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Retirement Systems
of Alabama

**Alabama Judicial Retirement Fund
Report of the Actuary on the Annual Valuation
Prepared as of September 30, 2012**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 9, 2013

Board of Control
Alabama Judicial Retirement Fund
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2012 in accordance with Section 36-27-23(p) of the act governing the operation of the Fund.

The purpose of this report is to provide a summary of the funded status of the Fund as of September 30, 2012, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). Data regarding the membership of the Fund for use as a basis of the valuation was furnished by the Retirement Fund office. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

On the basis of the valuation, we have determined an employer contribution rate of 35.24% of payroll based on a 27 year amortization period for the fiscal year ending September 30, 2015.

The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Since the previous valuation, the Board has adopted a valuation interest rate smoothing methodology. Five-year smoothed market value of assets is used for actuarial valuation purposes. However, the actuarial value of assets was set equal to the market value of assets on September 30, 2012; five-year smoothing will commence again in future years. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 3.25% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Annual Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Annual Report.

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July 9, 2013
Board of Control
Page 2

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

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

In our opinion the Fund is operating on an actuarially sound basis. Assuming that contributions to the Fund are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the Fund may be safely anticipated.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA
President

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

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'John Garrett'.

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

EAM:dmw



TABLE OF CONTENTS

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Summary of Principal Results	1
II	Membership Data	2
III	Assets	4
IV	Comments on Valuation	4
V	Contributions Payable by Employer	5
VI	Accounting Information	6
VII	Analysis of Financial Experience	8
 <u>Schedule</u>		
A	Valuation Results and Solvency Test	9
B	Development of the Actuarial Value of Assets	10
C	Summary of Receipts and Disbursements	11
D	Smoothed Valuation Interest Rate	12
E	Outline of Actuarial Assumptions and Methods	13
F	Summary of Main Fund Provisions as Interpreted for Valuation Purposes	15
G	Schedule of Membership Data	18



**REPORT OF THE ACTUARY ON THE ANNUAL VALUATION OF THE
ALABAMA JUDICIAL RETIREMENT FUND
PREPARED AS OF SEPTEMBER 30, 2012**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below:

VALUATION DATE	September 30, 2012	September 30, 2011
Active members		
Number	337	334
Annual compensation	\$ 42,446,426	\$ 41,826,338
Retired members and beneficiaries		
Number	347	342
Annual allowances	\$ 27,153,088	\$ 27,357,722
Assets		
Actuarial value	\$ 234,299,529	\$ 235,869,760
Market value	234,299,529	208,716,152
Unfunded accrued liability	\$ 146,170,275	\$ 157,765,157
Funded Ratio	61.6%	59.9%
CONTRIBUTIONS FOR FISCAL YEAR ENDING	September 30, 2015	September 30, 2014
Employer contribution rate		
Normal	11.46%	12.38%
Accrued liability	22.82	22.86
Administration	<u>0.96</u>	<u>N/A</u>
Total	35.24%	35.24%
Amortization period	27 years	30 years

2. Comments on the valuation results as of September 30, 2012 are given in Section IV and further discussion of the contribution levels is set out in Section V.



3. Since the previous valuation, the Board has adopted a valuation interest rate smoothing methodology. Schedule D of this report shows the development of the smoothed interest rate. In addition, the actuarial value of assets was set equal to the market value of assets on September 30, 2012. Five-year smoothing of assets will commence again in future years. Schedule B shows the development of the actuarial value of assets. Schedule E of this report outlines the full set of actuarial assumptions and methods employed in the current valuation.
4. Provisions of the Fund, as summarized in Schedule F, were taken into account in the current valuation.

SECTION II – MEMBERSHIP DATA

1. The following table shows the number of active members and their annual compensation as of September 30, 2012 on the basis of which the valuation was prepared.

TABLE 1

**THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS AS OF SEPTEMBER 30, 2012**

GROUP	NUMBER	COMPENSATION
District Court Judges	106	\$ 13,679,381
Probate Court Judges	68	6,294,007
Non District, Non Probate Judges	<u>163</u>	<u>22,473,038</u>
Total	337	\$ 42,446,426

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 45 inactive members.



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

TABLE 2
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll*</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
9/30/2012	337	\$ 42,446,426	\$ 125,954	0.58%
9/30/2011	334	41,826,338	125,229	(1.70)
9/30/2010	338	43,060,614	127,398	0.78
9/30/2009	342	43,234,239	126,416	3.18
9/30/2008	336	41,167,248	122,522	3.19
9/30/2007	348	41,318,229	118,731	0.60

*Amounts shown do not include any salary increase effective after the valuation date.

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

TABLE 3
THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF RETIRED MEMBERS AND BENEFICIARIES ON THE ROLL AS OF SEPTEMBER 30, 2012

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES
Service Retirements	235	\$ 23,124,573
Disability Retirements	7	374,804
Beneficiaries of Deceased Members	105	3,653,711
Total	347	\$ 27,153,088

4. Schedule G shows the distribution by age and service of the number and average annual compensation of active members included in the valuation and a distribution by age of the number and benefits of retired members and beneficiaries included in the valuation.



SECTION III - ASSETS

1. The amount of assets taken into account in this valuation is based on information reported by the Retirement Fund.
2. As of September 30, 2012, the total market value of assets amounted to \$234,299,529. The market related actuarial value of assets was \$226,098,037. However, the final actuarial value of assets was set equal to market value of assets as of September 30, 2012 with smoothing to commence in future years. Schedule B shows the development of the actuarial value of assets as of September 30, 2012.
3. Schedule C shows the receipts and disbursements of the Fund for the year preceding the valuation date and a reconciliation of the fund balances at market value.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A outlines the results of the valuation. The valuation shows that the Fund has total accrued liabilities of \$380,469,804. Of this amount, \$237,196,799 is for the benefits payable on account of present retired members and beneficiaries of deceased members, \$9,083,906 is for the benefits payable on account of present inactive members and \$134,189,099 is for the benefits payable on account of present active members. Against these liabilities, the Fund has total present actuarial value of assets of \$234,299,529 as of September 30, 2012. The difference of \$146,170,275 between the total liabilities and the total present actuarial value of assets represents the present value of future actuarial accrued liability contributions to be made by the State.
2. The employer's regular contributions to the Fund consist of normal contributions and accrued liability contributions. The valuation indicates that employer normal contributions at the rate of 11.46% of payroll are required to provide the benefits of the Fund.



3. Accrued liability contributions of 22.82% of payroll are to be made toward amortizing the unfunded accrued liability. Annual accrued liability contributions at the rate of 22.82% of payroll will amortize the unfunded accrued liability within 27 years from the valuation date on the assumption that the aggregate amount of the accrued liability contribution will increase by 3.25% per year.
4. An additional contribution of 0.96% of payroll is required to cover the expenses of administering the Fund.

SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYER

1. Section 12-18-3 of the Retirement Fund Law provides that sufficient monies shall be appropriated to carry out the provisions of the Law.
2. On the basis of the actuarial valuation prepared as of September 30, 2012 it is recommended that the employer make contributions at the following rates beginning October 1, 2014:

TABLE 4

**EMPLOYER REQUIRED CONTRIBUTION RATES
AS A PERCENTAGE OF MEMBERS' COMPENSATION**

EMPLOYER CONTRIBUTION	FISCAL YEAR ENDING SEPTEMBER 30, 2015
Normal	11.46%
Accrued Liability	22.82
Administration	<u>0.96</u>
Total	35.24%



SECTION VI - ACCOUNTING INFORMATION

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

**NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF SEPTEMBER 30, 2012**

GROUP	NUMBER
Retirees and beneficiaries currently receiving benefits	347
Terminated employees entitled to benefits but not yet receiving benefits	45
Active members	<u>337</u>
Total	729

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
9/30/2007	\$265,188,767	\$315,940,930	\$50,752,163	83.9%	\$41,318,229	122.8%
9/30/2008	259,071,291	323,428,100	64,356,809	80.1	41,167,248	156.3
9/30/2009	252,645,569	340,978,434	88,332,865	74.1	43,234,239	204.3
9/30/2010	246,196,836	358,459,018	112,262,182	68.7	43,060,614	260.7
9/30/2011	235,869,760	393,634,917	157,765,157	59.9	41,826,338	377.2
9/30/2012 ¹	234,299,529	380,469,804	146,170,275	61.6	42,446,426	344.4

¹Reflects changes in methods.



3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at September 30, 2012. Additional information as of the latest actuarial valuation follows.

Valuation date	9/30/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level percent open
Remaining amortization period	27 years
Asset valuation method	Five-year smoothed market value*
Actuarial assumptions:	
Ultimate Investment Rate of return**	8.00%
Projected salary Increases**	4.00%
Cost-of-living adjustments	3.25% per year for certain members hired prior to July 30, 1979 and for spouses benefits subject to increase.
**Includes inflation at	3.00%

*Actuarial value of assets was set equal to the market value on September 30, 2012. Smoothing will commence again in future years.

TREND INFORMATION

<u>Period Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
September 30, 2010	\$10,274,864	100%	\$0
September 30, 2011	10,366,451	100	0
September 30, 2012	10,327,367	100	0



SECTION VII – ANALYSIS OF FINANCIAL EXPERIENCE

The following table shows the estimated gain or loss from various factors that resulted in a decrease of \$11,594,882 in the unfunded accrued liability from \$157,765,157 to \$146,170,275 during the year ending September 30, 2012. The most significant item contributing to the decrease of \$11.6 million in the unfunded accrued liability was a gain of \$16.7 million due to the adoption of a valuation interest rate smoothing methodology and a gain of \$8.2 million due to resetting the assets to market value. The results also show a gain of \$7.2 million due to salary increases that were less than anticipated. These gains were offset by a \$14.7 million loss due to a less than expected investment return on the actuarial value of assets.

ANALYSIS OF FINANCIAL EXPERIENCE

(in millions of dollars)

ITEM	AMOUNT OF INCREASE/ (DECREASE)
Interest (8.00%) added to previous unfunded accrued liability	\$ 12.6
Accrued liability contribution*	(5.4)
Experience:	
Valuation asset growth	14.7
Pensioners' mortality	(0.4)
Turnover and retirements	(2.8)
New entrants	0.4
Salary increases	(7.2)
Method changes	(8.2)
Amendments	0.0
Interest Smoothing	(16.7)
Miscellaneous changes	1.4
Total	\$ (11.6)

*The accrued liability contribution is equal to the total contributions made to the Fund during the fiscal year less the total normal cost, as of September 20, 2011, adjusted for interest to the end of the year, ((14.0 million * 1.04) – (8.5 million * 1.08)).



SCHEDULE A
VALUATION RESULTS

	September 30, 2012
1. Actuarial Accrued Liabilities	
(a) Present active members	
- Service pensions	\$ 126,305,483
- Disability pensions	1,707,584
- Death benefits*	2,721,606
- Termination benefits	<u>3,454,426</u>
- Total	\$ 134,189,099
(b) Present inactive members	\$ 9,083,906
(c) Present retired members and beneficiaries	
- Service retirements	\$ 204,258,777
- Disability retirements	2,985,043
- Beneficiaries of deceased members	<u>29,952,979</u>
- Total	237,196,799
(d) Total actuarial accrued liabilities ((a) + (b) + (c))	\$ 380,469,804
2. Actuarial Value of Assets	\$ 234,299,529
3. Unfunded Actuarial Accrued Liability (1(d) - 2)	\$ 146,170,275

*Liability for death benefits payable after retirement is included with liability for service and disability pensions.

SOLVENCY TEST
(\$1000's)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
9/30/2012 ¹	\$38,341	\$237,197	\$104,932	234,300	100%	83%	0.0%
9/30/2011	32,898	250,731	110,006	235,870	100	81	0.0
9/30/2010	33,950	218,969	105,540	246,197	100	97	0.0
9/30/2009	32,533	215,730	92,715	252,646	100	100	4.7
9/30/2008	32,585	203,062	87,781	259,071	100	100	26.7
9/30/2007	30,286	202,835	82,820	265,189	100	100	38.7

¹ Reflects changes in methods



SCHEDULE B

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

(1)	Actuarial Value Beginning of Year	\$	235,869,760
(2)	Market Value End of Year		234,299,529
(3)	Market Value Beginning of Year		208,716,152
(4)	Cash Flow		
	a. Contributions		14,007,880
	b. Benefit Payments		27,435,579
	c. Investment Expenses		0
	d. Net Cash Flow: (a - b - c)	\$	(13,427,699)
(5)	Actual Investment Return ((2) - (3) - (4)d)		39,011,076
(6)	Assumed Rate of Return on Assets		8.00%
(7)	Amount for Immediate Recognition [(3) * (6)] + [((4)a - (4)b) * 0.5 * (6)] + (4)c		16,160,184
(8)	Investment Gain/(Loss) for the Fiscal Year ((5) - (7))		22,850,892
(9)	Phased-In Recognition of Investment Gain/(Loss)		
	a. Current Year: 0.2 * (5)d		4,570,178
	b. First Prior Year		(3,009,865)
	c. Second Prior Year		1,118,914
	d. Third Prior Year		(3,287,456)
	e. Fourth Prior Year		(11,895,979)
	f. Total Recognized Investment Gain	\$	(12,504,208)
(10)	Actuarial Value End of Year (1) + (4)d + (7) + (9)f	\$	226,098,037
(11)	Final Actuarial Value of Assets*	\$	234,299,529

<u>Date</u>	<u>Investment Gain/(Loss)</u>	<u>Amount Recognized</u>	<u>Remaining Balance as of 9/30/2012</u>
9/30/2012	\$ 22,850,892	\$ 4,570,178	\$ 0
9/30/2011	(15,049,323)	(3,009,865)	0
9/30/2010	5,594,568	1,118,914	0
9/30/2009	(16,437,280)	(3,287,456)	0
9/30/2008	(59,479,897)	(11,895,979)	0

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE C

**SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD ENDING SEPTEMBER 30, 2012**

<u>Receipts for the Period</u>	
Contributions:	
Members	\$ 3,680,513
Employer	<u>10,327,367</u>
Total	\$ 14,007,880
Investment Income	<u>39,011,076</u>
TOTAL	\$ 53,018,956
<u>Disbursements for the Period</u>	
Benefit Payments	\$ 27,199,638
Refunds to Members	235,941
Other	<u>0</u>
TOTAL	\$ <u>27,435,579</u>
<u>Excess of Receipts over Disbursements</u>	\$ 25,583,377
<u>Reconciliation of Asset Balances</u>	
Market Value of Assets as of September 30, 2011	\$ 208,716,152
Excess of Receipts over Disbursements	<u>25,583,377</u>
Market Value of Assets as of September 30, 2012	\$ <u>234,299,529</u>



SCHEDULE D

SMOOTHED INTEREST RATE

Actual Rate of Return for 5 Year Look Back Period

Fiscal Year Ending 9/30	Actual Rate of Return for Fiscal Year
2008	-14.58 %
2009	0.69
2010	10.73
2011	0.45
2012	19.01

SMOOTHED INTEREST RATE: The assumed rate of return during the 25 year look forward period beginning on the valuation date. This is the investment rate of return expected to be earned during this period based on the actual rates earned during the five year look back period shown above such that the average rate of return over the combined 30 year period is equivalent to the ultimate investment rate of return (currently 8.00%). On this basis, for the September 30, 2012 valuation, the smoothed interest rate during the 25 year look forward period has been determined to be 9.10%.

ULTIMATE INVESTMENT RATE OF RETURN: The assumed investment rate of return used in determining the smoothed interest rate described above. This is also the assumed investment rate of return after the 25 year look forward period and is currently 8.00%.

CORRIDOR AROUND SMOOTHED INTEREST RATE: A corridor of 0.50% around the ultimate investment rate of return is applied in determining the smoothed interest rate.

LIMITED SMOOTHED INTEREST RATE: The assumed rate of return during the 25 year look forward period as limited based on the application of the corridor above and used for valuation purposes. Since the smoothed interest rate above is 9.10%, the assumed rate for the first 25 years after the valuation date is limited to 8.50% by the corridor.



SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation are based on the actuarial experience study prepared as of September 30, 2010 and adopted by the Board on January 27, 2012.

Ultimate Investment Rate of Return: 8% per annum, compounded annually, including inflation at 3%.

Salary Increases: 4% per annum, compounded annually, including wage inflation at 3.25%.

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

<u>Age</u>	<u>Annual Rate of</u>			
	<u>Withdrawal</u>	<u>Death*</u>		<u>Disability**</u>
		<u>Male</u>	<u>Female</u>	
30	2.5%	0.0309%	0.0185%	0.040%
35	2.5	0.0538	0.0305	0.080
40	2.5	0.0717	0.0432	0.135
45	2.5	0.0929	0.0672	0.215
50	2.5	0.1221	0.1002	0.325
55	2.5	0.2038	0.1917	0.500
60	2.5	0.3973	0.3775	0.790
64	2.5	0.6847	0.6302	1.140

* Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward one year for females with an adjustment of factor of 0.75% for males and 0.70% for females.

**Disability rates turn off at retirement eligibility.

Rates of Retirement: Before age 70, 30% of members are assumed to retire in the year when first eligible and 10% in each year thereafter. 50% of the remaining members are assumed to retire each year between age 70 and 74, and all remaining members are assumed to retire at age 75.

Deaths After Retirement: Rates of mortality for the period after service retirement are according to the RP-2000 Mortality Table with projection scale AA to 2015 set forward one year for females. The RP-2000 Disabled Mortality Table adjusted for males by a factor of 0.85 is used for the period after disability retirement. Representative values of assumed mortality are as follows:

<u>Age</u>	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
55	0.2718%	0.2739%	3.0126%	1.6544%
60	0.5297	0.5393	3.5736	2.1839
65	1.0309	1.0161	4.2648	2.8026
70	1.7702	1.7233	5.3196	3.7635
75	3.0622	2.7451	6.9757	5.2230
80	5.5360	4.5702	9.2966	7.2312
85	9.9680	7.8920	12.0363	10.0203
90	17.2706	13.8232	15.5897	14.0049



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

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

Assets: Actuarial Value as developed in Schedule B. The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return.

Liability for Current Inactive Members: Member Contribution Balance is multiplied by a factor of 3.0.

Post Retirement Increases: Allowances of retired members and spouses who receive benefits based on the salaries prescribed by law for the position are assumed to increase by 3.25% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

For district judges, a factor of 1.5% is applied to the liability for prospective spouses benefits to account for salary increases expected to occur between the member's retirement and death.

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

Valuation Interest Rate Smoothing: The valuation liabilities are calculated using a smoothed interest rate method. The interest rate assumed during the look forward period (currently 25 years from the valuation date) is the investment rate of return expected to be earned during the look forward period based on the actual rate of return earned during the look back period (currently 5 years) such that the average assumed rate of return over the combined 30 year period is equivalent to the assumed ultimate investment rate of return (currently 8.00%). The interest rate after the 25 year look forward period is the ultimate investment rate of return of 8.00%.

Corridor Limit on Interest Smoothing: The smoothed interest rate used during the 25 year look forward period is limited to a corridor of 0.50% around the ultimate investment rate of return.



SCHEDULE F

SUMMARY OF MAIN FUND PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

The Judicial Retirement Fund was established September 18, 1973. The valuation took into account amendments to the Fund effective through the valuation date. The following summary describes the main benefit and contribution provisions of the Fund as interpreted for the valuation.

Membership

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

Credited Service

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

Benefits

Service Retirement Benefit

- Condition for Benefit A retirement benefit is payable upon the request of any member who has:
- Completed 12 years of credited service and attained age 65, or
 - Completed 15 years of credited service and whose age plus service equals or exceeds 77, or



- Completed at least 18 years of credited service or three full terms as a judge or justice, or
- Completed 10 years of credited service and attained age 70

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

- Completed 12 years of credited service and attained age 65, or
- Completed at least 15 years of credited service and attained age 60, and whose age plus service equals or exceeds 77, or
- Completed 10 years of credited service and attained age 70, or
- Completed 25 years of credited service (or completed 24 years of credited service provided the member purchases one year of service prior to retirement) regardless of age

Amount of Benefit

The service retirement benefit for a member is equal to:

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

Disability Retirement Benefit

Condition for Benefit

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

Amount of Benefit

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

The disability retirement benefit for a judge who became a member on or after July 30, 1979 or who is a district or probate judge is equal to 25% of his salary immediately prior to retirement plus 10% of such salary for each year of credited service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.



Spouse's Benefit

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

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

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

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

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

Benefit Payable on Separation from Service

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

A member terminating service before reaching eligibility for retirement benefits may elect to receive a return of contributions and accrued interest. "Regular Interest" is 4% which is the rate adopted by the Board and applied to the balance in each member's account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on Section 36-27-16.3(c)(1)).

Contributions

By Members Prior to October 1, 2011, each member contributed 6.0% of salary.

Beginning October 1, 2011, each member contributed 8.25% of salary.

Beginning October 1, 2012, each member will contribute 8.50% of salary.

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

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



SCHEDULE G

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

**NUMBER OF ACTIVE MEMBERS AND THEIR AVERAGE COMPENSATION
BY AGE AND YEARS OF SERVICE**

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	≥ 40	
Under 25 Avg. Pay											
25 to 29 Avg. Pay											
30 to 34 Avg. Pay		3 119,941	2 121,028								5 120,376
35 to 39 Avg. Pay		8 119,818	1 121,923	1 79,100							10 115,956
40 to 44 Avg. Pay		10 116,006	10 111,252	2 123,908	3 132,054						25 116,662
45 to 49 Avg. Pay		11 117,685	18 125,747	5 127,981	3 150,686	3 129,081					40 125,930
50 to 54 Avg. Pay	3 63,070	10 114,210	22 126,978	8 134,261	9 142,710	1 139,764	2 110,570	1 69,943			56 123,467
55 to 59 Avg. Pay	1 72,113	8 121,159	10 115,329	24 133,169	14 141,943	11 143,483	9 150,783	1 149,935			78 134,144
60 to 64 Avg. Pay	1 97,624	5 121,328	11 120,315	17 123,243	13 130,498	5 130,715	6 133,779	2 161,200	2 148,687	1 133,482	63 127,442
65 to 69 Avg. Pay		4 110,466	9 115,569	9 119,123	3 128,819	8 123,536	5 149,435	3 123,320	1 144,351	1 146,573	43 124,114
70 & up Avg. Pay		1 121,449	3 106,276	3 116,271	4 109,957		1 149,935		4 135,062	1 69,041	17 116,949
Total Avg. Pay	5 71,789	60 117,571	86 120,572	69 126,855	49 135,563	28 133,828	23 142,521	7 130,320	7 140,282	3 116,366	337 125,954

The top number in each box is the count of actives for that age and service combination. The bottom amount is the average compensation for the group.

Average Age: 55.9
Average Years of Service: 13.1



**NUMBER OF RETIRED MEMBERS
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	1	\$ 37,244	\$ 37,244
50-54	0	0	0
55-59	9	1,073,252	119,250
60-64	33	3,433,933	104,059
65-69	61	6,335,872	103,867
70-74	55	5,497,243	99,950
75-79	24	2,182,365	90,932
80-84	28	2,636,900	94,175
85-89	16	1,292,468	80,779
90-94	6	477,161	79,527
95 & Over	2	158,135	79,068
Total	235	\$ 23,124,573	\$ 98,402

Average Age: 73.0

**NUMBER OF BENEFICIARIES
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	2	\$ 86,812	\$ 43,406
50-54	3	90,551	30,184
55-59	5	173,356	34,671
60-64	8	337,625	42,203
65-69	13	501,464	38,574
70-74	9	321,354	35,706
75-79	22	731,336	33,243
80-84	18	590,014	32,779
85-89	18	548,432	30,468
90-94	5	190,452	38,090
95 & Over	2	82,315	41,158
Total	105	\$ 3,653,711	\$ 34,797

Average Age: 75.7



**NUMBER OF DISABLED RETIREES
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	0	\$ 0	\$ 0
50-54	0	0	0
55-59	1	94,674	94,674
60-64	0	0	0
65-69	2	130,082	65,041
70-74	2	91,550	45,775
75-79	2	58,498	29,249
80-84	0	0	0
85-89	0	0	0
90-94	0	0	0
95 & Over	0	0	0
Total	7	\$ 374,804	\$ 53,543

Average Age: 69.6