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.

($ in thousands)

Valuation	Fair Value of Assets	Covered Payroll	Asset Volatility Ratio
2017	$300,266	$44,292	6.78
2018	$314,801	$43,819	7.18
2019	$309,782	$45,326	6.83
2020	$315,535	$47,085	6.70
2021	$362,031	$47,892	7.56
2022	$293,992	$55,353	5.31

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 JRF at September 30, 2022 is 5.31. As shown in the table below, if the market value return is 5% below assumed, or 2.40% (7.40% minus 5.00%) for the System, the increase in the Required Contribution Rate is 0.41% of payroll in the first year. Without asset smoothing or without returns above the expected return in the next four years, the impact on the Required Contribution Rate would be 2.05%.

Investment Rate of Return 5% Less Than Assumed		
AVR	Unsmoothed Amortization	Smoothed Amortization
5.00	1.93%	0.39%
5.31	2.05%	0.41%
6.00	2.31%	0.46%

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.

The following table contains the key measures for the System using the valuation assumption for investment return of 7.40% along with the results if the assumption were 6.40% or 8.40%. 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 CMC believes that either assumption (6.40% or 8.40%) would comply with actuarial standards of practice.

($ in thousands)

As of September 30, 2022	Current Discount Rate (7.40%)	-1% Discount Rate (6.40%)	+1% Discount Rate (8.40%)
Accrued Liability	$544,518	$594,796	$501,066
Unfunded Liability	$209,850	$260,128	$166,398
Funded Ratio (AVA)	61.5%	56.3%	66.8%

Section VIII: Risk Assessment

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 generational 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.

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 Actuarial 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.

Schedule A: Valuation Balance Sheet and Solvency Test

VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE ALABAMA JUDICIAL RETIREMENT FUND

Judicial Retirement Fund (Other than District Attorneys' Plan)

		September 30, 2022
1. Actuarial Accrued Liabilities		
(a) Present active members		
- Service pensions	$	169,451,365
- Disability pensions		1,075,564
- Death benefits*		1,287,166
- Termination benefits		2,745,697
- Total	$	174,559,792
(b) Present inactive members		
- Non-vested	$	1,473,855
- Deferred vested		7,650,829
- Total	$	9,124,684
(c) Present retired members and beneficiaries		
- Service retirements	$	316,842,824
- Disability retirements		5,557,865
- Beneficiaries of deceased members		35,252,732
- Total	$	357,653,421
(d) Total actuarial accrued liabilities ((a) + (b) + (c))	$	541,337,897
2. Actuarial Value of Assets	$	331,501,692
3. Unfunded Actuarial Accrued Liability (1(d) - 2)	$	209,836,205

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

Schedule A: Valuation Balance Sheet and Solvency Test

VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE ALABAMA JUDICIAL RETIREMENT FUND

District Attorneys' Plan

		September 30, 2022
1. Actuarial Accrued Liabilities		
(a) Present active members		
- Service pensions	$	3,012,382
- Disability pensions		45,564
- Death benefits		39,117
- Termination benefits		83,180
- Total	$	3,180,243
(b) Present inactive members		
- Non-vested	$	0
- Deferred vested		0
- Total	$	0
(c) Present retired members and beneficiaries		
- Service retirements	$	0
- Disability retirements		0
- Beneficiaries of deceased members		0
- Total	$	0
(d) Total actuarial accrued liabilities ((a) + (b) + (c))	$	3,180,243
2. Actuarial Value of Assets	$	3,166,430
3. Unfunded Actuarial Accrued Liability (1(d) - 2)	$	13,813

Schedule A: Valuation Balance Sheet and Solvency Test

VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF THE ALABAMA JUDICIAL RETIREMENT FUND

Total – All Groups

	September 30, 2022
1. Actuarial Accrued Liabilities	
(a) Present active members	
- Service pensions	$ 172,463,747
- Disability pensions	1,121,128
- Death benefits*	1,326,283
- Termination benefits	2,828,877
- Total	$ 177,740,035
(b) Present inactive members	
- Non-vested	$ 1,473,855
- Deferred vested	7,650,829
- Total	$ 9,124,684
(c) Present retired members and beneficiaries	
- Service retirements	$ 316,842,824
- Disability retirements	5,557,865
- Beneficiaries of deceased members	35,252,732
- Total	$ 357,653,421
(d) Total actuarial accrued liabilities ((a) + (b) + (c))	$ 544,518,140
2. Actuarial Value of Assets	$ 334,668,122
3. Unfunded Actuarial Accrued Liability (1(d) - 2)	$ 209,850,018

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

SOLVENCY TEST
($1000's)

	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Reported Asset		
Valuation Date	**(1) Active Member Contributions**	**(2) Retirants and Beneficiaries**	**(3) Active Members (Employer Financed Portion)**	**Reported Assets**	**(1)**	**(2)**	**(3)**
9/30/2022	$51,509	$357,653	$135,356	$334,668	100%	79%	0%
9/30/2021[1]	47,304	343,885	108,727	333,779	100	83	0
9/30/2020	43,899	338,492	99,472	318,673	100	81	0
9/30/2019	40,993	338,734	96,102	310,689	100	80	0
9/30/2018[1]	48,609	296,550	112,675	305,397	100	87	0
9/30/2017	44,792	296,231	107,423	293,090	100	84	0

[1]Reflects changes in actuarial assumptions and methods.

Schedule B: Development of the Actuarial Value of Assets

Judicial Retirement Fund (Other than District Attorneys' Plan)

(1)	Actuarial Value of Assets on September 30, 2021	$	331,290,037
(2)	Market Value of Assets on September 30, 2022		291,188,509
(3)	Market Value of Assets on September 30, 2021	$	359,333,040
(4)	Cash Flow		
	a. Contributions	$	24,076,547
	b. Benefit Payments		(40,541,892)
	c. Refund to Members		(325,008)
	d. Transfer to Expense Fund – Interest Forfeitures		(8,932)
	e. Investment Expenses		0
	f. Net Cash Flow: (a + b + c + d + e)	$	(16,799,285)
(5)	Actual Investment Return ((2) - (3) - (4)f)		(51,345,246)
(6)	Assumed Rate of Return on Assets		7.40%
(7)	Amount for Immediate Recognition [(3) * (6)] + [((4)a + (4)b + (4)c + (4)d) * 0.5 * (6)] + (4)e		25,969,071
(8)	Investment Gain/(Loss) for the Fiscal Year ((5) - (7))		(77,314,317)
(9)	Phased-In Recognition of Investment Gain/(Loss)		
	a. Current Year: 0.2 * (8)	$	(15,462,863)
	b. First Prior Year		7,994,454
	c. Second Prior Year		23,903
	d. Third Prior Year		(2,492,319)
	e. Fourth Prior Year		978,694
	f. Total Recognized Investment Gain/(Loss)	$	(8,958,131)
(10)	Actuarial Value of Assets on September 30, 2022 (1) + (4)f + (7) + (9)f	$	331,501,692

Schedule B: Development of the Actuarial Value of Assets

District Attorneys' Plan

(1)	Actuarial Value of Assets on September 30, 2021	$	2,489,219
(2)	Market Value of Assets on September 30, 2022		2,803,949
(3)	Market Value of Assets on September 30, 2021		2,697,617
(4)	Cash Flow		
	a. Contributions	$	540,533
	b. Benefit Payments		0
	c. Refund to Members		0
	d. Transfer to Expense Fund – Interest Forfeitures		0
	e. Investment Expenses		0
	f. Net Cash Flow: (a + b + c + d + e)	$	540,533
(5)	Actual Investment Return ((2) - (3) - (4)f)		(434,201)
(6)	Assumed Rate of Return on Assets		7.40%
(7)	Amount for Immediate Recognition [(3) * (6)] + [((4)a + (4)b + (4)c + (4)d) * 0.5 * (6)] + (4)e		219,623
(8)	Investment Gain/(Loss) for the Fiscal Year ((5) - (7))		(653,824)
(9)	Phased-In Recognition of Investment Gain/(Loss)		
	a. Current Year: 0.2 * (8)	$	(130,765)
	b. First Prior Year		52,630
	c. Second Prior Year		647
	d. Third Prior Year		1,386
	e. Fourth Prior Year		(6,843)
	f. Total Recognized Investment Gain/(Loss)	$	(82,945)
(10)	Actuarial Value of Assets on September 30, 2022 (1) + (4)f + (7) + (9)f	$	3,166,430

Schedule B: Development of the Actuarial Value of Assets

Total - All Plans

(1)	Actuarial Value of Assets on September 30, 2021	$	333,779,256
(2)	Market Value of Assets on September 30, 2022		293,992,458
(3)	Market Value of Assets on September 30, 2021		362,030,657
(4)	Cash Flow		
	a. Contributions	$	24,617,080
	b. Benefit Payments		(40,541,892)
	c. Refund to Members		(325,008)
	d. Transfer to Expense Fund – Interest Forfeitures		(8,932)
	e. Investment Expenses		0
	f. Net Cash Flow: (a + b + c + d + e)	$	(16,258,752)
(5)	Actual Investment Return ((2) - (3) - (4)f)		(51,779,447)
(6)	Assumed Rate of Return on Assets		7.40%
(7)	Amount for Immediate Recognition [(3) * (6)] + [((4)a + (4)b + (4)c + (4)d) * 0.5 * (6)] + (4)e		26,188,694
(8)	Investment Gain/(Loss) for the Fiscal Year ((5) - (7))		(77,968,141)
(9)	Phased-In Recognition of Investment Gain/(Loss)		
	a. Current Year: 0.2 * (8)	$	(15,593,628)
	b. First Prior Year		8,047,084
	c. Second Prior Year		24,550
	d. Third Prior Year		(2,490,933)
	e. Fourth Prior Year		971,851
	f. Total Recognized Investment Gain/(Loss)	$	(9,041,076)
(10)	Actuarial Value of Assets on September 30, 2022 (1) + (4)f + (7) + (9)f	$	334,668,122

Schedule C: Summary of Receipts and Disbursements

FOR THE PERIOD ENDING SEPTEMBER 30, 2022

Receipts for the Period		
Contributions:		
Members	$	4,691,655
Employer		19,925,425
Total	$	24,617,080
Investment Income		(51,779,447)
TOTAL	$	(27,162,367)
Disbursements for the Period		
Benefit Payments	$	40,541,892
Refunds to Members		325,008
Transfer to Expense Fund		8,932
TOTAL	$	40,875,832
Excess of Receipts over Disbursements	$	(68,038,199)
Reconciliation of Asset Balances		
Market Value of Assets as of September 30, 2021	$	362,030,657
Excess of Receipts over Disbursements		(68,038,199)
Market Value of Assets as of September 30, 2022	$	293,992,458

Schedule D: Outline of 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 12, 2021, and adopted by the Board on September 14, 2021.

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

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

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

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

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

** Disability rates turn off at retirement eligibility.

Schedule D: Outline of Actuarial Assumptions and Methods

Rates of Retirement:

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

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

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

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

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Deaths After Retirement: Rates of mortality for the period after becoming a retiree are according to the Pub-2010 Family of Tables projected generationally with MP-2019 Scale adjusted by 66-2/3% beginning with year 2019, and with further adjustments are used for post-retirement mortality assumptions as follows:

Group	Membership Table	Set Forward(+) / Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree-Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

Schedule D: Outline of Actuarial Assumptions and Methods

Percent Married: 100% of active members are assumed to be married with the husband 3 years older than the wife.

Actuarial Method: Individual Entry age normal. Gains and losses are reflected in the unfunded accrued liability. See Schedule E for more details.

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

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

Post Retirement Increases: Allowances of retired members and spouses who receive benefits based on the salaries prescribed by law for the position are assumed to increase by 3.00% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

Benefits Payable upon Separation from Service: Active members who 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.

Schedule E: Actuarial Cost Method

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

Schedule F: Board Funding Policy

FUNDING POLICY OF THE

EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL FOR

THE ADMINISTRATION OF THE JUDICIAL RETIREMENT SYSTEM

Effective September 30, 2021

The purpose of the funding policy is to state the overall funding objectives for the Judicial Retirement Fund (Fund), the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

The funding policy reflects the Board's long-term strategy for stability in funding of the plan.

I. Funding Objectives The goal in requiring employer and member contributions to the Fund is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement. In meeting this objective, the Fund will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of fund actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to attain a funded ratio which is consistent with the fiscal health and long-term stability of the Fund.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demands for liquidity.
- To develop a pattern of contribution rates expressed as a percentage of member payroll as measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board. In no event will the employer contribution rate be negative.
- To provide intergenerational equity for taxpayers with respect to Fund costs.

II. Benchmarks

To track progress in achieving the previously outlined funding objectives, the following benchmarks will be measured annually as of the valuation date. The valuation date is the date that the annual actuarial valuation of the Fund's assets and liabilities is prepared. This date is currently September 30th each year with due recognition that a single year's results may not be indicative of long-term trends:

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
  - ➢ **Initial Total UAAL -** The initial total UAAL established as of the initial valuation date (September 30, 2021) for which this funding policy is adopted shall be amortized over a closed

period. (A closed amortization period is one which is calculated over a fixed period and at the end of that period, the amount is fully amortized).

- **New Incremental UAAL** - Each valuation after the initial valuation date will produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation. Each valuation after the initial valuation date will produce a New Incremental UAAL consisting of all assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.

- **UAAL Amortization Period and Contribution Rates**
  - The Initial Total UAAL will be amortized over a closed 19-year period.
  - Except as noted later, each New Incremental UAAL shall be amortized over a closed 20 year period.
  - Incremental UAAL resulting from plan changes that grant benefit improvements shall be amortized over a period not to exceed 15 years.
  - Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Sections 36-27-24 and 12-18-2.
  - In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for the pre-retirement death benefit fund, a contribution rate for administrative expenses, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate for the remaining initial UAAL.

III. Methods and Assumptions

The actuarial funding method used to develop the benchmarks will be the Entry Age Normal (EAN) actuarial cost method. The actuarial methods and assumptions used will be those last adopted by the Board based upon the advice and recommendation of the actuary. The actuary shall conduct an investigation into the Fund's experience at least every five years and utilize the results of the investigation to form the basis for those recommendations.

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 goal.

Schedule G: Amortization of Bases

AMORTIZATION SCHEDULE FOR INITIAL UAAL
ON SEPTEMBER 30, 2021

Valuation Date	Projected UAAL	Payment for Year
9/30/2021	$166,022,505	$13,574,759
9/30/2022	**$164,733,412**	**$13,948,065**
9/30/2023	$162,975,620	$14,331,636
9/30/2024	$160,704,179	$14,725,756
9/30/2025	$157,870,532	$15,130,715
9/30/2026	$154,422,237	$15,546,809
9/30/2027	$150,302,673	$15,974,347
9/30/2028	$145,450,724	$16,413,641
9/30/2029	$139,800,437	$16,865,016
9/30/2030	$133,280,653	$17,328,804
9/30/2031	$125,814,617	$17,805,346
9/30/2032	$117,319,552	$18,294,993
9/30/2033	$107,706,206	$18,798,106
9/30/2034	$96,878,359	$19,315,054
9/30/2035	$84,732,304	$19,846,217
9/30/2036	$71,156,278	$20,391,988
9/30/2037	$56,029,854	$20,952,768
9/30/2038	$39,223,295	$21,528,969
9/30/2039	$20,596,849	$22,121,016
9/30/2040	$0	$0

Schedule G: Amortization of Bases

AMORTIZATION SCHEDULE FOR NEW INCREMENTAL UAAL
ON SEPTEMBER 30, 2022

Valuation Date	Projected UAAL	Payment for Year
9/30/2022	**$45,102,793**	**$3,570,572**
9/30/2023	$44,869,829	$3,668,762
9/30/2024	$44,521,434	$3,769,653
9/30/2025	$44,046,367	$3,873,319
9/30/2026	$43,432,479	$3,979,835
9/30/2027	$42,666,648	$4,089,280
9/30/2028	$41,734,699	$4,201,736
9/30/2029	$40,621,331	$4,317,283
9/30/2030	$39,310,026	$4,436,009
9/30/2031	$37,782,960	$4,557,999
9/30/2032	$36,020,900	$4,683,344
9/30/2033	$34,003,103	$4,812,136
9/30/2034	$31,707,197	$4,944,470
9/30/2035	$29,109,060	$5,080,442
9/30/2036	$26,182,688	$5,220,155
9/30/2037	$22,900,052	$5,363,709
9/30/2038	$19,230,947	$5,511,211
9/30/2039	$15,142,826	$5,662,769
9/30/2040	$10,600,626	$5,818,495
9/30/2041	$5,566,577	$5,978,504
9/30/2042	$0	$0

Schedule H: Summary of Main Plan Provisions

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

Membership

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

Average Final Compensation

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

Creditable Service

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

Schedule H: Summary of Main Plan Provisions

Benefits

Service Retirement Benefit

Condition for Benefit

Tier I (Groups 1 and 2):

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

- Completed 12 years of creditable service and attained age 65, or
- Completed 15 years of creditable service and whose age plus creditable service equals or exceeds 77, or
- Completed at least 18 years of creditable service or three full terms as a judge or justice, or
- Completed 10 years of creditable service and attained age 70.

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

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

Tier II (Group 3) and District Attorneys:

Completed 10 years of credible service and attained age 62**.**

Amount of Benefit

Tier I (Groups 1 and 2):

The service retirement benefit for a member is equal to:

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

(b) For a circuit or appellate judge who became a member on or after July 30, 1979, 75% of the member's salary at the time of separation from service.

(c) For a district judge, 75% of the position's salary immediately prior to retirement.

(d) For a probate judge, 75% of the member's salary at the time of separation from service.

Tier II (Group 3) and District Attorneys:

The service retirement benefit for a member is equal to:

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

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

Disability Retirement Benefit

Condition for Benefit

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

Amount of Benefit

Tier I (Groups 1 and 2):

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

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

Tier II (Group 3) and District Attorneys:

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

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

Schedule H: Summary of Main Plan Provisions

Spouse's Benefit

Condition for Benefit

Tier I (Groups 1 and 2): Upon the death of an active, inactive or retired member with at least 5 years of creditable service, a death benefit is payable to the member's spouse.

Amount of Benefit

Tier I (Groups 1 and 2): The death benefit payable to the spouse of a judge other than a district or probate judge consists of a yearly benefit equal to 3% of the salary prescribed by law for the position of the former member for each year of credible service, not to exceed 30% of such salary.

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

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

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

Death in Active Service Benefit

Amount of Benefit

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

In the event of the death of a member who is not eligible for retirement, the designated beneficiary shall receive the accumulated contributions not to exceed $5,000 or the accumulated contributions of the member plus an additional death benefit payable from the preretirement death benefit fund equal to the salary on which their retirement contributions were made for the previous fiscal year. (October 1- September 30)

Schedule H: Summary of Main Plan Provisions

Benefit Payable on Separation from Service

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

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

Contributions

By Members

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

Tier II (Group 3) and District Attorneys: Each Tier II member and District Attorney member contributes 8.50% of salary.

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

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

Special Privileges at Retirement

Tier II (Group 3) and District Attorneys: In lieu of the full retirement allowance, any member may, at retirement, elect to receive a reduced retirement allowance equal in value to the full allowance with the provision that:
Option 1. If the member dies before the annuity payments equal or exceed the present value of the value of the annuity in the member's account at the date of retirement, the balance is paid to a designated beneficiary or to the estate, or
Option 2. After the member's death, the member's allowance is continued throughout the life of the designated beneficiary, or
Option 3. After the member's death, one half of the member's allowance is continued throughout the life of the designated beneficiary, or

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

Schedule I: Schedule of Membership Data

SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2022

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

Attained Age	Completed Years of Service										
	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	Total
Under 25											
Avg. Pay											
25 to 29											
Avg. Pay											
30 to 34			2								2
Avg. Pay			152,981								152,981
35 to 39	2	7	3	1							13
Avg. Pay	85,970	121,926	130,145	69,400							114,251
40 to 44	1	15	11	6	3						36
Avg. Pay	147,451	127,529	146,427	158,614	171,216						142,678
45 to 49	8	24	10	9	4	1					56
Avg. Pay	131,212	135,021	146,104	154,978	169,414	111,912					141,707
50 to 54		32	16	14	11	2	2				77
Avg. Pay		130,380	134,614	159,631	155,274	183,996	172,253				142,615
55 to 59	1	13	16	9	15	6	1	1			62
Avg. Pay	147,451	132,952	142,491	163,379	170,085	158,066	184,496	184,496			153,141
60 to 64	1	8	11	12	17	7	4	1	1	1	63
Avg. Pay	77,009	125,277	153,502	164,849	172,665	183,873	195,830	183,178	183,178	80,672	161,884
65 to 69	1	7	13	8	3	4	2	2	4	1	45
Avg. Pay	77,009	107,881	145,426	162,359	130,010	181,734	184,496	183,837	207,308	184,496	153,088
70 & up		1	4	3	3	4	1	2			18
Avg. Pay		82,417	151,159	167,253	175,476	168,743	73,341	231,150			162,547
Total	14	107	86	62	56	24	10	6	5	2	372
Avg. Pay	119,326	128,479	144,017	159,677	166,113	171,555	175,466	199,608	202,482	132,584	148,798

* Includes all salary increases reflected in the valuation.

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: 54.9
Average Years of Service: 10.9

Schedule I: Schedule of Membership Data

NUMBER OF SERVICE RETIREMENTS AND THEIR BENEFITS BY AGE

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	0	$ 0	$ 0
50-54	1	115,558	115,558
55-59	4	312,667	78,167
60-64	12	1,260,021	105,002
65-69	64	7,018,326	109,661
70-74	84	8,592,836	102,296
75-79	95	10,114,933	106,473
80-84	54	5,630,669	104,272
85-89	10	979,514	97,951
90-94	9	1,038,507	115,390
95 & Over	3	300,875	100,292
Total	336	$ 35,363,906	$ 105,250

Average Age: 74.6

NUMBER OF BENEFICIARIES AND THEIR BENEFITS BY AGE

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	1	$ 32,007	$ 32,007
50-54	0	0	0
55-59	3	152,234	50,745
60-64	4	201,034	50,259
65-69	7	310,333	44,333
70-74	10	512,400	51,240
75-79	23	1,006,723	43,771
80-84	15	618,020	41,201
85-89	24	999,112	41,630
90-94	22	755,774	34,353
95 & Over	6	223,629	37,272
Total	115	$ 4,811,266	$ 41,837

Average Age: 81.3

Schedule I: Schedule of Membership Data

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	105,705	105,705
60-64	1	110,203	110,203
65-69	2	179,103	89,552
70-74	2	74,938	37,469
75-79	2	90,431	45,216
80-84	0	0	0
85-89	0	0	0
90-94	0	0	0
95 & Over	0	0	0
Total	8	$ 560,380	$ 70,048

Average Age: 69.1