

Alabama Retired Education
Employees' Health Care Trust
(A Component Unit of the State of Alabama)

FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2012

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ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2012

8) Unpaid Claims Liabilities

As discussed in Note 1, the Trust establishes a liability for both reported and unreported insured claims. This liability includes provisions for the future payment of losses and related claim adjustment expenses. The following represents changes in those aggregate liabilities for the Trust during fiscal year 2012.

UNPAID CLAIMS LIABILITIES

(Amounts in Thousands)

Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	\$ <u>34,410</u>
Incurring Claims and Claim Adjustment Expenses:	
Provision for Insured Events of the Current Year	405,257
Decrease in Provision for Insured Events for Prior Years	<u>(377)</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>404,880</u>
Payments:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	370,538
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Years	<u>34,033</u>
Total Payments	<u>404,571</u>
Total Unpaid Claims and Claim Adjustment Expenses at the End of the Year	<u>\$ <u>34,719</u></u>

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
Required Supplementary Information
For the Fiscal Year Ended September 30, 2012

SCHEDULE OF FUNDING PROGRESS

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (%) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ 777,933	\$ 9,081,335	\$ 8,303,402	8.6%	\$ 6,159,562	134.8%
9/30/2010	750,384	11,584,965	10,834,581	6.5%	6,183,204	175.2%
9/30/2009	670,004	11,915,692	11,245,688	5.6%	6,236,922	180.3%
9/30/2008	579,813	13,224,411	12,644,598	4.4%	6,294,341	200.9%
9/30/2007	400,783	12,965,398	12,564,615	3.1%	5,897,772	213.0%
9/30/2006	-	12,532,330	12,532,330	-	5,458,443	229.6%

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES**

(Amounts in Thousands)

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed (%)
2012	864,503	38.6
2011	1,006,034	29.9
2010	970,330	37.0

ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST

Supplementary Information

For the Fiscal Year Ended September 30, 2012

Claims Development Information

(Amounts in Thousands)

The table below illustrates the historical trend information designed to provide information on how the Trust's earned revenues and interest income compare to the related claims costs and other expenses assumed by the Trust as of the end of the fiscal year. (1) This line shows the total earned contribution and investment revenues for each fiscal year. (2) This line shows the other operating costs of the Trust including overhead and claims expenses not allocable to individual claims for each fiscal year. (3) This line shows the Trust's incurred claims and allocated claims adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (policy year). (4) This line shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This line shows how the incurred claims for each policy year increased or decreased as of the end of successive years. The annual re-estimated amount results from new information received on known claims, the re-evaluation of existing information on known claims as well as the emergence of previously unknown claims. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether it is greater or less than originally thought. As data for each policy year matures, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of estimated incurred claims currently recognized.

	Fiscal & Policy					
	Year Ended					
	2012	2011	2010	2009	2008	2007
1) Net Earned Required Contribution & Investment Revenue	557,225	399,790	486,599	445,826	506,402	729,253
2) Unallocated Expenses	-	-	-	-	-	-
3) Estimated Incurred Claims & Expense, End of Policy Year	405,257	371,964	405,082	358,293	335,601	328,470
4) Paid (Cumulative) As Of:						
End of Policy Year	370,538	337,554	369,699	325,011	302,514	301,214
One Year Later		371,587	405,359	359,430	332,943	329,529
5) Reestimated Incurred Claims & Expense:						
End of Policy Year	405,257	371,964	405,082	358,293	335,601	328,470
One Year Later		371,587	405,359	359,430	332,943	329,529
6) Increase/(Decrease) in Estimated Incurred Claims & Expenses						
End of Policy Year		(377)	277	1,137	(2,658)	1,059