9.30%	7.62%	1.68%	7.53%	6.09%	1.44%	0.37%	13.04%	15.09%	14.85%	2,224,361,060	142,325,455	331,309,170	473,634,625
2036	9.28%	7.62%	1.66%	7.54%	6.09%	1.45%	0.37%	13.16%	15.19%	14.98%	2,264,407,190	143,992,892	339,930,452	483,923,344
2037	9.27%	7.61%	1.66%	7.54%	6.09%	1.45%	0.37%	13.27%	15.30%	15.09%	2,307,510,503	145,883,422	348,810,796	494,694,218
2038	9.26%	7.61%	1.65%	7.54%	6.09%	1.45%	0.37%	13.38%	15.40%	15.20%	2,351,894,842	147,906,232	357,926,577	505,832,809
2039	9.24%	7.60%	1.64%	7.54%	6.09%	1.45%	0.37%	13.40%	15.41%	15.22%	2,399,794,108	150,210,263	365,671,213	515,881,476
2040	9.23%	7.60%	1.63%	7.54%	6.09%	1.45%	0.37%	13.48%	15.48%	15.30%	2,451,534,538	152,829,777	375,389,944	528,219,721
2041	9.22%	7.60%	1.62%	7.54%	6.09%	1.45%	0.37%	13.56%	15.55%	15.38%	2,506,455,061	155,697,478	385,853,300	541,550,778
2042	9.20%	7.59%	1.61%	7.54%	6.09%	1.45%	0.37%	13.62%	15.60%	15.44%	2,564,405,431	158,799,446	396,201,632	555,001,078
2043	9.19%	7.59%	1.60%	7.54%	6.09%	1.45%	0.37%	13.67%	15.64%	15.49%	2,625,165,452	162,119,244	406,865,358	568,984,602
2044	9.18%	7.59%	1.59%	7.55%	6.09%	1.46%	0.37%	13.71%	15.67%	15.54%	2,688,794,530	165,656,248	417,890,232	583,546,480
2045	9.17%	7.59%	1.58%	7.55%	6.09%	1.46%	0.37%	13.76%	15.71%	15.59%	2,753,199,865	169,278,210	429,261,874	598,540,084
2046	9.16%	7.59%	1.57%	7.55%	6.09%	1.46%	0.37%	13.81%	15.75%	15.64%	2,819,463,517	173,049,310	440,994,710	614,044,020
2047	9.15%	7.58%	1.57%	7.56%	6.09%	1.47%	0.37%	13.85%	15.79%	15.69%	2,887,474,395	176,961,227	453,083,033	630,044,260
2048	9.14%	7.58%	1.56%	7.57%	6.09%	1.48%	0.37%	13.90%	15.83%	15.75%	2,956,730,064	180,981,170	465,524,256	646,505,426
2049	9.13%	7.58%	1.55%	7.57%	6.09%	1.48%	0.37%	13.95%	15.87%	15.80%	3,027,823,492	185,139,785	478,339,153	663,478,938
2050	9.11%	7.57%	1.54%	7.58%	6.09%	1.49%	0.37%	13.99%	15.90%	15.85%	3,101,538,842	189,484,108	491,538,730	681,022,838

* Additional rate to maintain the FYE September 30, 2027 Tier I Employer Rate of 17.15% and Tier II Employer Rate of 16.85%. Additional rate is 0.63% for Tier I and 0.65% for Tier II.





SCHEDULE G - PROJECTIONS

Projected Contribution Rates and Dollars State Police

Fiscal Year Ending 9/30 (1)	Normal Rates			FY 2027		Total Employer Rate		Estimated Fiscal Year Payroll*		Required Contributions*		Total (15) = (13) + (14)		
	Tier I Member (2)	Tier I Member (3)	Tier II Member (4)	Total (5)	Misc. Admin Rate (8)	Employer Rate Floor* (9)	UAAL Payment Rate (9)	Tier I (10)	Tier II (11)	Member (13)	Employer (14)			
	= (2) - (3)			= (5) - (6)		= (4) + (8) + (9) = (7) + (8) + (9)								
2028	21.74%	10.00%	11.74%	19.19%	10.00%	9.19%	0.37%	*	44.53%	58.82%	56.41%	\$ 7,339,775	\$ 42,311,700	\$ 49,651,475
2029	21.76%	10.00%	11.76%	19.23%	10.00%	9.23%	0.37%		44.29%	56.42%	53.89%	7,416,110	40,825,229	48,241,339
2030	21.78%	10.00%	11.78%	19.27%	10.00%	9.27%	0.37%		42.71%	54.86%	52.35%	7,517,130	40,118,589	47,635,719
2031	21.81%	10.00%	11.81%	19.29%	10.00%	9.29%	0.37%		41.53%	53.71%	51.19%	7,650,347	39,860,512	47,510,859
2032	21.80%	10.00%	11.80%	19.31%	10.00%	9.31%	0.37%		41.52%	53.69%	51.20%	7,807,480	40,586,075	48,393,555
2033	21.80%	10.00%	11.80%	19.33%	10.00%	9.33%	0.37%		41.81%	53.98%	51.51%	7,966,850	41,562,292	49,529,142
2034	21.82%	10.00%	11.82%	19.35%	10.00%	9.35%	0.37%		42.07%	54.26%	51.79%	8,135,655	42,570,330	50,705,985
2035	21.86%	10.00%	11.86%	19.37%	10.00%	9.37%	0.37%		42.35%	54.58%	52.09%	8,302,723	43,610,858	51,913,581
2036	21.89%	10.00%	11.89%	19.38%	10.00%	9.38%	0.37%		42.42%	54.68%	52.17%	8,516,948	44,740,222	53,257,170
2037	21.95%	10.00%	11.95%	19.40%	10.00%	9.40%	0.37%		42.25%	54.57%	52.02%	8,786,486	45,956,153	54,742,639
2038	22.04%	10.00%	12.04%	19.41%	10.00%	9.41%	0.37%		42.09%	54.50%	51.87%	9,061,988	47,207,488	56,269,476
2039	22.15%	10.00%	12.15%	19.42%	10.00%	9.42%	0.37%		41.88%	54.40%	51.67%	9,348,808	48,466,339	57,815,147
2040	22.26%	10.00%	12.26%	19.44%	10.00%	9.44%	0.37%		41.72%	54.35%	51.53%	9,641,679	49,809,380	59,451,059
2041	22.35%	10.00%	12.35%	19.45%	10.00%	9.45%	0.37%		38.19%	50.91%	48.01%	9,912,875	47,694,241	57,607,116
2042	22.41%	10.00%	12.41%	19.47%	10.00%	9.47%	0.37%		38.20%	50.98%	48.04%	10,183,179	48,993,538	59,176,717
2043	22.44%	10.00%	12.44%	19.49%	10.00%	9.49%	0.37%		38.16%	50.97%	48.02%	10,475,337	50,353,191	60,828,528

* Additional rate to maintain the FYE September 30, 2027 Tier I Employer Rate of 58.82% and Tier II Employer Rate of 56.41%. Additional rate is 2.18% for Tier I and 2.32% for Tier II.





SCHEDULE G - PROJECTIONS

Projected UAAL State Employees

Fiscal Year End 9/30 (1)	Amounts for Year Ending on Valuation Date					Actuarial Value of Assets (AVA)** (6)	Actuarial Accrued Liability (AAL) (7)	Unfunded AAL (UAAL) (8) = (7) - (6)	Funded Ratio (9) = (6) ÷ (7)
	Projected Member Contribution (2)	Projected Employer Contribution (3)	Estimated Benefit Payments* (4)	AVA Return** (5)					
2025	132,033,054	287,728,287	643,871,837	559,990,006	5,733,827,437	9,732,574,417	3,998,746,980	58.91%	
2026	131,354,249	330,040,081	686,365,159	441,039,169	5,949,895,777	9,919,800,093	3,969,904,316	59.98%	
2027	134,069,972	335,424,447	718,900,653	684,868,998	6,385,358,541	10,091,427,608	3,706,069,067	63.28%	
2028	134,792,740	339,739,022	737,130,765	648,402,330	6,771,161,868	10,258,001,935	3,486,840,067	66.01%	
2029	135,513,624	323,791,243	761,368,149	528,211,539	6,997,310,125	10,413,031,955	3,415,721,830	67.20%	
2030	136,432,564	310,570,097	784,904,930	508,938,830	7,168,346,686	10,556,656,909	3,388,310,223	67.90%	
2031	137,434,722	302,408,384	809,467,806	520,520,618	7,319,242,604	10,687,079,717	3,367,837,113	68.49%	
2032	138,466,969	306,980,464	832,770,801	531,114,930	7,463,034,166	10,804,667,497	3,341,633,331	69.07%	
2033	139,591,710	314,860,741	855,252,157	541,334,424	7,603,568,884	10,909,425,794	3,305,856,910	69.70%	
2034	140,883,471	322,969,474	876,339,276	551,376,753	7,742,459,306	11,002,044,426	3,259,585,120	70.37%	
2035	142,325,455	331,309,170	895,456,661	561,382,581	7,882,019,851	11,083,840,586	3,201,820,735	71.11%	
2036	143,992,892	339,930,452	901,928,197	571,919,478	8,035,934,476	11,167,420,781	3,131,486,305	71.96%	
2037	145,883,422	348,810,796	917,975,443	583,193,103	8,195,846,354	11,243,264,388	3,047,418,034	72.90%	
2038	147,906,232	357,926,577	932,152,682	594,995,381	8,364,521,862	11,312,881,029	2,948,359,167	73.94%	
2039	150,210,263	365,671,213	943,130,630	607,527,712	8,544,800,420	11,379,506,732	2,834,706,312	75.09%	
2040	152,829,777	375,389,944	951,264,076	621,112,281	8,742,868,346	11,446,288,760	2,703,420,414	76.38%	
2041	155,697,478	385,853,300	957,128,267	636,141,486	8,963,432,343	11,515,924,937	2,552,492,594	77.84%	
2042	158,799,446	396,201,632	960,967,137	652,925,098	9,210,391,382	11,591,022,883	2,380,631,501	79.46%	
2043	162,119,244	406,865,358	963,091,799	671,757,355	9,488,041,540	11,674,052,701	2,186,011,161	81.27%	
2044	165,656,248	417,890,232	964,903,006	692,908,722	9,799,593,736	11,766,255,962	1,966,662,226	83.29%	
2045	169,278,210	429,261,874	966,615,905	716,605,182	10,148,123,097	11,868,584,207	1,720,461,110	85.50%	
2046	173,049,310	440,994,710	968,566,377	743,066,417	10,536,667,157	11,981,785,437	1,445,118,280	87.94%	
2047	176,961,227	453,083,033	970,948,081	772,511,129	10,968,274,465	12,106,440,151	1,138,165,686	90.60%	
2048	180,981,170	465,524,256	974,155,022	805,150,725	11,445,775,594	12,242,718,835	796,943,241	93.49%	
2049	185,139,785	478,339,153	977,680,173	841,216,512	11,972,790,871	12,391,375,164	418,584,293	96.62%	
2050	189,484,108	491,538,730	980,948,396	881,001,367	12,553,866,680	12,553,866,680	-	100.00%	

* Includes benefit disbursements plus transfers to other funds.

** Return is based on market return of 7.45% plus the recognition of deferred actuarial value of asset gains and losses.

*** (6) (from previous year) + (2) + (3) - (4) + (5)





SCHEDULE G - PROJECTIONS

Projected UAAL State Police

Fiscal Year End 9/30 (1)	Amounts for Year Ending on Valuation Date					Actuarial Value of Assets (AVA)** (6)	Actuarial Accrued Liability (AAL) (7)	Unfunded AAL (UAAL) (8)	Funded Ratio (9)
	Projected Member Contribution (2)	Projected Employer Contribution (3)	Estimated Benefit Payments** (4)	AVA Return** (5)	= (7) - (6)				
2025	6,715,193	36,018,607	50,761,079	42,694,963	448,454,982	831,902,627	383,447,645	53.91%	
2026	7,080,809	42,108,081	54,132,469	35,653,050	479,164,453	853,238,310	374,073,857	56.16%	
2027	7,268,138	42,003,210	57,239,825	54,005,959	525,201,935	873,278,332	348,076,397	60.14%	
2028	7,339,775	42,311,700	59,752,895	52,434,682	567,535,197	892,278,021	324,742,824	63.61%	
2029	7,416,110	40,825,229	62,412,597	44,380,495	597,744,434	910,015,656	312,271,222	65.69%	
2030	7,517,130	40,118,589	64,796,483	43,904,203	624,487,873	926,746,761	302,258,888	67.38%	
2031	7,650,347	39,860,512	66,938,182	45,813,678	650,874,228	942,715,077	291,840,849	69.04%	
2032	7,807,480	40,586,075	69,023,188	47,735,479	677,980,074	957,961,244	279,981,170	70.77%	
2033	7,966,850	41,562,292	71,189,341	49,717,166	706,037,041	972,350,936	266,313,895	72.61%	
2034	8,135,655	42,570,330	73,513,505	51,765,440	734,994,961	985,673,904	250,678,943	74.57%	
2035	8,302,723	43,610,858	75,574,170	53,891,598	765,225,970	998,129,589	232,903,619	76.67%	
2036	8,516,948	44,740,222	76,786,687	56,148,604	797,845,057	1,010,646,689	212,801,632	78.94%	
2037	8,786,486	45,956,153	77,904,958	58,592,158	833,274,896	1,023,446,978	190,172,082	81.42%	
2038	9,061,988	47,207,488	78,971,112	61,248,534	871,821,794	1,036,620,129	164,798,335	84.10%	
2039	9,348,808	48,466,339	79,872,820	64,143,834	913,907,955	1,050,398,858	136,490,903	87.01%	
2040	9,641,679	49,809,380	80,877,522	67,302,343	959,783,835	1,064,742,317	104,958,482	90.14%	
2041	9,912,875	47,694,241	81,948,863	70,613,453	1,006,055,541	1,079,586,540	73,530,999	93.19%	
2042	10,183,179	48,993,538	83,038,831	74,078,239	1,056,271,666	1,094,954,543	38,682,877	96.47%	
2043	10,475,337	50,353,191	84,134,450	77,839,688	1,110,805,432	1,110,805,432	-	100.00%	

* Includes benefit disbursements plus transfers to other funds.

** Return is based on market return of 7.45% plus the recognition of deferred actuarial value of asset gains and losses.

*** (6) (from previous year) + (2) + (3) - (4) + (5)





SCHEDULE H - MAIN SYSTEM PROVISIONS

AS INTERPRETED FOR VALUATION PURPOSES

The Employees' Retirement System of Alabama was established on October 1, 1945. The valuation took into account amendments to the System effective through the valuation date. Act 2019-132 allows local employers that participate in the System to elect to provide Tier I retirement benefits to their Tier II employees, upon approval by the Board of Control, until May 8, 2021, and will be reflected in the valuations prepared for the individual employers. Act 2022-138 removes the deadline for this election effective April 13, 2022. There is a new tier (Tier II) of benefits for all members initially joining the System on and after January 1, 2013. Act 2023-73 revised the definition of "state police" to include all employees of the Alabama State Law Enforcement Agency who are certified by the Alabama Peace Officers' Standards and Training Commission and perform law enforcement duties, as well as investigators employed by the AG's office and Ethics Commission. These members pay the same employee contribution rate and receive the same benefits as State Police. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

1 – DEFINITIONS

Average Final Compensation – the average compensation of a member for:

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

Membership Service – all creditable service rendered while a member of the Retirement System and for which contributions are made.

Creditable Service – the sum of membership service, prior service, and any other previous service established as creditable in accordance with the provisions of the retirement law.

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

Pension – payments for life derived from the accumulated contributions of an employer.

Retirement Allowance – the sum of the annuity and pension payments.





SCHEDULE H - MAIN SYSTEM PROVISIONS

2 – BENEFITS MEMBERS CLASSIFIED AS STATE EMPLOYEES

Service Retirement Allowance

Condition for Allowance

Tier I	A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service, (except for employees of local employers who did not elect 25-year retirement), or who has attained age 60 and completed at least 10 years of creditable service.
Tier II	A retirement allowance is payable upon the request of any member who has completed 30 years of creditable service or who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer, or correctional officer).

Amount of Allowance

Tier I	Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of his creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a full-time certified firefighter, police officer, or correctional officer.
Tier II	Upon service retirement, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation. For a member whose age at retirement is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer), the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer).





SCHEDULE H - MAIN SYSTEM PROVISIONS

Disability Retirement Allowance

Condition for Allowance

A disability retirement allowance may be granted to a member who has 10 or more years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for service retirement.

Amount of Allowance

Tier I

Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of his creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a full-time certified firefighter, police officer, or correctional officer.

Tier II

Upon disability retirement, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Benefits Payable on Separation from Service

Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 60 (age 62 for Tier II members).

Benefits Payable upon Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 2 (spouse) or option 3 (non-spouse beneficiary) as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the preretirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*





SCHEDULE H - MAIN SYSTEM PROVISIONS

In the event of the death of a member with more than one year of creditable service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the preretirement death benefit fund equal to the salary on which their retirement contributions were made for the previous fiscal year (October 1 – September 30).*

In the event of a job-related death of a member at any age with less than 1 year of creditable service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs.*

In the event of a non-job-related death of a member with less than 1 year of service, the beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit which is limited to a maximum of \$5,000.

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

Deferred Retirement Option Plan (DROP)

A member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of service (at least 30 years for employers that did not elect 25 year retirement) of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member deferred receipt of a retirement allowance and continued employment for a period not to exceed five years, nor to be less than three years. At the end of this period, the member withdrew from active service and received the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also received a payment for the deferred retirement benefits, employee contributions while participating in the DROP, and interest earned on DROP deposits.





SCHEDULE H - MAIN SYSTEM PROVISIONS

The effect of Act 2011-27 was that no new participants were allowed to enter DROP with an effective participation date after June 1, 2011.

Member Contributions

Tier I

Prior to October 1, 2011, regular members contributed 5.0% of salary. Full-time certified police officers, firefighters, and correctional officers contributed 6.0% of salary. DROP participants continued to contribute during the DROP period but received a refund of these contributions and regular interest upon retirement.

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

Beginning October 1, 2012, the contribution rates were increased to 7.50% of salary for regular members and 8.50% of salary for full-time certified police officers, firefighters, and correctional officers, for all State employees and for local employees whose employers elect to do so.

Tier II

Regular members contribute 6% of salary and full-time certified firefighters, police officers, and correctional officers, contribute 7% of salary.

Both

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

“Regular Interest” is 4% which is the rate adopted by the Board and applied to the balance in each member’s account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on Section 36-27-16.3(c)(1)).





SCHEDULE H - MAIN SYSTEM PROVISIONS

MEMBERS OF LOCAL EMPLOYERS

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

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

Condition for Allowance

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

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

Amount of Allowance

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

25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.





SCHEDULE H - MAIN SYSTEM PROVISIONS

Group II

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

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

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

Employee Retention Incentive Program (ERIP)

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

Preretirement Death Benefits

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

Disability Benefits

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





SCHEDULE H - MAIN SYSTEM PROVISIONS

Separation Benefits

Group I	Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 62 (age 65 for 20-year plan).
Group II	Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 55 (age 62 for 20-year plan and Age 62 plan).

MEMBERS CLASSIFIED AS STATE POLICE

Service Retirement Allowance

Condition for Allowance	A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 52 and completed at least 10 years of creditable service.
-------------------------	---

Amount of Allowance

Tier I	<p>Upon service retirement a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of his creditable service.</p> <p>A member who has attained 20 or more years of creditable service and retires prior to age 60 is eligible to receive a "bonus service credit" up to 4 years as follows:</p> <ul style="list-style-type: none">- Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.- Age 52 to 56 – bonus service of 4 years.- Age 52 or less (disability retirement only) – bonus service of 4 years.- Age 52 or less with 25 or more years of service – bonus service of 4 years.
--------	---





SCHEDULE H - MAIN SYSTEM PROVISIONS

Tier II	Upon service retirement a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a state police officer. The benefit is capped at 80% of the member's average final compensation.
Disability Retirement Allowance	
Condition for Allowance	A disability retirement allowance may be granted to a member who has 10 or more years of creditable service or who becomes disabled as a result of his employment in line of duty without regard to his years of creditable service, and who becomes permanently incapacitated, mentally or physically, for the further performance of duty before reaching the minimum age for service retirement.
Amount of Allowance	
Tier I	Upon retirement for disability, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of his creditable service.
Tier II	Upon retirement for disability, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a state police officer. The benefit is capped at 80% of the member's average final compensation.
Benefits Payable on Separation from Service	Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 52.





SCHEDULE H - MAIN SYSTEM PROVISIONS

Benefits Payable upon Death in Active Service

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 2 (spouse) or option 3 (non-spouse beneficiary) as defined below under “Special Privileges at Retirement – All Employees” or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the preretirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*

In the event of the death of a member with more than one year of creditable service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the preretirement death benefit fund equal to the salary on which their retirement contributions were made for the previous fiscal year (October 1 – September 30).*

In the event of a job-related death of a member at any age with less than 1 year of creditable service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the preretirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs.*

In the event of a non-job-related death of a member with less than 1 year of creditable service, the beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit which is limited to a maximum of \$5,000.

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





SCHEDULE H - MAIN SYSTEM PROVISIONS

Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 52 years of age. Under the DROP, the member deferred receipt of a retirement allowance and continued employment for a period not to exceed five years, nor to be less than three years. At the end of this period, the member withdrew from active service and received the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also received a payment for the deferred retirement benefits, employee contributions while participating in the DROP, and interest earned on DROP deposits.

The effect of Act 2011-27 was that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

Member Contributions

Each member contributes 10% of salary.

3 - SPECIAL PRIVILEGES AT RETIREMENT – ALL MEMBERS

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

Option 1. If the member dies before the annuity payments equal or exceed the present value of the member's annuity at the date of retirement, the balance is paid to a designated beneficiary or to his/her estate, or

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

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





SCHEDULE H - MAIN SYSTEM PROVISIONS

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

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





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF ACTIVE MEMBERS AND THEIR AVERAGE COMPENSATION BY AGE AND YEARS OF SERVICE AS OF SEPTEMBER 30, 2025

STATE EMPLOYEES

Attained Age	Completed Years of Service										Total	Payroll	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up			
Under 25	741	522	3									1,266	\$47,786,917
25 to 29	700	1,548	334	1								2,583	\$118,543,195
30 to 34	496	1,187	985	197	2							2,867	\$150,064,772
35 to 39	408	985	970	765	207	4						3,339	\$195,346,492
40 to 44	339	853	718	650	790	250	3					3,603	\$229,958,737
45 to 49	267	766	624	521	720	905	155	2				3,960	\$268,445,118
50 to 54	246	671	619	433	602	724	417	98				3,810	\$265,770,131
55 to 59	192	565	488	428	500	585	379	374	104	1		3,616	\$254,503,373
60 to 64	80	346	430	388	322	398	224	258	255	38		2,739	\$194,122,489
65 to 69	51	127	205	161	149	163	88	90	101	74		1,209	\$87,120,238
70 & up	15	51	102	98	80	53	37	31	25	5		497	\$36,795,161
Total	3,535	7,621	5,478	3,642	3,372	3,082	1,303	853	485	118		29,489	\$1,848,456,623

Average Age: 45.49 Average Service: 10.84





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF ACTIVE MEMBERS AND THEIR AVERAGE COMPENSATION BY AGE AND YEARS OF SERVICE AS OF SEPTEMBER 30, 2025

STATE POLICE

Attained Age	Completed Years of Service										Total	Payroll
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	6	9									15	\$861,422
25 to 29	10	25	32								67	\$4,474,843
30 to 34	4	12	61	12							89	\$6,218,183
35 to 39	2	4	41	59	23						129	\$10,136,428
40 to 44	1	4	17	16	72	22					132	\$11,885,292
45 to 49	1	4	10	13	41	62	15				146	\$13,740,099
50 to 54		1	11	5	31	33	34	3			118	\$11,892,558
55 to 59		2	8	4	17	12	11	6			60	\$5,714,879
60 & up	1	1	1	4	11	4	1	2			25	\$2,456,944
Total	25	62	181	113	195	133	61	11			781	\$67,380,648

Average Age: 42.53 Average Service: 14.50





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF ACTIVE MEMBERS AND THEIR AVERAGE COMPENSATION BY AGE AND YEARS OF SERVICE AS OF SEPTEMBER 30, 2025

LOCAL EMPLOYEES

Attained Age	Completed Years of Service										Total	Payroll
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	2,280	2,483	67								4,830	\$182,572,261
25 to 29	1,397	3,704	1,437	37							6,575	\$317,169,255
30 to 34	996	2,808	2,324	829	17						6,974	\$371,568,653
35 to 39	826	2,263	1,768	1,625	728	21					7,230	\$417,223,634
40 to 44	725	1,845	1,259	1,175	1,342	640	16				7,002	\$429,203,134
45 to 49	614	1,604	1,155	931	1,090	1,248	385	6			7,033	\$442,723,341
50 to 54	582	1,522	1,144	915	1,051	1,119	774	183	3		7,293	\$459,850,251
55 to 59	457	1,331	1,023	929	859	916	642	344	89	5	6,595	\$407,830,184
60 to 64	307	920	813	649	698	597	449	223	163	41	4,860	\$287,802,785
65 to 69	213	393	409	300	237	248	158	105	66	68	2,197	\$124,774,573
70 & up	132	351	228	160	156	103	67	43	24	36	1,300	\$59,791,823
Total	8,529	19,224	11,627	7,550	6,178	4,891	2,491	904	345	150	61,889	\$3,500,509,894

Average Age: 43.56

Average Service: 9.15





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF SERVICE RETIREMENTS AND THEIR BENEFITS BY AGE

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	428	\$ 15,479,757	\$ 36,168
50 – 54	1,533	58,895,758	38,419
55 – 59	3,211	119,085,080	37,087
60 – 64	6,730	212,217,651	31,533
65 – 69	10,404	287,590,393	27,642
70 – 74	11,109	267,650,134	24,093
75 – 79	8,957	199,234,470	22,243
80 – 84	4,654	95,052,087	20,424
85 – 89	2,380	46,464,532	19,523
90 – 94	898	15,644,098	17,421
95 & Over	239	3,752,239	15,700
Total	50,543	\$ 1,321,066,199	\$ 26,137

Average Age: 70.88

*Includes post-DROP members in suspended status who are also active with a second retirement account.





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF BENEFICIARIES AND THEIR BENEFITS BY AGE

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	307	\$ 4,053,697	\$ 13,204
50 – 54	132	1,890,135	14,319
55 – 59	222	3,884,372	17,497
60 – 64	409	7,810,559	19,097
65 – 69	606	10,912,682	18,008
70 – 74	834	13,739,082	16,474
75 – 79	956	14,756,669	15,436
80 – 84	786	10,881,425	13,844
85 – 89	582	8,112,420	13,939
90 – 94	276	3,297,774	11,948
95 & Over	87	930,346	10,694
Total	5,197	\$ 80,269,161	\$ 15,445

Average Age: 73.21





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

NUMBER OF DISABLED RETIREES AND THEIR BENEFITS BY AGE

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	189	\$ 3,326,215	\$ 17,599
50 – 54	319	6,241,690	19,566
55 – 59	586	10,588,094	18,068
60 – 64	779	13,135,603	16,862
65 – 69	785	11,953,970	15,228
70 – 74	667	9,346,054	14,012
75 – 79	444	5,968,348	13,442
80 – 84	188	2,135,809	11,361
85 – 89	56	665,197	11,879
90 – 94	26	281,458	10,825
95 & Over	2	17,711	8,856
Total	4,041	\$ 63,660,149	\$ 15,754

Average Age: 65.45





SCHEDULE I - SCHEDULES OF MEMBERSHIP DATA

STATUS RECONCILIATION FROM 2024 TO 2025

Reconciliation of Data from Last Year to This Year	Active	Retired	Disabled	Survivor	Vested	Total
Total as of September 30, 2024	88,913	49,734	4,110	4,977	3,696	151,430
Service Retirements	(2,192)	2,441			(249)	
Disability Retirements	(102)		108		(6)	
Post-DROP Retirements	(23)					(23)
Deceased	(107)	(1,230)	(145)	(264)	(20)	(1,766)
Deceased with Beneficiary	(18)	(387)	(31)	441	(5)	
Deferred Vested Termination	(459)				459	
Refunds	(3,206)				(170)	(3,376)
Transfer Out	(33)					(33)
Inactive	(3,857)					(3,857)
Return to Active Status	134	(19)	(1)		(114)	
Pick-up/Status Change	955	4			11	970
New Members	12,154			43		12,197
Total as of September 30, 2025	92,159	50,543	4,041	5,197	3,602	155,542

