



Retirement Systems  
of Alabama

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**GASB STATEMENT NO. 68 REPORT**  
**FOR THE**  
**ALABAMA JUDICIAL RETIREMENT FUND**  
**PREPARED AS OF SEPTEMBER 30, 2015**



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

September 30, 2016

Board of Control  
Alabama Judicial Retirement Fund  
Montgomery, Alabama

Ladies and Gentlemen:

Presented in this report is information to assist the Alabama Judicial Retirement Fund (JRF) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 68 and to identify the information to be provided by the actuary, Cavanaugh Macdonald Consulting (CMC). The information presented is for the period ending September 30, 2015 (the Measurement Date).

GASB Statement Number 68 established accounting and financial reporting requirements for governmental employers that provide pension benefits to their employees through a trust.

The annual actuarial valuation used as a basis for much of the information presented in this report was performed as of September 30, 2014. The valuation was based upon data, furnished by the JRF staff, for active, inactive and retired members along with pertinent financial information.

The actuarial calculations were performed by qualified actuaries according to generally accepted actuarial principles and practices, as well as in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The calculations are based on the current provisions of the Plan, and on actuarial assumptions that are, internally consistent and individually reasonable based on the actual experience of the Plan. In addition, the calculations were completed in compliance with the laws governing the Plan and, in our opinion, meet the requirements of GASB 68. The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

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Board of Control  
October 5, 2016  
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These results are only for financial reporting and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 67 and GASB 68 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald', written in a cursive style.

Edward A. Macdonald, ASA, FCA, MAAA  
President

A handwritten signature in blue ink, appearing to read 'Cathy Turcot', written in a cursive style.

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'John J. Garrett', written in a cursive style.

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

CT/dw



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**REPORT OF THE ANNUAL GASB STATEMENT NO. 68  
REQUIRED INFORMATION FOR THE  
EMPLOYERS PARTICIPATING IN THE ALABAMA JUDICIAL RETIREMENT FUND**

**PREPARED AS OF SEPTEMBER 30, 2015**

**SECTION I – INTRODUCTION**

The Governmental Accounting Standards Board issued Statement No. 68 (GASB 68), *Accounting and Financial Reporting For Pensions* in June 2012. GASB 68's effective date is for an employer's fiscal year beginning after June 15, 2014. The Alabama Judicial Retirement Fund (JRF) is a cost-sharing multiple employer defined benefit pension plan in a special funding situation.

This report, prepared as of September 30, 2015 (the Measurement Date), presents information to assist the employers participating in JRF in meeting the requirements of GASB 68 for the fiscal year ending in 2016 (Reporting Date). Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of JRF as of September 30, 2014. The results of that valuation were detailed in a report dated July 10, 2015.

The NPL shown in the GASB Statement No. 67 Report for the Alabama Judicial Retirement Fund Prepared as of September 30, 2015, and submitted January 12, 2016, is the collective NPL used for purposes of GASB 68. Please refer to that report for the derivation of the collective NPL.

Pension Expense (PE) includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the Total Pension Liability (TPL), changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the Plan membership as of the Measurement Date, and investment gains/losses are amortized over five years. The development of the collective PE is shown in Section IV.

The unamortized portions of each year's experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows, which also must be included in the employer's financial statements. The development of the collective deferred inflows and outflows is shown in Section III.

These collective amounts have been allocated based on the proportionate share associated with each participating employer. The State makes contributions to JRF for its employees and also on behalf of employees of the participating county employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB 68 and the State is treated as a non-employer contributing entity in JRF. Since the counties do not contribute directly to the JRF, there is no NPL or deferred inflows or outflows to report in the financial statements of the counties. However, the notes to the financial statements must disclose the portion of the non-employer contributing entities' total proportionate share of the collective NPL that is associated with the employer. In addition, each county must recognize the total PE associated with the county as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective PE associated with the county.



The proportionate share percentages for the State as the employer and the State as a non-employer contributing entity, have been calculated based on actual contributions to the Fund as shown in the following table:

<b><u>Contribution Type</u></b>	<b><u>Amount</u></b>	<b><u>Proportionate Share</u></b>
<b>Employer Contributions related to special funding employers</b>	\$2,264,074	15.01659%
<b>Employer Contributions related to State employer</b>	<u>12,813,075</u>	<u>84.98341%</u>
<b>Total Employer Contributions</b>	\$15,077,149	100.00000%

The proportionate share percentages for each employer in a special funding situation have been determined by allocating the total proportionate share for these employers based on the total salaries of the employees of each employer.

Schedule A of this report shows amount of salaries for the employees of each county employer for the years ending September 30, 2014, and September 30, 2015. Schedule A also shows the proportionate share percentages that have been determined based on these salaries.

Based on these percentages we have determined the proportionate share amounts of the NPL, PE and Deferred Inflows and Outflows for each participating employer. These amounts are shown in Schedule B.

Section II of this report is a summary of the principal results of the collective amounts under GASB 68. Section III provides the results of all the necessary calculations, presented in the order laid out in GASB 68 for note disclosure and Section V shows the Required Supplementary Information (RSI).



**SECTION II - SUMMARY OF COLLECTIVE AMOUNTS**

	<b>2015</b>	<b>2014</b>
<b>Valuation Date:</b>	September 30, 2014	September 30, 2013
<b>Measurement Date:</b>	September 30, 2015	September 30, 2014
<b>Reporting Date:</b>	September 30, 2016	September 30, 2015
<b>Single Equivalent Interest Rate (SEIR):</b>		
Long-Term Expected Rate of Return	8.00%	8.00%
Municipal Bond Index Rate	3.78%	4.13%
Fiscal Year in which Plan's Fiduciary Net Position is projected to be depleted from future benefit payments for current members	N/A	N/A
Single Equivalent Interest Rate	8.00%	8.00%
<b>Net Pension Liability:</b>		
Total Pension Liability (TPL)	\$ 424,203,675	\$ 420,068,860
Plan Fiduciary Net Position (FNP)	<u>263,873,864</u>	<u>274,975,730</u>
Net Pension Liability (NPL = TPL – FNP)	\$ 160,329,811	\$ 145,093,130
FNP as a percentage of TPL	62.20%	65.46%
<b>Collective Pension Expense (PE):</b>	\$ 15,604,410	15,028,461
<b>Deferred Outflows of Resources:</b>	\$ 11,164,173	0
<b>Deferred Inflows of Resources:</b>	\$ 5,588,644	\$ 9,133,891



### **SECTION III – NOTES TO FINANCIAL STATEMENTS**

The material presented herein will follow the order presented in GASB 68. Paragraph numbers are provided for ease of reference. Amounts are shown in aggregate. Please refer to Schedule B of this report for the proportionate share of certain pension amounts as required by GASB 68.

**Paragraphs 77 and 78(a)-(f):** These paragraphs require information to be disclosed regarding the actuarial assumptions used to measure the TPL. The complete set of actuarial assumptions utilized in developing the TPL are outlined in Schedule E.

The TPL was determined by an actuarial valuation as of September 30, 2014, using the following key actuarial assumptions:

Inflation	3.00 percent
Salary increases, including inflation	4.00 percent
Long-Term Investment Rate of Return, net of pension plan investment expense, including inflation	8.00 percent

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvement based on Scale AA projected to 2015 and set forward one year for females. In our opinion, the projection to 2015 of the RP-2000 mortality rates with Scale AA continues to provide a sufficient margin in the assumed rates of mortality to allow for additional improvement in mortality experience.

The actuarial assumptions used in the September 30, 2014 valuation were based on the results of an actuarial experience study for the period October 1, 2005 – September 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:





Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
US Large Stocks	34.00%	9.00%
US Mid Stocks	8.00%	12.00%
US Small Stocks	3.00%	15.00%
Int'l Developed Mkt Stocks	15.00%	11.00%
Int'l Emerging Mkt Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	<u>2.00%</u>	1.50%
Total	<u>100.00%</u>	

\*Includes assumed rate of inflation of 2.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Paragraph 78 (g):** This paragraph requires disclosure of the sensitivity of the NPL to changes in the discount rate. The following presents the NPL of the Fund, calculated using the discount rate of 8.00 percent, as well as what the Fund's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$197,239,409	\$160,329,811	\$128,221,429

**Paragraph 80(a):** This paragraph requires disclosure of the employer's proportionate share of the collective NPL and if an employer has a special funding situation the portion of the non-employer contributing entities' proportional share of the collective NPL that is associated with the employer. These amounts are shown in Schedule B.

**Paragraph 80(b):** This paragraph requires disclosure of the employer's proportion (percentage) of the collective NPL and the changes in proportion since the prior measurement date. These amounts are shown for all entities in Schedule A.



**Paragraph 80(c):** September 30, 2014, is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of September 30, 2015, using standard roll forward techniques. The procedure used to determine the TPL as of September 30, 2015, is shown on page 6 of the GASB 67 report for JRF submitted on January 12, 2016.

**Paragraph 80(g):** Please see Section IV of this report for the development of the collective pension expense. The PE associated with each employer is shown in Schedule B.

**Paragraph 80(h):** Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense they are labeled deferred inflows. If they will increase pension expense they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive Plan members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed five year period.

The table below provides a summary of the collective deferred inflows and outflows as of the Measurement Date. The allocation of the collective deferred inflows and outflows is provided in Schedule B.

	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources
Differences between expected and actual experience	\$0	\$5,588,644
Changes of actuarial assumptions	0	0
Net difference between projected and actual earnings on plan investments	<u>11,164,173</u>	<u>0</u>
Total	<u>\$ 11,164,173</u>	<u>\$5,588,644</u>

The following tables show the components of the collective deferred outflows of resources and the collective deferred inflows of resources by year.



Collective Deferred Outflows and Inflows for Differences between Expected and Actual Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2015	\$0	\$7,391,432	4.1	\$0	\$0	\$0	\$7,391,432	\$0	\$1,802,788	\$0	\$5,588,644
2014	0	0	4.5	0	0	0	0	0	0	0	0
<b>Total</b>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,391,432</u>			<u>\$0</u>	<u>\$5,588,644</u>

Collective Deferred Outflows and Inflows for Differences from Assumption Changes											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2015	\$0	\$0	4.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2014	\$0	\$0	4.5	0	0	0	0	\$0	\$0	\$0	\$0
<b>Total</b>				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			<u>\$0</u>	<u>\$0</u>



Collective Deferred Outflows and Inflows for Differences in Investment Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2015	\$22,518,239	\$0	5.0	\$0	\$0	\$22,518,239	\$0	\$4,503,648	\$0	\$18,014,591	\$0
2014	0	11,417,364	5.0	0	9,133,891	\$0	\$0	0	2,283,473	0	6,850,418
<b>Total</b>				<u>\$0</u>	<u>\$9,133,891</u>	<u>\$22,518,239</u>	<u>\$0</u>			<u>\$18,014,591</u>	<u>\$6,850,418</u>
Net difference between projected and actual earnings on investments										\$11,164,173	

Summary of Amortization of Deferred Outflows and Inflows of Resources							
Amortization Year	Actual and Expected Experience		Assumption Changes		Investment Gains/Losses		Total
	2014	2015	2014	2015	2014	2015	
2017	\$0	(\$1,802,788)	\$0	\$0	(\$2,283,473)	\$4,503,648	\$417,387
2018	0	(1,802,788)	0	0	(2,283,473)	4,503,648	417,387
2019	0	(1,802,788)	0	0	(2,283,472)	4,503,648	417,388
2020	0	(180,280)	0	0	0	4,503,647	4,323,367
2021	0	0	0	0	0	0	0
Thereafter	0	0	0	0	0	0	0
<b>Total</b>	<u>\$0</u>	<u>(\$5,588,644)</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$6,850,418)</u>	<u>\$18,014,591</u>	<u>\$5,575,529</u>



**Paragraph 80(i):** Collective amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (100% of these amounts are allocated to the State):

<b>Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date:</b>	
Year 1	\$ 417,387
Year 2	417,387
Year 3	417,388
Year 4	4,323,367
Year 5	0
Thereafter	0

**Paragraph 80(j):** The amount of revenue recognized for the support provided by the non-employer contributing entity for the participating employers is provided in Schedule B.



#### **SECTION IV – PENSION EXPENSE**

As noted earlier, the collective Pension Expense (PE) consists of a number of different items. GASB 68 refers to the first as Service Cost which is the Normal Cost using the Entry Age Normal actuarial funding method. The second item is interest on the beginning Total Pension Liability (TPL) and the cash flow during the year at the 8.00% rate of return in effect as of the previous measurement date.

The next three items refer to any changes that occurred in the TPL due to:

- benefit changes, or
- actual versus expected experience, or
- changes in actuarial assumptions.

Benefit changes, which are reflected immediately in PE, can be positive, if there is a benefit enhancement for existing Plan members, or negative if there is a benefit reduction. For the year ended September 30, 2015, there were no benefit changes to be recognized.

The next item to be recognized is the portion of current year changes in TPL due to actual versus expected Plan experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire Plan membership determined at the beginning of the year. The average expected remaining service life of active members is the average number of years the active members are expected to remain active. For the year ended September 30, 2015 this number of years for the active members is 9.2. The average expected remaining service life of the inactive members is zero. Therefore, the number of years to use for the amortization is the weighted average for all active and inactive members, or 4.1 years. The amount to be recognized due to actual versus expected experience for the year is \$1,803,100.

The last item under changes in TPL are changes in actuarial assumptions. There were no changes in assumptions since the last measurement date. If there was a change in TPL due to changes in actuarial assumptions, recognition of the change would also be spread over the average expected remaining service life of the plan membership.

Member contributions for the year and projected earnings on the Fiduciary Net Position (FNP), again at the discount rate used to calculate the liabilities, are subtracted from the amount determined thus far. One-fifth of current period differences between projected and actual investment earnings on the FNP are recognized in the pension expense. The amount to be recognized due to investment experience for the year is \$4,503,648.

The current year portions of previously determined experience, assumption and earnings amounts, recognized as deferred outflows and inflows (see Section III) are included also. Deferred outflows are added to the PE while deferred inflows are subtracted from the PE. Administrative expenses and other miscellaneous items are also included in the PE.



The calculation of the Collective Pension Expense determined as of the measurement date is shown in the following table:

<b>Collective Pension Expense Determined as of the Measurement Date</b>	
Service Cost at end of year	\$ 9,644,372
Interest on the TPL and net cash flow	32,385,346
Current-period benefit changes	0
Expensed portion of current-period difference between expected and actual experience in the total pension liability	(1,802,788)
Expensed portion of current-period changes of assumptions	0
Member contributions	(3,683,420)
Projected earnings on plan investments	(21,662,335)
Expensed portion of current-period differences between projected and actual earnings on plan investments	4,503,648
Administrative expense	356,549
Other	(1,853,489)
Recognition of beginning deferred outflows of resources as pension expense	0
Recognition of beginning deferred inflows of resources as pension expense	<u>(2,283,473)</u>
<b>Collective Pension Expense</b>	<b>\$ <u>15,604,410</u></b>



## **SECTION V – REQUIRED SUPPLEMENTARY INFORMATION**

**Paragraphs 81(a)-(b):** This information was supplied in individual employer reporting.

**Paragraph 82:**

**Changes of benefit terms.** The member contribution rate was increased from 6.00% of salary to 8.25% of salary on October 1, 2011, and to 8.50% of salary on October 1, 2012.

**Changes of assumptions.** In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.





**SCHEDULE A**  
**Alabama Judicial Retirement Fund**  
**Schedule of Employer Allocations**  
**For the Fiscal Years Ended September 30, 2014 and September 30, 2015**

County	2014 Calculated Salary	2014 Employer Allocation Percentage	2015 Calculated Salary	2015 Employer Allocation Percentage
Autauga	\$ 124,147	0.28929%	\$ 124,148	0.28867%
Baldwin	123,409	0.28757%	124,896	0.29041%
Barbour	52,501	0.12234%	52,501	0.12207%
Bibb	75,608	0.17619%	76,365	0.17756%
Blount	75,162	0.17515%	69,287	0.16110%
Bullock	52,501	0.12234%	52,501	0.12207%
Butler	88,310	0.20578%	88,310	0.20534%
Calhoun	91,728	0.21375%	92,929	0.21608%
Chambers	83,872	0.19544%	84,026	0.19538%
Cherokee	107,956	0.25156%	108,995	0.25343%
Chilton	66,431	0.15480%	66,431	0.15446%
Choctaw	84,016	0.19578%	86,116	0.20024%
Clarke	77,079	0.17961%	78,621	0.18281%
Clay	74,029	0.17251%	74,112	0.17232%
Cleburne	102,131	0.23799%	102,339	0.23796%
Coffee	100,004	0.23303%	102,504	0.23834%
Colbert	73,124	0.17040%	73,124	0.17003%
Conecuh	106,618	0.24844%	110,883	0.25782%
Coosa	71,363	0.16629%	73,528	0.17096%
Covington	88,688	0.20666%	92,099	0.21415%
Crenshaw	85,806	0.19995%	89,073	0.20711%
Cullman	81,661	0.19029%	84,316	0.19605%
Dale	66,426	0.15479%	69,709	0.16209%
Dallas	92,180	0.21480%	92,180	0.21433%
DeKalb	92,336	0.21516%	96,012	0.22325%
Elmore	94,097	0.21927%	94,097	0.21879%
Escambia	74,584	0.17380%	75,084	0.17458%
Etowah	146,574	0.34155%	146,574	0.34081%
Fayette	138,655	0.32310%	141,467	0.32894%
Franklin	124,445	0.28999%	125,889	0.29272%
Geneva	77,877	0.18147%	77,877	0.18108%
Greene	83,962	0.19565%	83,962	0.19523%
Hale	100,888	0.23509%	100,888	0.23458%
Henry	105,073	0.24484%	106,572	0.24780%
Houston	82,780	0.19290%	85,600	0.19904%
Jackson	99,449	0.23174%	101,511	0.23603%
Jefferson	292,374	0.68130%	292,374	0.67980%
Lamar	138,994	0.32389%	138,994	0.32319%
Lauderdale	82,388	0.19198%	75,021	0.17444%
Lawrence	75,553	0.17606%	75,553	0.17567%
Lee	93,631	0.21818%	95,504	0.22207%
Limestone	98,013	0.22839%	100,952	0.23473%



**SCHEDULE A (continued)**

County	2014 Calculated Salary	2014 Employer Allocation Percentage	2015 Calculated Salary	2015 Employer Allocation Percentage
Lowndes	74,174	0.17284%	74,174	0.17247%
Macon	133,817	0.31182%	133,817	0.31115%
Madison	109,756	0.25576%	104,269	0.24244%
Marengo	91,543	0.21332%	97,036	0.22563%
Marion	107,101	0.24957%	107,101	0.24903%
Marshall	78,896	0.18385%	78,703	0.18300%
Mobile	155,831	0.36312%	155,831	0.36233%
Monroe	122,266	0.28491%	122,266	0.28429%
Montgomery	107,425	0.25033%	103,446	0.24053%
Morgan	86,188	0.20084%	87,777	0.20410%
Perry	71,543	0.16671%	71,543	0.16635%
Pickens	64,425	0.15013%	64,425	0.14980%
Pike	87,259	0.20333%	87,387	0.20319%
Randolf	61,945	0.14435%	61,945	0.14403%
Russell	82,552	0.19236%	82,552	0.19195%
Shelby	120,148	0.27997%	118,948	0.27658%
St. Clair	88,196	0.20552%	89,235	0.20749%
Sumter	72,041	0.16787%	72,041	0.16751%
Talladega	85,488	0.19921%	85,488	0.19878%
Tallapoosa	71,107	0.16570%	73,144	0.17007%
Tuscaloosa	148,865	0.34689%	148,928	0.34628%
Walker	72,552	0.16906%	72,552	0.16870%
Washington	100,902	0.23512%	101,941	0.23703%
Wilcox	72,186	0.16821%	75,624	0.17584%
Winston	<u>105,147</u>	<u>0.24502%</u>	<u>105,147</u>	<u>0.24449%</u>
Total for State Support Provided to the Counties	\$ <u>6,417,776</u>	<u>14.95492%</u>	\$ <u>6,458,244</u>	<u>15.01659%</u>
State Employer		<u>85.04508%</u>		<u>84.98341%</u>
Total State of Alabama		<u>100.00000%</u>		<u>100.00000%</u>



**SCHEDULE B**

**Alabama Judicial Retirement Fund  
Schedule of Pension Amounts by Employer**

**As of and for the Fiscal Year Ended September 30, 2016 with Net Pension Liability as of September 30, 2015**

County	Net Pension Liability 2015	Deferred Outflows of Resources					Deferred Inflows of Resources				Pension Expense		
		Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Earnings on Investment Pension Plan	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of	Total Employer Pension Expense
Autauga	462,824	-	32,228	-	-	32,228	16,133	-	3,176	19,309	45,045	(1,215)	43,830
Baldwin	465,614	-	32,422	-	4,127	36,549	16,230	-	-	16,230	45,316	1,395	46,711
Barbour	195,715	-	13,628	-	-	13,628	6,822	-	1,354	8,176	19,049	(516)	18,533
Bibb	284,682	-	19,823	-	1,597	21,420	9,923	-	1,484	11,407	27,708	(79)	27,629
Blount	258,291	-	17,985	-	5,748	23,733	9,003	-	16,384	25,387	25,139	(2,985)	22,154
Bullock	195,715	-	13,628	-	-	13,628	6,822	-	1,354	8,176	19,049	(516)	18,533
Butler	329,221	-	22,925	-	3,449	26,374	11,476	-	513	11,989	32,041	1,214	33,255
Calhoun	346,441	-	24,124	-	8,628	32,752	12,076	-	-	12,076	33,717	3,241	36,958
Chambers	313,252	-	21,813	-	6,109	27,922	10,919	-	70	10,989	30,486	2,422	32,908
Cherokee	406,324	-	28,293	-	2,181	30,474	14,163	-	34	14,197	39,547	690	40,237
Chilton	247,645	-	17,244	-	-	17,244	8,632	-	405	9,037	24,103	(131)	23,972
Choctaw	321,044	-	22,355	-	7,681	30,036	11,191	-	-	11,191	31,246	2,670	33,916
Clarke	293,099	-	20,409	-	5,259	25,668	10,217	-	-	10,217	28,526	1,815	30,341
Clay	276,280	-	19,238	-	2,908	22,146	9,630	-	222	9,852	26,890	1,093	27,983
Cleburne	381,521	-	26,566	-	2,609	29,175	13,299	-	35	13,334	37,132	1,032	38,164
Coffee	382,130	-	26,609	-	9,143	35,752	13,320	-	-	13,320	37,191	3,178	40,369
Colbert	272,609	-	18,982	-	7,972	26,954	9,502	-	432	9,934	26,532	3,049	29,581
Conecuh	413,362	-	28,783	-	24,778	53,561	14,409	-	-	14,409	40,232	9,065	49,297
Coosa	274,100	-	19,086	-	5,445	24,531	9,554	-	1,407	10,961	26,679	1,194	27,873
Covington	343,346	-	23,908	-	8,734	32,642	11,968	-	1,554	13,522	33,416	2,197	35,613
Crenshaw	332,059	-	23,122	-	15,393	38,515	11,575	-	-	11,575	32,319	5,511	37,830
Cullman	314,327	-	21,887	-	12,216	34,103	10,957	-	-	10,957	30,594	4,367	34,961
Dale	259,879	-	18,096	-	8,512	26,608	9,059	-	4,444	13,503	25,294	968	26,262
Dallas	343,635	-	23,928	-	33,128	57,056	11,978	-	548	12,526	33,446	13,075	46,521
DeKalb	357,936	-	24,924	-	19,164	44,088	12,477	-	-	12,477	34,837	6,935	41,772
Elmore	350,786	-	24,426	-	11,695	36,121	12,227	-	560	12,787	34,142	4,497	38,639
Escambia	279,904	-	19,490	-	1,545	21,035	9,757	-	-	9,757	27,243	547	27,790
Etowah	546,420	-	38,049	-	-	38,049	19,047	-	3,754	22,801	53,182	(1,436)	51,746
Fayette	527,389	-	36,723	-	6,809	43,532	18,383	-	695	19,078	51,329	1,919	53,248
Franklin	469,317	-	32,680	-	3,184	35,864	16,359	-	2,453	18,812	45,675	45	45,720
Geneva	290,325	-	20,216	-	1,544	21,760	10,120	-	454	10,574	28,256	471	28,727
Greene	313,012	-	21,796	-	3,287	25,083	10,911	-	490	11,401	30,465	1,156	31,621
Hale	376,102	-	26,189	-	6,873	33,062	13,110	-	595	13,705	36,606	2,557	39,163
Henry	397,297	-	27,665	-	3,452	31,117	13,849	-	11,128	24,977	38,667	(3,338)	35,329
Houston	319,120	-	22,221	-	8,609	30,830	11,124	-	-	11,124	31,059	2,890	33,949
Jackson	378,426	-	26,351	-	5,011	31,362	13,191	-	-	13,191	36,831	1,617	38,448
Jefferson	1,089,924	-	75,897	-	-	75,897	37,989	-	7,512	45,501	106,080	(2,874)	103,206



**SCHEDULE B (continued)**

County	Net Pension Liability 2015	Deferred Outflows of Resources					Deferred Inflows of Resources				Pension Expense		
		Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Change of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
Lamar	518,170	-	36,081	-	-	36,081	18,062	-	834	18,896	50,432	(270)	50,162
Lauderdale	279,679	-	19,475	-	9,018	28,493	9,749	-	20,454	30,203	27,220	(2,991)	24,229
Lawrence	281,651	-	19,612	-	-	19,612	9,818	-	6,529	16,347	27,413	(2,577)	24,836
Lee	356,044	-	24,792	-	5,687	30,479	12,411	-	-	12,411	34,652	1,923	36,575
Limestone	376,342	-	26,206	-	11,219	37,425	13,118	-	-	13,118	36,628	3,916	40,544
Lowndes	276,521	-	19,255	-	-	19,255	9,639	-	1,899	11,538	26,913	(726)	26,187
Macon	498,866	-	34,737	-	-	34,737	17,389	-	3,424	20,813	48,553	(1,309)	47,244
Madison	388,704	-	27,066	-	20,199	47,265	13,549	-	15,533	29,082	37,833	3,069	40,902
Marengo	361,752	-	25,190	-	14,355	39,545	12,610	-	17,659	30,269	35,207	(2,432)	32,775
Marion	399,269	-	27,802	-	43,159	70,961	13,917	-	630	14,547	38,859	17,061	55,920
Marshall	293,404	-	20,430	-	-	20,430	10,227	-	1,764	11,991	28,557	(629)	27,928
Mobile	580,923	-	40,451	-	-	40,451	20,249	-	4,002	24,251	56,540	(1,529)	55,011
Monroe	455,802	-	31,739	-	-	31,739	15,888	-	3,159	19,047	44,362	(1,208)	43,154
Montgomery	385,641	-	26,853	-	8,297	35,150	13,442	-	11,428	24,870	37,532	(367)	37,165
Morgan	327,233	-	22,786	-	3,801	26,587	11,406	-	1,698	13,104	31,848	546	32,394
Perry	266,709	-	18,572	-	-	18,572	9,297	-	1,836	11,133	25,959	(702)	25,257
Pickens	240,174	-	16,724	-	2,557	19,281	8,372	-	384	8,756	23,375	899	24,274
Pike	325,774	-	22,684	-	-	22,684	11,356	-	37,736	49,092	31,707	(15,083)	16,624
Randolph	230,923	-	16,080	-	-	16,080	8,049	-	1,592	9,641	22,474	(607)	21,867
Russell	307,753	-	21,430	-	-	21,430	10,727	-	2,109	12,836	29,951	(806)	29,145
Shelby	443,440	-	30,878	-	-	30,878	15,457	-	6,929	22,386	43,157	(2,466)	40,691
St. Clair	332,668	-	23,165	-	4,787	27,952	11,596	-	-	11,596	32,376	1,736	34,112
Sumter	268,568	-	18,701	-	-	18,701	9,362	-	1,526	10,888	26,138	(578)	25,560
Talladega	318,704	-	22,192	-	-	22,192	11,109	-	2,183	13,292	31,019	(835)	30,184
Tallapoosa	272,673	-	18,987	-	5,096	24,083	9,505	-	1,398	10,903	26,539	1,084	27,623
Tuscaloosa	555,190	-	38,659	-	411	39,070	19,352	-	712	20,064	54,036	(65)	53,971
Walker	270,476	-	18,834	-	-	18,834	9,428	-	1,853	11,281	26,324	(708)	25,616
Washington	380,030	-	26,462	-	5,161	31,623	13,247	-	-	13,247	36,988	1,892	38,880
Wilcox	281,924	-	19,631	-	13,359	32,990	9,827	-	-	9,827	27,438	4,655	32,093
Winston	391,990	-	27,295	-	-	27,295	13,664	-	6,821	20,485	38,152	(2,682)	35,470
Total for State Support Provided to the Counties	<u>24,076,070</u>	<u>-</u>	<u>1,676,478</u>	<u>-</u>	<u>393,896</u>	<u>2,070,374</u>	<u>839,224</u>	<u>-</u>	<u>215,149</u>	<u>1,054,373</u>	<u>2,343,251</u>	<u>65,931</u>	<u>2,409,182</u>
State Employer	<u>136,253,741</u>	<u>-</u>	<u>9,487,695</u>	<u>-</u>	<u>-</u>	<u>9,487,695</u>	<u>4,749,420</u>	<u>-</u>	<u>178,747</u>	<u>4,928,167</u>	<u>13,261,159</u>	<u>(65,931)</u>	<u>13,195,228</u>
Total State of Alabama	<u>160,329,811</u>	<u>-</u>	<u>11,164,173</u>	<u>-</u>	<u>393,896</u>	<u>11,558,069</u>	<u>5,588,644</u>	<u>-</u>	<u>393,896</u>	<u>5,982,540</u>	<u>15,604,410</u>	<u>-</u>	<u>15,604,410</u>



**SCHEDULE C**

**Alabama Judicial Retirement Fund  
Schedule of Remaining Deferred Outflows/(Inflows)  
As of and for the Fiscal Year Ending September 30, 2016**

<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
Autauga	\$ (10)	(10)	483	12,456	0	0
Baldwin	2,607	2,607	2,444	12,661	0	0
Barbour	(6)	(6)	200	5,264	0	0
Bibb	662	662	960	7,729	0	0
Blount	(2,313)	(2,313)	(3,465)	6,437	0	0
Bullock	(6)	(6)	200	5,264	0	0
Butler	2,071	2,071	1,380	8,863	0	0
Calhoun	4,143	4,143	2,959	9,431	0	0
Chambers	3,237	3,237	2,014	8,445	0	0
Cherokee	1,748	1,748	1,756	11,025	0	0
Chilton	514	514	514	6,665	0	0
Choctaw	3,506	3,506	3,010	8,823	0	0
Clarke	2,578	2,578	2,272	8,023	0	0
Clay	1,812	1,812	1,228	7,442	0	0
Cleburne	2,025	2,025	1,505	10,286	0	0
Coffee	4,173	4,173	3,581	10,505	0	0
Colbert	3,759	3,759	2,167	7,335	0	0
Conecuh	10,141	10,141	7,373	11,497	0	0
Coosa	1,908	1,908	2,190	7,564	0	0
Covington	3,091	3,091	3,400	9,538	0	0
Crenshaw	6,375	6,375	4,965	9,225	0	0
Cullman	5,185	5,185	4,085	8,691	0	0
Dale	1,645	1,645	2,535	7,280	0	0
Dallas	13,970	13,970	7,342	9,248	0	0
DeKalb	7,867	7,867	5,921	9,956	0	0
Elmore	5,410	5,410	3,071	9,443	0	0
Escambia	1,276	1,276	1,149	7,577	0	0
Etowah	(14)	(14)	567	14,709	0	0
Fayette	3,292	3,292	3,431	14,439	0	0
Franklin	1,267	1,267	1,760	12,758	0	0
Geneva	1,227	1,227	917	7,815	0	0
Greene	1,971	1,971	1,316	8,424	0	0
Hale	3,536	3,536	2,162	10,123	0	0
Henry	(2,304)	(2,304)	(76)	10,824	0	0
Houston	3,721	3,721	3,431	8,833	0	0
Jackson	2,602	2,602	2,602	10,365	0	0
Jefferson	(37)	(37)	1,113	29,357	0	0
Lamar	1,079	1,079	1,083	13,944	0	0
Lauderdale	(2,263)	(2,263)	(4,066)	6,882	0	0
Lawrence	(1,844)	(1,844)	(629)	7,582	0	0
Lee	2,850	2,850	2,620	9,748	0	0
Limestone	4,896	4,896	4,129	10,386	0	0



**SCHEDULE C (continued)**

<u>County</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Thereafter</u>
Lowndes	(6)	(6)	288	7,441	0	0
Macon	(10)	(10)	518	13,426	0	0
Madison	4,081	4,081	43	9,978	0	0
Marengo	(1,490)	(1,490)	2,040	10,216	0	0
Marion	18,100	18,100	9,467	10,747	0	0
Marshall	135	135	290	7,879	0	0
Mobile	(17)	(17)	598	15,636	0	0
Monroe	(21)	(21)	468	12,266	0	0
Montgomery	637	637	(1,023)	10,029	0	0
Morgan	1,398	1,398	1,740	8,947	0	0
Perry	(8)	(8)	274	7,181	0	0
Pickens	1,524	1,524	1,012	6,465	0	0
Pike	(14,235)	(14,235)	(6,718)	8,780	0	0
Randolf	(6)	(6)	236	6,215	0	0
Russell	(5)	(5)	320	8,284	0	0
Shelby	(1,312)	(1,312)	(716)	11,832	0	0
St. Clair	2,602	2,602	2,106	9,046	0	0
Sumter	121	121	344	7,227	0	0
Talladega	(5)	(5)	333	8,577	0	0
Tallapoosa	1,794	1,794	2,076	7,516	0	0
Tuscaloosa	1,380	1,380	1,296	14,950	0	0
Walker	(4)	(4)	282	7,279	0	0
Washington	2,881	2,881	2,293	10,321	0	0
Wilcox	5,389	5,389	4,495	7,890	0	0
Winston	<u>(1,662)</u>	<u>(1,662)</u>	<u>(419)</u>	<u>10,553</u>	<u>0</u>	<u>0</u>
Total for State Support Provided to the Counties	\$ <u>128,608</u>	<u>128,608</u>	<u>107,242</u>	<u>651,543</u>	<u>0</u>	<u>0</u>
State Employer	\$ <u>288,779</u>	<u>288,779</u>	<u>310,146</u>	<u>3,671,824</u>	<u>0</u>	<u>0</u>
Total State of Alabama	\$ <u>417,387</u>	<u>417,387</u>	<u>417,388</u>	<u>4,323,367</u>	<u>0</u>	<u>0</u>



## **SCHEDULE D**

### **SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR ACCOUNTING AND REPORTING 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:



## SCHEDULE D (continued)

- 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: <ul style="list-style-type: none"><li>(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.</li><li>(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.</li><li>(c) For a district judge, 75% of the position's salary immediately prior to retirement.</li><li>(d) For a probate judge, 75% of the member's salary at the time of separation from service.</li></ul>
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### *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.
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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.
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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.
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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.
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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.





## SCHEDULE D (continued)

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 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 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 E**

**STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS**

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

**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:

Age	Annual Rate of			
	Withdrawal	Death*		Disability**
		Male	Female	
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:



**SCHEDULE E (continued)**

<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:** Market Value.

**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.



## **SCHEDULE F**

### **FUNDING POLICY OF THE JRF BOARD OF CONTROL**

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. For that reason, it is critical that this funding policy remain unchanged until its objectives are met.

#### **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 30<sup>th</sup> 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. An open amortization period is one for which the amortization period is recalculated on a yearly basis and the ending date of the amortization period is a variable with each recalculation. 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.



## SCHEDULE F (continued)

- **Unfunded Actuarial Accrued Liability (UAAL)**

- **Transitional UAAL** - The UAAL established as of the initial valuation date for which this funding policy is adopted shall be known as the Transitional UAAL.
- **New Incremental UAAL** - Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.

- **UAAL Amortization Period and Contribution Rates**

- The Transitional UAAL will be amortized over a closed period. The closed period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years.
- Each New Incremental UAAL shall be amortized over a closed 30 year period.
- 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 administrative expenses, the individual amortization rate for each of the New Incremental UAAL bases, the amortization rate for the Transitional 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 including the Interest Smoothing methodology. 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 which shall include the Interest Smoothing Methodology.

### 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 Fund.