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July 22, 2011

Ms. Diane Scott
Chief Accountant & Financial Officer
Retirement Systems of Alabama
201 South Union Street
Montgomery, AL 36104

Dear Ms. Scott:

Enclosed are 5 bound and 1 unbound copy of the "Report on the Actuarial Valuation of the Employees' Retirement System of Alabama prepared as of September 30, 2010".

Please let us know if you have any questions concerning the report.

Sincerely,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Principal and Managing Director

Jonathan T. Craven, ASA, EA, FCA, MAAA
Senior Actuary

EAM/CT/JTC:jel

Enclosure

S:\Alabama Employees\Pension\Valuations\9-30-2010\Valuation Report ALERS 09-30-2010.doc

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July 22, 2011

Dr. David G. Bronner
Chief Executive Officer
Retirement Systems of Alabama
201 South Union Street
Montgomery, AL 36104

Dear Dr. Bronner:

Enclosed are 30 bound copies and one unbound copy of the "Report on the Actuarial Valuation of the Employees' Retirement System of Alabama prepared as of September 30, 2010".

Please let us know if you have any questions concerning the report.

Sincerely,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Principal and Managing Director

Jonathan T. Craven, ASA, EA, FCA, MAAA
Senior Actuary

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Retirement Systems
of Alabama

**Report on the Actuarial Valuation of the
Employees' Retirement System of Alabama
Prepared as of September 30, 2010**





Cavanaugh Macdonald

CONSULTING, LLC

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July 22, 2011

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

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the Employees' Retirement System of Alabama, prepared as of September 30, 2010 in accordance with Section 36-27-23(p) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the system as of September 30, 2010, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation reflects the impact of Act 2011-27, which closes the DROP program to new participants effective March 24, 2011. The valuation also reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

On the basis of the valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 11.05% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 31.58% of payroll for the fiscal year ending September 30, 2013. The contribution rates for local employers for the fiscal year beginning October 1, 2012 will be submitted in a separate report and will include the impact of all employer-elected benefit improvements through September 30, 2010.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.50% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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

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July 22, 2011
Board of Control
Page 2

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

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

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

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

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA
President

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

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA
Senior Actuary

EAM/CT/JTC:jel



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**REPORT ON THE ACTUARIAL VALUATION OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
PREPARED AS OF SEPTEMBER 30, 2010**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

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

SUMMARY OF PRINCIPAL RESULTS FOR STATE EMPLOYEES

| VALUATION DATE | September 30, 2010 | September 30, 2009 |
|---------------------------------------------|---------------------------|-----------------------------|
| Number of active members | 32,447 | 32,659 |
| Annual compensation* | \$ 1,386,014,318 | \$ 1,407,374,913 |
| Number of retired members and beneficiaries | 18,959 | 18,498 |
| Annual retirement allowances* | \$ 371,715,050 | \$ 357,046,729 |
| Number of DROP participants | 1,812 | 1,697 |
| Annual compensation* | \$ 108,425,996 | \$ 102,782,509 |
| Annual allowances | 54,062,685 | 49,226,294 |
| Assets: | | |
| Actuarial value | \$ 4,649,566,749 | \$ 4,817,987,132 |
| Market value | 3,848,845,856 | 3,674,852,062 |
| Unfunded accrued liability | \$ 2,285,906,358 | \$ 1,977,402,229 |
| Funded Ratio | 67.0% | 70.9% |
| CONTRIBUTIONS FOR FISCAL YEAR ENDING | September 30, 2013 | September 30, 2012** |
| Employer contribution rate: | | |
| Normal | 2.81% | 4.99% |
| Accrued liability | 7.91 | 6.99 |
| Death benefit | 0.15 | 0.15 |
| Administration | <u>0.18</u> | <u>0.18</u> |
| Total | 11.05% | 12.31% |
| Amortization period | 30 years | 30 years |

* Amounts shown do not reflect any increase in effect after the valuation date.

** The employer contribution rate has been changed from 12.31% to 9.42% since the previous valuation to reflect Act 2011-27 and Act 2011-676.



SUMMARY OF PRINCIPAL RESULTS FOR STATE POLICEMEN

| VALUATION DATE | September 30, 2010 | September 30, 2009 |
|---------------------------------------------|---------------------------|-----------------------------|
| Number of active members | 859 | 814 |
| Annual compensation* | \$ 54,547,049 | \$ 51,139,984 |
| Number of retired members and beneficiaries | 789 | 772 |
| Annual retirement allowances* | \$ 32,116,041 | \$ 30,851,675 |
| Number of DROP participants | 29 | 30 |
| Annual compensation* | \$ 2,718,893 | \$ 2,565,142 |
| Annual allowances | 1,858,436 | 1,730,952 |
| Assets: | | |
| Actuarial value | \$ 334,177,906 | \$ 345,246,095 |
| Market value | 276,225,329 | 263,215,762 |
| Unfunded accrued liability | \$ 199,030,983 | \$ 156,819,390 |
| Funded Ratio | 62.7% | 68.8% |
| CONTRIBUTION FOR FISCAL YEAR ENDING | September 30, 2013 | September 30, 2012** |
| Employer contribution rate: | | |
| Normal | 13.30% | 13.24% |
| Accrued liability | 17.95 | 17.00 |
| Death benefit | 0.15 | 0.15 |
| Administration | <u>0.18</u> | <u>0.18</u> |
| Total | 31.58% | 30.57% |
| Amortization Period | 30 years | 26 years |

* Amounts shown do not reflect any increase in effect after the valuation date.

** The employer contribution rate has been changed from 30.57% to 29.92% since the previous valuation to reflect Act 2011-27 and Act 2011-676.



SUMMARY OF PRINCIPAL RESULTS FOR LOCAL EMPLOYEES

| VALUATION DATE | September 30, 2010 | September 30, 2009 |
|---------------------------------------------|------------------------------|-----------------------------|
| Number of active members | 53,661 | 54,174 |
| Annual compensation* | \$ 2,024,351,664 | \$ 2,020,120,505 |
| Number of retired members and beneficiaries | 17,823 | 17,143 |
| Annual retirement allowances* | \$ 296,586,925 | \$ 277,666,469 |
| Number of DROP participants | 752 | 644 |
| Annual compensation* | \$ 43,612,022 | \$ 36,260,056 |
| Annual allowances | 21,989,298 | 18,077,768 |
| Assets: | | |
| Actuarial value | \$ 4,755,586,161 | \$ 4,764,870,832 |
| Market value | 3,977,913,272 | 3,660,992,684 |
| Unfunded accrued liability | \$ 2,059,850,939 | \$ 1,693,850,305 |
| Funded Ratio | 69.8% | 73.8% |
| CONTRIBUTIONS FOR FISCAL YEAR ENDING | September 30, 2013*** | September 30, 2012** |
| Employer contribution rate: | | |
| Normal | Varies | Varies |
| Accrued liability | Varies | Varies |
| Death benefit | 0.15 | 0.15 |
| Administration | <u>0.18</u> | <u>0.18</u> |
| Total | Varies | Varies |
| Amortization period | Varies | Varies |

* Amounts shown do not reflect any increase in effect after the valuation date.

** Those employers that have elected to participate in DROP will have their employer contribution rate for FY 2012 revised to reflect the impact of Act 2011-27. In addition, all employers will have the option under Act 2011-676 to increase member contribution rates. For those that elect to do so, their employer contribution rate for FY 2012 will be revised.

*** The results of the valuation do not reflect the impact of Act 2011-676. All employers will have the option under Act 2011-676 to increase member contribution rates. For those that elect to do so, their employer contribution rate for FY 2012 will be revised.



SUMMARY OF PRINCIPAL RESULTS FOR ALL GROUPS

| VALUATION DATE | September 30, 2010 | September 30, 2009 |
|---------------------------------------------|---------------------------|---------------------------|
| Number of active members | 86,967 | 87,647 |
| Annual compensation* | \$ 3,464,913,031 | \$ 3,478,635,402 |
| Number of retired members and beneficiaries | 37,571 | 36,413 |
| Annual retirement allowances* | \$ 700,418,016 | \$ 665,564,873 |
| Number of DROP participants | 2,593 | 2,371 |
| Annual compensation* | \$ 154,756,911 | \$ 141,607,707 |
| Annual allowances | 77,910,419 | 69,035,014 |
| Assets: | | |
| Actuarial value | \$ 9,739,330,816 | \$ 9,928,104,059 |
| Market value | 8,102,984,457 | 7,599,060,508 |
| Unfunded accrued liability | \$ 4,544,788,280 | \$ 3,828,071,924 |
| Funded Ratio | 68.2% | 72.2% |

* Amounts shown do not reflect any increase in effect after the valuation date.

- Comments on the valuation results as of September 30, 2010 are given in Section IV and further discussion of the contribution levels is set out in Section V. The valuation results for local employees do not include the impact of any changes elected by local employers after the valuation date. The contribution rates for local employers for fiscal year beginning October 1, 2012 will be submitted in a separate report.
- Schedule B shows the development of the actuarial value of assets. Schedule D of this report outlines the full set of actuarial assumptions and methods used in the current valuation. Since the previous valuation, the assumed rates of retirement have been changed.
- The valuation takes into account the effect of amendments to the System through the valuation date. Provisions of the System, as summarized in Schedule F, were taken into account in the current valuation. The valuation reflects the impact of Act 2011-676, which increases the member contribution rates for State Employees by 2.25% beginning October 1, 2011 and an additional 0.25% beginning October 1, 2012. These increases are optional for local employers. In addition, Act 2011-676 specifies that if positive investment performance results in a decrease in the total



contribution rate paid by employers and employees participating in the System, the Retirement System of Alabama shall first reduce the employee contribution rate.

- The valuation indicates that employer contributions at the rate of 11.05% of payroll for State employees and 31.58% for State policemen and varying rates for local employees, along with expected member contributions are sufficient to support the benefits of the System.

SECTION II – MEMBERSHIP DATA

- Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual compensation as of September 30, 2010 on the basis of which the valuation was prepared.

TABLE 1

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS AS OF SEPTEMBER 30, 2010

| GROUP | NUMBER | COMPENSATION* |
|-----------------|---------------|----------------------|
| State Employees | 32,447 | \$ 1,386,014,318 |
| State Policemen | 859 | 54,547,049 |
| Local Employees | <u>53,661</u> | <u>2,024,351,664</u> |
| Total | 86,967 | \$ 3,464,913,031 |

*Does not include pay increases effective after the valuation date.

The table reflects the active membership for whom complete valuation data were submitted. The results of the valuation include an estimated liability for an additional 11,445 non-contributing inactive members and members for whom incomplete data were submitted. In addition, there were 2,593 members with annual compensation of \$154,756,911 who were participating in the DROP program as of September 30, 2010.



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

TABLE 2
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

| <u>Valuation Date</u> | <u>Number</u> | <u>Annual Payroll</u> | <u>Annual Average Pay</u> | <u>% Increase in Average Pay</u> |
|------------------------|---------------|-----------------------|---------------------------|----------------------------------|
| 9/30/2010 ¹ | 86,967 | \$ 3,464,913,031 | \$ 39,842 | 0.38% |
| 9/30/2009 ² | 87,647 | 3,478,635,402 | 39,689 | 3.65 |
| 9/30/2008 ³ | 88,002 | 3,369,696,707 | 38,291 | 4.71 |
| 9/30/2007 ⁴ | 86,668 | 3,169,432,161 | 36,570 | 4.65 |
| 9/30/2006 ⁵ | 84,482 | 2,952,186,813 | 34,945 | 3.05 |
| 9/30/2005 ⁶ | 82,830 | 2,808,823,045 | 33,911 | 4.94 |

¹In addition, there are 2,593 members with compensation of \$154,756,911 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

²In addition, there are 2,371 members with compensation of \$141,607,707 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

³In addition, there are 2,184 members with compensation of \$130,111,885 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁴In addition, there are 2,039 members with compensation of \$118,877,383 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁵In addition, there are 1,905 members with compensation of \$115,812,131 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁶In addition, there are 1,753 members with compensation of \$95,585,173 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.



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

TABLE 3
THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES¹
OF RETIRED MEMBERS AND BENEFICIARIES OF
DECEASED MEMBERS ON THE ROLL AS OF SEPTEMBER 30, 2010

| TYPE OF RETIREMENT | GROUP | | | |
|--------------------|-----------------|-----------------|------------------------------|----------------|
| | STATE EMPLOYEES | STATE POLICEMEN | LOCAL EMPLOYEES ² | TOTAL |
| Service: | | | | |
| Number | 15,522 | 647 | 14,458 | 30,627 |
| Annual Allowances | \$ 330,876,858 | \$ 29,137,446 | \$ 262,851,076 | \$ 622,865,380 |
| Disability: | | | | |
| Number | 1,931 | 37 | 1,588 | 3,556 |
| Annual Allowances | \$ 24,255,940 | \$ 970,606 | \$ 18,713,801 | \$ 43,940,347 |
| Beneficiaries: | | | | |
| Number | 1,506 | 105 | 1,777 | 3,388 |
| Annual Allowances | \$ 16,582,252 | \$ 2,007,989 | \$ 15,022,048 | \$ 33,612,289 |
| DROP participants: | | | | |
| Number | 1,812 | 29 | 752 | 2,593 |
| Annual Allowances | \$ 54,062,685 | \$ 1,858,436 | \$ 21,989,298 | \$ 77,910,419 |
| Total: | | | | |
| Number | 20,771 | 818 | 18,575 | 40,164 |
| Annual Allowances | \$ 425,777,735 | \$ 33,974,477 | \$ 318,576,223 | \$ 778,328,435 |

¹ Amounts shown do not reflect any increase in effect after the valuation date.

² In addition, there are 45 terminated vested members with annual deferred allowances totaling \$257,513.

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



SECTION III - ASSETS

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

- (a) Annuity Savings Fund

The Annuity Savings Fund is the fund to which are credited all contributions made by members, except those contributions made by members who are participating in DROP, together with regular interest thereon. When a member retires or when a survivor allowance becomes payable or a member enters DROP, the amount of the member's accumulated contributions are transferred from the Annuity Savings Fund to the Pension Accumulation Fund. On September 30, 2010, the market value of assets credited to this Fund amounted to \$2,050,050,783 which represent the contributions of members to this date.

- (b) Pension Accumulation Fund

The Pension Accumulation Fund is the fund to which are credited all contributions made by the employers, except those contributions made to the Pre-Retirement Death Benefit Fund which was created October 1, 1983. When a member retires or when a survivor allowance becomes payable, the pension is paid from this fund. When a members enters DROP, the deferred pension is transferred from this fund to the DROP Fund. On September 30, 2010 the market value of assets credited to this fund amounted to \$5,759,516,674.

- (c) DROP Fund

The DROP Fund is the fund to which are credited deferred retirement benefits on behalf of members who elect to participate in the DROP, together with regular interest thereon. In addition, member contributions while participating in the DROP, together with regular interest therein, are credited to the Fund. At the end of the DROP deferral period, the member receives the amount of the deferred retirement benefits and contributions plus interest in the member's DROP account. On September 30, 2010, the market value of assets credited to this Fund amounted to \$293,417,000.

- (d) Pre-Retirement Death Benefit Fund

The Pre-Retirement Death Benefit Fund is the fund to which are credited contributions made by the employer for the special pre-retirement death benefit which became effective October 1, 1983. On September 30, 2010, the market value of assets credited to this fund amounted to \$18,883,172.



2. As of September 30, 2010 the total market value of assets exclusive of the Pre-Retirement Death Benefit Fund amounted to \$8,102,984,457 as shown in the following table.

TABLE 4
MARKET VALUE OF ASSETS BY FUND
AS OF SEPTEMBER 30, 2010

| FUND | MARKET VALUE OF ASSETS |
|------------------------------|------------------------|
| Annuity Savings Fund | \$ 2,050,050,783 |
| Pension Accumulation Fund | 5,759,516,674 |
| DROP Fund | <u>293,417,000</u> |
| Total Market Value of Assets | \$ 8,102,984,457 |

3. The five-year market related actuarial value of assets used for the current valuation was \$9,739,330,816. Schedule B shows the development of the actuarial value of assets as of September 30, 2010. The following table shows the actuarial value of assets allocated among State employees, State policemen and local employees.

TABLE 5
COMPARISON OF ACTUARIAL VALUE OF ASSETS
AT SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009

| GROUP | SEPTEMBER 30, 2010 ACTUARIAL VALUE | SEPTEMBER 30, 2009 ACTUARIAL VALUE |
|-----------------|---------------------------------------|---------------------------------------|
| State Employees | \$ 4,649,566,749 | \$ 4,817,987,132 |
| State Policemen | 334,177,906 | 345,246,095 |
| Local Employees | <u>4,755,586,161</u> | <u>4,764,870,832</u> |
| Total Assets | \$ 9,739,330,816 | \$ 9,928,104,059 |

4. Schedule C shows the receipts and disbursements of the System for the year preceding the valuation date and a reconciliation of the fund balances at market value.



SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheets which show the present and prospective assets and liabilities of the System as of September 30, 2010. Separate balance sheets are shown for each employee group as well as in total for all groups.
2. The total valuation balance sheet shows that the System has total prospective liabilities of \$17,145,483,178. Of this amount, \$7,130,938,134 is for the prospective benefits payable on account of present retired members, beneficiaries of deceased members, and DROP participants, \$244,691,425 is for the prospective benefits payable on account of present inactive members and \$9,769,853,619 is for the prospective benefits payable on account of present active members. Against these liabilities the System has total actuarial value of assets of \$9,739,330,816 as of September 30, 2010. The difference of \$7,406,152,362 between the total liabilities and the total present actuarial value of assets represents the present value of contributions to be made in the future. Of this amount, \$1,717,075,889 is the present value of future contributions expected to be made by members to the Annuity Savings Fund, and the balance of \$5,689,076,473 represents the present value of future contributions payable by the employers.
3. The employers' contributions to the System consist of normal contributions, accrued liability contributions and current disbursement cost-of-living benefit increase contributions. The valuation indicates that employer normal contributions at the rate of 2.81% of payroll are required to provide the benefits of the System for the average new member of the State employees system. For State policemen, employer normal contributions at the rate of 13.30% of payroll are required. For local employees, varying rates of employer normal contributions are required.
4. Prospective employer normal contributions at the above rates have a present value of \$1,144,288,193. When this amount is subtracted from \$5,689,076,473, which is the present value of the total future contributions to be made by the employers, there remains \$4,544,788,280 as the amount of future cost-of-living and accrued liability contributions.
5. For State employees, it is recommended that the accrued liability contribution rate payable by the State be set at 7.91% of payroll. For State policemen, it is recommended that the accrued liability



contribution rate payable by the State be set at 17.95% of payroll. These rates are sufficient to amortize the unfunded accrued liability of \$2,285,906,358 for State employees and \$199,030,983 for State policemen within 30 years on the assumption that the aggregate amount of accrued liability contribution will increase by 4.50% each year.

6. For all employers, an additional contribution of 0.15% of payroll will be required to meet the cost of the pre-retirement death benefit program established under Act No. 83-616.
7. For all employers, an additional contribution of 0.18% is required to cover the expenses of administering the System.

SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYERS

1. The retirement act provides that the Board of Control shall certify to the chief fiscal officer of each employer the rates of contribution required to be paid by the employer.
2. On the basis of the actuarial valuation prepared as of September 30, 2010 it is recommended that the State make contributions at the following rates for the fiscal year beginning October 1, 2012:

TABLE 6

RECOMMENDED CONTRIBUTION RATES

| CONTRIBUTION | PERCENTAGE OF MEMBERS' COMPENSATION FOR FISCAL YEAR ENDING SEPTEMBER 20, 2013 | |
|---------------------|--------------------------------------------------------------------------------------|------------------------|
| | STATE EMPLOYEES | STATE POLICEMEN |
| Normal | 2.81% | 13.30% |
| Accrued liability | 7.91 | 17.95 |
| Death benefit | 0.15 | 0.15 |
| Administration | <u>0.18</u> | <u>0.18</u> |
| Total | 11.05% | 31.58% |

3. Contribution rates for Local Employers will be submitted in a separate report. The rates for the fiscal year beginning October 1, 2012 will be determined as of September 30, 2010, but do not reflect any elections made pursuant to Act 2011-676.



SECTION VI – ANALYSIS OF FINANCIAL EXPERIENCE

The following table shows the estimated gain or loss from various factors that resulted in an increase in the unfunded accrued liability during the year ending September 30, 2010. For State employees, the unfunded accrued liability increased \$308,504,129; for State policemen, the unfunded accrued liability increased \$42,211,593. Since the benefits, assumptions and accrued liability rates vary by location for the Local employees, we do not develop an analysis of financial experience for this group.

ANALYSIS OF FINANCIAL EXPERIENCE (in millions of dollars)

| ITEM | AMOUNT OF INCREASE / (DECREASE) | |
|---------------------------------------------------------------|---------------------------------|------------------------|
| | <u>STATE EMPLOYEES</u> | <u>STATE POLICEMEN</u> |
| Interest (8.00%) added to previous unfunded accrued liability | \$ 158.2 | \$ 12.5 |
| Accrued liability contribution | (95.8) | (11.1) |
| Experience: | | |
| Valuation asset growth | 384.3 | 27.4 |
| Pensioners' mortality | 12.5 | 1.6 |
| Turnover and retirements | 10.5 | 0.7 |
| New entrants | 5.3 | 4.7 |
| Salary increases | (167.3) | (4.3) |
| Method changes | 0.0 | 0.0 |
| Amendments | (124.1) | 0.0 |
| Assumption changes | 0.0 | 0.0 |
| Miscellaneous | <u>124.9</u> | <u>10.7</u> |
| Total | \$ 308.5 | \$ 42.2 |



SECTION VII - ACCOUNTING INFORMATION

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

**NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF SEPTEMBER 30, 2010**

| GROUP | NUMBER | | | |
|--------------------------------------------------------------------------|-----------------|--------------|-----------------|---------------|
| | State Employees | State Police | Local Employees | Total |
| Retirees and beneficiaries currently receiving benefits | 18,959 | 789 | 17,823 | 37,571 |
| DROP participants | 1,812 | 29 | 752 | 2,593 |
| Terminated employees entitled to benefits but not yet receiving benefits | 3,570 | 19 | 7,901 | 11,490 |
| Active Members | <u>32,447</u> | <u>859</u> | <u>53,661</u> | <u>86,967</u> |
| Total | 56,788 | 1,696 | 80,137 | 138,621 |



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

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|------------------------------------|-----------------------------------------|-----------------------------|----------------------|--------------------------|-------------------------------------------------------|
| <u>TOTAL ALL GROUPS</u> | | | | | | |
| 9/30/2005 | \$8,935,358 | \$10,634,976 | \$ 1,699,618 | 84.0% | \$2,982,122 | 57.0% |
| 9/30/2006 | 9,287,531 | 11,457,564 | 2,170,033 | 81.1 | 3,070,146 | 70.7 |
| 9/30/2007 | 9,770,897 | 12,370,342 | 2,599,445 | 79.0 | 3,389,156 | 76.7 |
| 9/30/2008 | 9,905,766 | 13,078,687 | 3,172,921 | 75.7 | 3,553,330 | 89.3 |
| 9/30/2009 | 9,928,104 | 13,756,176 | 3,828,072 | 72.2 | 3,620,243 | 105.7 |
| 9/30/2010 | 9,739,331 | 14,284,119 | 4,544,788 | 68.2 | 3,619,670 | 125.6 |
| <u>STATE EMPLOYEES</u> | | | | | | |
| 9/30/2005 | \$4,683,805 | \$5,631,264 | \$ 947,459 | 83.2% | \$1,276,902 ¹ | 74.2% |
| 9/30/2006 | 4,765,294 | 5,884,307 | 1,119,013 | 81.0 | 1,289,743 | 86.8 |
| 9/30/2007 | 4,922,133 | 6,377,127 | 1,454,994 | 77.2 | 1,490,522 ³ | 97.6 |
| 9/30/2008 | 4,912,248 | 6,613,798 | 1,701,550 | 74.3 | 1,531,217 ³ | 111.1 |
| 9/30/2009 | 4,817,987 | 6,795,389 | 1,977,402 | 70.9 | 1,510,157 | 130.9 |
| 9/30/2010 | 4,649,567 | 6,935,473 | 2,285,906 | 67.0 | 1,494,440 | 153.0 |
| <u>STATE POLICEMEN</u> | | | | | | |
| 9/30/2005 | \$ 336,068 | \$ 436,335 | \$ 100,267 | 77.0% | \$ 45,861 ² | 218.6% |
| 9/30/2006 | 342,051 | 451,702 | 109,651 | 75.7 | 45,304 ² | 242.0 |
| 9/30/2007 | 350,437 | 475,409 | 124,972 | 73.7 | 50,987 ³ | 245.1 |
| 9/30/2008 | 350,686 | 489,058 | 138,372 | 71.7 | 51,495 ³ | 268.7 |
| 9/30/2009 | 345,246 | 502,065 | 156,819 | 68.8 | 53,705 | 292.0 |
| 9/30/2010 | 334,178 | 533,209 | 199,031 | 62.7 | 57,266 | 347.6 |
| <u>LOCAL EMPLOYEES</u> | | | | | | |
| 9/30/2005 | \$3,915,485 | \$4,567,377 | \$ 651,892 | 85.7% | \$1,659,359 | 39.3% |
| 9/30/2006 | 4,180,186 | 5,121,555 | 941,369 | 81.6 | 1,735,099 | 54.3 |
| 9/30/2007 | 4,498,327 | 5,517,806 | 1,019,479 | 81.5 | 1,847,647 | 55.2 |
| 9/30/2008 | 4,642,832 | 5,975,831 | 1,332,999 | 77.7 | 1,970,618 | 67.6 |
| 9/30/2009 | 4,764,871 | 6,458,721 | 1,693,850 | 73.8 | 2,056,381 | 82.4 |
| 9/30/2010 | 4,755,586 | 6,815,437 | 2,059,851 | 69.8 | 2,067,964 | 99.6 |

¹ Includes pay increases granted under Act 2005-316.

² Includes pay increases granted under Act 2006-231.

³ Includes pay increases granted under Act 2007-297.



3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at September 30, 2010. Additional information as of the latest actuarial valuation follows.

| | <u>State Employees</u> | <u>State Policemen</u> | <u>Local Employees</u> |
|-------------------------------|-------------------------------|-------------------------------|-----------------------------------------|
| Valuation date | 9/30/2010 | 9/30/2010 | 9/30/2010 |
| Actuarial cost method | Entry age | Entry age | Entry age |
| Amortization method | Level percent Open | Level percent Open | Level percent Open |
| Remaining amortization period | 30 years | 30 years | Within 30 years - Varies by employer |
| Asset valuation method | 5 year smoothed Market | 5 year smoothed market | 5 year smoothed market |
| Actuarial assumptions: | | | |
| Investment rate of return* | 8.00% | 8.00% | 8.00% |
| Projected salary increases* | 4.61 – 7.75% | 4.61 – 7.75% | 4.61 – 7.75% |
| Cost-of-living adjustment | None | None | None |
| *Includes inflation at | 4.50% | 4.50% | 4.50% |

TREND INFORMATION

| <u>Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Percent Of APC Contributed</u> | <u>Net Pension Obligation (NPO)</u> |
|-------------------------------|-----------------------------------------|------------------------------------------|--------------------------------------------|
| <u>State Employees</u> | | | |
| 9/30/2008 | \$ 138,343,938 | 100% | \$0 |
| 9/30/2009 | 171,097,038 | 100 | 0 |
| 9/30/2010 | 162,718,309 | 100 | 0 |
| <u>State Policemen</u> | | | |
| 9/30/2008 | \$ 16,271,620 | 100% | \$0 |
| 9/30/2009 | 16,912,176 | 100 | 0 |
| 9/30/2010 | 17,281,367 | 100 | 0 |
| <u>Local Employees</u> | | | |
| 9/30/2008 | Varies | Varies | Varies |
| 9/30/2009 | Varies | Varies | Varies |
| 9/30/2010 | Varies | Varies | Varies |



SCHEDULE A
VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

STATE EMPLOYEES

| | SEPTEMBER 30, 2010 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <u>ASSETS</u> | |
| Actuarial Value of Assets | \$ 4,649,566,749 |
| Present value of future members' contributions to the Annuity Savings Fund | \$ 823,279,779 |
| Present value of future employer contributions to the Pension Accumulation Fund | |
| Normal contributions | \$ 306,054,082 |
| Unfunded accrued liability contributions | <u>2,285,906,358</u> |
| Total prospective employer contributions | \$ 2,591,960,440 |
| Total Assets | <u>\$ 8,064,806,968</u> |
| <u>LIABILITIES</u> | |
| Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances | |
| Service Retirements | \$ 3,397,110,787 |
| Disability Retirements | 190,278,161 |
| Beneficiaries of Deceased Members | 120,266,394 |
| DROP Participant Accounts | <u>219,603,909</u> |
| Total | \$ 3,927,259,251 |
| Inactive Members | \$ 97,354,840 |
| Present value of prospective benefits payable on account of present active members: | |
| Service retirement allowances | \$ 3,461,461,144 |
| Disability retirement allowances | 156,885,233 |
| Death Benefits | 61,297,440 |
| Termination Benefits | <u>360,549,060</u> |
| Total | \$ 4,040,192,877 |
| Total Liabilities | <u>\$ 8,064,806,968</u> |



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

STATE POLICEMEN

| | SEPTEMBER 30, 2010 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <u>ASSETS</u> | |
| Actuarial Value of Assets | \$ 334,177,906 |
| Present value of future members' contributions to the Annuity Savings Fund | \$ 51,197,085 |
| Present value of future employer contributions to the Pension Accumulation Fund | |
| Normal contributions | \$ 70,057,749 |
| Unfunded accrued liability contributions | <u>199,030,983</u> |
| Total prospective employer contributions | \$ 269,088,732 |
| Total Assets | <u>\$ 654,463,723</u> |
| <u>LIABILITIES</u> | |
| Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances | |
| Service Retirements | \$ 278,613,739 |
| Disability Retirements | 6,810,946 |
| Beneficiaries of Deceased Members | 15,043,594 |
| DROP Participant Accounts | <u>8,291,478</u> |
| Total | \$ 308,759,757 |
| Inactive Members | \$ 1,894,764 |
| Present value of prospective benefits payable on account of present active members: | |
| Service retirement allowances | \$ 318,671,822 |
| Disability retirement allowances | 6,083,598 |
| Death Benefits | 2,497,662 |
| Termination Benefits | <u>16,556,120</u> |
| Total | \$ 343,809,202 |
| Total Liabilities | <u>\$ 654,463,723</u> |



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

LOCAL EMPLOYEES

| | SEPTEMBER 30, 2010 |
|-----------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <u>ASSETS</u> | |
| Actuarial Value of Assets | \$ 4,755,586,161 |
| Present value of future members' contributions to the Annuity Savings Fund | \$ 842,599,025 |
| Present value of future employer contributions to the Pension Accumulation Fund | |
| Normal contributions | \$ 768,176,362 |
| Unfunded accrued liability contributions | <u>2,059,850,939</u> |
| Total prospective employer contributions | \$ 2,828,027,301 |
| Total Assets | <u>\$ 8,426,212,487</u> |
| <u>LIABILITIES</u> | |
| Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances | |
| Service Retirements | \$ 2,563,697,061 |
| Disability Retirements | 150,254,344 |
| Beneficiaries of Deceased Members | 115,452,676 |
| DROP Participant Accounts | <u>65,515,045</u> |
| Total | \$ 2,894,919,126 |
| Inactive Members | \$ 145,441,821 |
| Present value of prospective benefits payable on account of present active members: | |
| Service retirement allowances | \$ 4,493,447,060 |
| Disability retirement allowances | 195,621,187 |
| Death Benefits | 86,229,996 |
| Termination Benefits | <u>610,553,297</u> |
| Total | \$ 5,385,851,540 |
| Total Liabilities | <u>\$ 8,426,212,487</u> |



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

TOTAL - ALL GROUPS

| | SEPTEMBER 30, 2010 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| <u>ASSETS</u> | |
| Actuarial Value of Assets | \$ 9,739,330,816 |
| Present value of future members' contributions to the Annuity Savings Fund | \$ 1,717,075,889 |
| Present value of future employer contributions to the Pension Accumulation Fund | |
| Normal contributions | \$ 1,144,288,193 |
| Unfunded accrued liability contributions | <u>4,544,788,280</u> |
| Total prospective employer contributions | \$ 5,689,076,473 |
| Total Assets | <u>\$ 17,145,483,178</u> |
| <u>LIABILITIES</u> | |
| Present value of benefits payable on account of retired members, beneficiaries of deceased members now drawing retirement allowances, and DROP participants | |
| Service Retirements | \$ 6,239,421,587 |
| Disability Retirements | 347,343,451 |
| Beneficiaries of Deceased Members | 250,762,664 |
| DROP Participant Accounts | <u>293,410,432</u> |
| Total | \$ 7,130,938,134 |
| Inactive Members | \$ 244,691,425 |
| Present value of prospective benefits payable on account of present active members: | |
| Service retirement allowances | \$ 8,273,580,026 |
| Disability retirement allowances | 358,590,018 |
| Death Benefits | 150,025,098 |
| Termination Benefits | <u>987,658,477</u> |
| Total | \$ 9,769,853,619 |
| Total Liabilities | <u>\$ 17,145,483,178</u> |



SCHEDULE A (continued)

SOLVENCY TEST
(\$1000's)

| Valuation Date | Aggregate Accrued Liabilities For | | | Reported Assets | Portion of Accrued Liabilities Covered by Reported Asset | | |
|------------------------|------------------------------------|------------------------------------|---------------------------------------------------|-----------------|----------------------------------------------------------|------|-------|
| | (1) Active Member Contributions | (2) Retirants and Beneficiaries | (3) Active Members (Employer Financed Portion) | | (1) | (2) | (3) |
| 9/30/2010 | \$2,050,051 | \$7,130,938 | \$5,103,130 | \$9,739,331 | 100% | 100% | 10.9% |
| 9/30/2009 | 1,973,511 | 6,707,240 | 5,075,425 | 9,928,104 | 100 | 100 | 24.6 |
| 9/30/2008 ¹ | 1,860,095 | 6,275,136 | 4,943,455 | 9,905,766 | 100 | 100 | 35.8 |
| 9/30/2007 ¹ | 1,777,331 | 5,911,861 | 4,681,149 | 9,770,897 | 100 | 100 | 44.5 |
| 9/30/2006 ² | 1,705,372 | 5,540,766 | 4,211,426 | 9,287,531 | 100 | 100 | 48.5 |
| 9/30/2005 ³ | 1,616,410 | 5,076,621 | 3,941,945 | 8,935,358 | 100 | 100 | 56.9 |

¹ Reflects pay increases payable under Act 2007-297.

² Reflects changes in actuarial assumptions.

³ Reflects pay increases payable under Act 2005-316 and Act 2006-231 and COLA granted effective October 1, 2006 under Act 2006-510.



SCHEDULE B

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2010**

STATE EMPLOYEES

| | | |
|-----|---------------------------------------------------------------------------|----------------------|
| (1) | Actuarial Value Beginning of Year | |
| | a. Actuarial Value Beginning of Year | \$ 4,817,987,132 |
| | b. Adjustment | <u>(1,045,328)</u> |
| | c. Adjusted Actuarial Value Beginning of Year | \$ 4,816,941,804 |
| (2) | Market Value End of Year | \$ 3,848,845,856 |
| (3) | Market Value Beginning of Year | |
| | a. Market Value Beginning of Year | \$ 3,674,852,062 |
| | b. Adjustment | <u>(524,693)</u> |
| | c. Adjusted Market Value Beginning of Year | \$ 3,674,327,369 |
| (4) | Cash Flow | |
| | a. Contributions | \$ 240,353,878 |
| | b. Benefit Payments | <u>(403,387,164)</u> |
| | c. Net | \$ (163,033,286) |
| (5) | Investment Income | |
| | a. Market total: (2) – (3)c – (4)c | \$ 337,551,773 |
| | b. Assumed Rate | 8.00% |
| | c. Amount of Immediate Recognition [(3)c x (5)b] + [(4)c * (5)b * 0.5] | \$ 287,424,858 |
| | d. Amount for Phased-in Recognition (5)a – (5)c | \$ 50,126,915 |
| (6) | Phased-In Recognition of Investment Income | |
| | a. Current Year: 0.20*(5)d | \$ 10,025,383 |
| | b. First Prior Year | (152,153,596) |
| | c. Second Prior Year | (239,770,134) |
| | d. Third Prior Year | 90,734,650 |
| | e. Fourth Prior Year | <u>(602,930)</u> |
| | f. Total Recognized Investment Gain | \$ (291,766,627) |
| (7) | Actuarial Value End of Year: (1)c + (4)c + (5)c + (6)f | \$ 4,649,566,749 |



SCHEDULE B (Continued)

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2010**

STATE POLICEMEN

| | | | |
|-----|--------------------------------------------------------------------------|----|--------------|
| (1) | Actuarial Value Beginning of Year | \$ | 345,246,095 |
| (2) | Market Value End of Year | \$ | 276,225,329 |
| (3) | Market Value Beginning of Year | \$ | 263,215,762 |
| (4) | Cash Flow | | |
| | a. Contributions | \$ | 23,001,855 |
| | b. Benefit Payments | | (33,838,550) |
| | c. Net | \$ | (10,836,695) |
| (5) | Investment Income | | |
| | a. Market total: (2) – (3) – (4)c | \$ | 23,846,262 |
| | b. Assumed Rate | | 8.00% |
| | c. Amount of Immediate Recognition [(3) x (5)b] + [(4)c * (5)b * 0.5] | \$ | 20,623,793 |
| | d. Amount for Phased-in Recognition (5)a – (5)c | \$ | 3,222,469 |
| (6) | Phased-In Recognition of Investment Income | | |
| | a. Current Year: 0.20*(5)d | \$ | 644,494 |
| | b. First Prior Year | | (11,068,040) |
| | c. Second Prior Year | | (16,949,719) |
| | d. Third Prior Year | | 6,573,000 |
| | e. Fourth Prior Year | | (55,022) |
| | f. Total Recognized Investment Gain | \$ | (20,855,287) |
| (7) | Actuarial Value End of Year: (1) + (4)c + (5)c + (6)f | \$ | 334,177,906 |



SCHEDULE B (Continued)

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2010**

LOCAL EMPLOYEES

| | | |
|-----|---------------------------------------------------------------------------|----------------------|
| (1) | Actuarial Value Beginning of Year | |
| | a. Actuarial Value Beginning of Year | \$ 4,764,870,832 |
| | b. Adjustment | <u>1,045,328</u> |
| | c. Adjusted Actuarial Value Beginning of Year | \$ 4,765,916,160 |
| (2) | Market Value End of Year | \$ 3,977,913,272 |
| (3) | Market Value Beginning of Year | |
| | a. Market Value Beginning of Year | \$ 3,660,992,684 |
| | b. Adjustment | <u>524,693</u> |
| | c. Adjusted Market Value Beginning of Year | \$ 3,661,517,377 |
| (4) | Cash Flow | |
| | a. Contributions | \$ 299,607,700 |
| | b. Benefit Payments | <u>(320,888,858)</u> |
| | c. Net | \$ (21,281,158) |
| (5) | Investment Income | |
| | a. Market total: (2) – (3)c – (4)c | \$ 337,677,053 |
| | b. Assumed Rate | 8.00% |
| | c. Amount of Immediate Recognition [(3)c x (5)b] + [(4)c * (5)b * 0.5] | \$ 292,070,144 |
| | d. Adjustment for Employer Lump Sums | \$ (25,058) |
| | e. Adjusted Amount for Immediate Recognition (5)c + (5)d | \$ 292,045,086 |
| | f. Amount for Phased-In Recognition (5)a – (5)e | \$ 45,631,967 |
| (6) | Phased-In Recognition of Investment Income | |
| | a. Current Year: 0.20*(5)f | \$ 9,126,393 |
| | b. First Prior Year | (150,627,609) |
| | c. Second Prior Year | (221,373,757) |
| | d. Third Prior Year | 81,050,494 |
| | e. Fourth Prior Year | <u>730,552</u> |
| | f. Total Recognized Investment Gain | \$ (281,093,927) |
| (7) | Actuarial Value End of Year: (1)c + (4)c + (5)e + (6)f | \$ 4,755,586,161 |



SCHEDULE B (Continued)

SEPTEMBER 30, 2010
DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

TOTAL - ALL GROUPS

| | | | |
|-----|---------------------------------------------------------------------------|----|---------------|
| (1) | Actuarial Value Beginning of Year | \$ | 9,928,104,059 |
| (2) | Market Value End of Year | \$ | 8,102,984,457 |
| (3) | Market Value Beginning of Year | \$ | 7,599,060,508 |
| (4) | Cash Flow | | |
| | a. Contributions | \$ | 562,963,433 |
| | b. Benefit Payments | \$ | (758,114,572) |
| | c. Net | \$ | (195,151,139) |
| (5) | Investment Income | | |
| | a. Market total: (2) – (3) – (4)c | \$ | 699,075,088 |
| | b. Assumed Rate | | 8.00% |
| | c. Amount for Immediate Recognition [(3) x (5)b] + [(4)c * (5)b * 0.5] | \$ | 600,118,795 |
| | d. Adjusted for Employer Lump Sums | \$ | (25,058) |
| | e. Adjusted Amount for Immediate Recognition (5)c + (5)d | \$ | 600,093,737 |
| | f. Amount for Phased-In Recognition (5)a – (5)e | \$ | 98,981,351 |
| (6) | Phased-In Recognition of Investment Income | | |
| | a. Current Year: 0.20*(5)f | \$ | 19,796,270 |
| | b. First Prior Year | | (313,849,245) |
| | c. Second Prior Year | | (478,093,610) |
| | d. Third Prior Year | | 178,358,144 |
| | e. Fourth Prior Year | | 72,600 |
| | f. Total Recognized Investment Gain | \$ | (593,715,841) |
| (7) | Actuarial Value End of Year: (1) + (4)c + (5)e + (6)f | \$ | 9,739,330,816 |



SCHEDULE C

**SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2010**

Receipts for the Year

| | | |
|-----------------------|--------------------|--------------------|
| Contributions: | | |
| Members | \$ 196,757,338 | |
| Employers | <u>366,206,095</u> | |
| Total | | \$ 562,963,433 |
| Net Investment Income | | <u>699,075,088</u> |
| TOTAL | | \$ 1,262,038,521 |

Disbursements for the Year

| | | |
|--------------------|------------------|----------------|
| Benefit Payments | \$ 725,734,309 | |
| Refunds to Members | 28,551,544 | |
| Miscellaneous | <u>3,828,719</u> | |
| TOTAL | | \$ 758,114,572 |

Excess of Receipts Over Disbursements \$ 503,923,949

Reconciliation of Asset Balances

| | |
|-------------------------------------------------|-------------------------|
| Market Value of Assets as of September 30, 2009 | \$ 7,599,060,508 |
| Excess of Receipts Over Disbursements | 503,923,949 |
| Market Value of Assets as of September 30, 2010 | <u>\$ 8,102,984,457</u> |



SCHEDULE D

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 30, 2007. The retirement rates were since revised.

INVESTMENT RATE OF RETURN: 8% per annum, compounded annually.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.50% per annum:

| <u>Age</u> | <u>Annual Rate</u> |
|------------|--------------------|
| 20 | 7.66% |
| 25 | 7.75 |
| 30 | 7.61 |
| 35 | 7.25 |
| 40 | 6.98 |
| 45 | 6.60 |
| 50 | 6.32 |
| 55 | 5.84 |
| 60 | 5.49 |
| 65 | 5.05 |



STATE AND LOCAL EMPLOYEES WITH PRIOR DROP COVERAGE

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of death, disability and withdrawal are shown in the following tables:

| Age | Annual Rate of | | | | | | | |
|-----|----------------|--------|------------|--------|------------------|--------|------------------|--------|
| | Death | | Disability | | Withdrawal | | | |
| | Male | Female | Male | Female | Male | | Female | |
| | | | | | Years of Service | | Years of Service | |
| | | | | 0-4 | 5+ | 0-4 | 5+ | |
| 20 | .06% | .03% | .05% | .08% | 35.00% | | 37.00% | |
| 25 | .08 | .03 | .08 | .09 | 19.50 | 10.00% | 22.50 | 12.00% |
| 30 | .08 | .04 | .10 | .12 | 17.00 | 8.00 | 18.50 | 10.00 |
| 35 | .09 | .06 | .12 | .24 | 16.00 | 6.00 | 18.00 | 7.50 |
| 40 | .14 | .08 | .32 | .38 | 16.00 | 4.50 | 15.00 | 5.00 |
| 45 | .21 | .11 | .60 | .58 | 14.00 | 3.50 | 13.00 | 4.00 |
| 50 | .36 | .17 | 1.00 | .98 | 13.00 | 2.50 | 13.00 | 3.50 |
| 55 | .63 | .29 | 1.65 | 1.50 | 11.50 | 2.50 | 14.00 | 3.00 |
| 60 | 1.15 | .58 | | | 12.00 | 3.00 | 12.00 | 3.00 |
| 62 | 1.45 | .76 | | | 13.20 | 4.20 | 12.20 | 4.60 |
| 65 | 1.99 | 1.08 | | | 15.00 | 6.00 | 12.50 | 7.00 |
| 69 | 2.85 | 1.50 | | | 15.00 | 6.00 | 12.50 | 7.00 |

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

| Age | Annual Rate | | | |
|-----|-----------------------------------------------|---------------------|-------------------------------------------------------------------|--------|
| | Under age 65 with 25 or more years of service | | Under age 65 with less than 25 years of service & All over age 65 | |
| | Male ¹ | Female ² | Male | Female |
| 45 | 15.00% | 15.00% | | |
| 50 | 10.00 | 10.00 | | |
| 55 | 14.00 | 20.00 | | |
| 60 | 13.00 | 19.00 | 16.00% | 22.00% |
| 62 | 28.00 | 38.00 | 32.00 | 31.00 |
| 64 | 14.00 | 38.00 | 25.00 | 24.00 |
| 65 | | | 36.00 | 36.00 |
| 70 | | | 27.00 | 30.00 |
| 72 | | | 23.00 | 30.00 |
| 75 | | | 100.00 | 100.00 |

¹Rates are increased by 12% in year when member attains 25 years of service.

²Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 and older.



STATE POLICEMEN

Annual Rate of

| <u>Age</u> | <u>Death</u> | | <u>Disability</u> | <u>Withdrawal</u> ¹ | <u>Service</u> | |
|------------|--------------|---------------|-------------------|--------------------------------|----------------------|------------------|
| | <u>Male</u> | <u>Female</u> | | | <u>< 25 Years</u> | <u>25+ Years</u> |
| 20 | .06% | .03% | .08% | 2.00% | | |
| 25 | .08 | .03 | .10 | 2.00 | | |
| 30 | .08 | .04 | .14 | 2.00 | | |
| 35 | .09 | .06 | .22 | 2.00 | | |
| 40 | .14 | .08 | .34 | 2.00 | | 19.00% |
| 45 | .21 | .11 | .46 | 2.00 | | 19.00 |
| 50 | .36 | .17 | .60 | | | 18.00 |
| 55 | .63 | .29 | | | 20.00% | 32.50 |
| 60 | 1.15 | .58 | | | 20.00 | 100.00 |
| 62 | 1.45 | .76 | | | 20.00 | 100.00 |
| 65 | 1.99 | 1.08 | | | 100.00 | 100.00 |

¹ A rate of 3.50% is assumed during the first four years of employment.



LOCAL EMPLOYEES WITH NO PRIOR DROP COVERAGE

SEPARATIONS BEFORE SERVICE RETIREMENT: Representative values of the assumed annual rates of death, disability and withdrawal are shown in the following tables:

| Age | Annual Rate of | | | | | | | |
|-----|----------------|---------------|-------------------|---------------|-------------------|------------|------------------|--------|
| | <u>Death</u> | | <u>Disability</u> | | <u>Withdrawal</u> | | | |
| | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> | <u>Male</u> | | <u>Female</u> | |
| | | | | | Years of Service | | Years of Service | |
| | | | | <u>0-4</u> | <u>5+</u> | <u>0-4</u> | <u>5+</u> | |
| 20 | .06% | .03% | .06% | .06% | 26.00% | | 37.00% | |
| 25 | .08 | .03 | .08 | .13 | 21.00 | 11.00% | 30.00 | 15.00% |
| 30 | .08 | .04 | .11 | .19 | 19.00 | 8.50 | 25.00 | 12.00 |
| 35 | .09 | .06 | .13 | .25 | 17.00 | 6.50 | 22.00 | 9.50 |
| 40 | .14 | .08 | .20 | .28 | 16.00 | 4.50 | 19.00 | 7.50 |
| 45 | .21 | .11 | .42 | .36 | 15.00 | 4.25 | 18.00 | 6.50 |
| 50 | .36 | .17 | .77 | .43 | 13.00 | 4.00 | 17.00 | 6.00 |
| 55 | .63 | .29 | 1.41 | .82 | 13.00 | 4.25 | 16.00 | 6.00 |
| 60 | 1.15 | .58 | | | 13.00 | 5.00 | 16.00 | 5.50 |
| 62 | 1.45 | .76 | | | 15.00 | 6.20 | 16.00 | 7.30 |
| 65 | 1.99 | 1.08 | | | 18.00 | 8.00 | 16.00 | 10.00 |
| 69 | 2.85 | 1.50 | | | 18.00 | 8.00 | 16.00 | 10.00 |

SERVICE RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

| Age | Annual Rate | | | |
|-----|-----------------------------------------------|----------------------------|-------------------------------------------------------------------|---------------|
| | Under age 65 with 25 or more years of service | | Under age 65 with less than 25 years of service & All over age 65 | |
| | <u>Male</u> ¹ | <u>Female</u> ² | <u>Male</u> | <u>Female</u> |
| 45 | 15.00% | 17.00% | | |
| 50 | 12.00 | 16.00 | | |
| 55 | 16.00 | 23.00 | | |
| 60 | 19.00 | 30.00 | 7.50% | 18.00% |
| 62 | 49.00 | 34.00 | 31.00 | 28.00 |
| 64 | 28.00 | 26.00 | 14.00 | 15.00 |
| 65 | | | 28.00 | 29.00 |
| 70 | | | 20.00 | 17.00 |
| 72 | | | 20.00 | 24.00 |
| 75 | | | 100.00 | 100.00 |

¹Rates are increased by 12% in year when member attains 25 years of service.

²Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 and older.



DEATH AFTER RETIREMENT: The rates of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward three years for males and set forward two years for females. Special tables are used for the period after disability retirement.

DEATH IN ACTIVE SERVICE BENEFIT: For those eligible for service retirement who die in active service, it is assumed that 75% of beneficiaries will elect the lump sum death benefit and 25% will elect the Option 3 allowance.

BENEFITS PAYABLE UPON SEPARATION FROM SERVICE: For members who terminate with less than 10 years of service, assumed refunds are reduced by 10% to account for interest rates lower than the “regular” 4% rate adopted by the Board (See Section 16-25-14(g)).

UNUSED SICK LEAVE: 2% load on service retirement, disability retirement and death in active service allowance liabilities for active members.

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

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

ASSET METHOD: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected value.

LIABILITY FOR CURRENT INACTIVE MEMBERS: Member Contribution Balance is multiplied by a factor of 2.5 for State Employees, and 3.0 for Local Employees and State Policemen.



SCHEDULE E

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "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 the average 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 is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.



SCHEDULE F

SUMMARY OF MAIN SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

The Employees' Retirement System of Alabama was established on October 1, 1945. The valuation took into account amendments to the System effective through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

1 – DEFINITIONS

Average Final Compensation - the average compensation of a member for the 3 highest years in the last 10 years of creditable service.

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

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

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

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

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

2 - BENEFITS

MEMBERS CLASSIFIED OTHER THAN STATE POLICEMEN

Service Retirement Allowance

Condition for Allowance

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service, (except for employees of local employers who did not elect 25-year retirement), or who has attained age 60 and completed at least 10 years of creditable service.



Amount of Allowance

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

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance

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

Benefits Payable on
Separation from Service

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

Benefits Payable upon
Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 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 pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*



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

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

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

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

Deferred Retirement Option Plan (DROP)

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

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





Member Contributions

Regular members contribute 5.0% of salary. Certified police officers and firefighters contribute 6.0% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and regular interest upon retirement.

“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 16-25-12(g)).

Beginning October 1, 2011, the contribution rates will increase to 7.25% for regular members and 8.25% for police officers and firefighters.

Beginning October 1, 2012, the contribution rates will increase to 7.50% for regular members and 8.50% for police officers and firefighters.

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

MEMBERS CLASSIFIED AS STATE POLICEMEN

Service Retirement Allowance

Condition for Allowance

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

Amount of Allowance

Upon service retirement a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of his creditable service.

A member who has attained 20 or more years of creditable service and retires prior to age 60 is eligible to receive a “bonus service credit” up to 4 years as follows:

- Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.
- Age 52 to 56 – bonus service of 4 years.
- Age 52 or less (disability retirement only) – bonus service of 4 years.



- Age 52 or less with 25 or more years of service – bonus service of 4 years.

Disability Retirement Allowance

Condition for Allowance

A disability retirement allowance may be granted to a member who has 10 or more years of creditable service or who becomes disabled as a result of his employment in line of duty without regard to his years of creditable service, and who becomes permanently incapacitated, mentally or physically, for the further performance of duty before reaching the minimum age for service retirement.

Amount of Allowance

Upon retirement for disability, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of his creditable service.

Benefits Payable on Separation from Service

Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 52.

Benefits Payable upon Death in Active Service

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 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 pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*

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

In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-



retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs.*

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

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

Deferred Retirement Option Plan (DROP)

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

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

Member Contributions

Each member contributes 10% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions with interest upon retirement.

3 - SPECIAL PRIVILEGES AT RETIREMENT – ALL MEMBERS

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

Option 1. If the member dies before the annuity payments equal or exceed the present value of the member's annuity



at the date of retirement, the balance is paid to a designated beneficiary or to 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 by the Board of Control.



SCHEDULE G

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2010**

ACTIVE STATE EMPLOYEES

| Attained Age | Completed Years of Service | | | | | | | | | | Total |
|--------------------|----------------------------|----------|----------|----------|----------|----------|----------|----------|-----------|-----------|----------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | |
| Under 25 | 428 | 555 | 12 | | | | | | | | 995 |
| Avg. Pay | \$27,123 | \$29,087 | \$25,127 | | | | | | | | \$28,195 |
| 25 to 29 | 579 | 1,820 | 472 | 5 | | | | | | | 2,876 |
| Avg. Pay | \$29,861 | \$32,864 | \$33,415 | \$31,839 | | | | | | | \$32,348 |
| 30 to 34 | 368 | 1,427 | 1,538 | 290 | 3 | | | | | | 3,626 |
| Avg. Pay | \$29,967 | \$34,322 | \$38,818 | \$39,976 | \$38,026 | | | | | | \$36,242 |
| 35 to 39 | 265 | 1,160 | 1,208 | 855 | 211 | 5 | | | | | 3,704 |
| Avg. Pay | \$30,636 | \$35,210 | \$41,285 | \$44,886 | \$46,731 | \$49,754 | | | | | \$39,773 |
| 40 to 44 | 228 | 916 | 976 | 772 | 928 | 412 | 6 | | | | 4,238 |
| Avg. Pay | \$30,609 | \$34,241 | \$39,771 | \$45,823 | \$53,587 | \$50,563 | \$52,450 | | | | \$43,278 |
| 45 to 49 | 199 | 825 | 848 | 634 | 892 | 1,256 | 308 | 6 | | | 4,968 |
| Avg. Pay | \$28,927 | \$33,626 | \$38,782 | \$45,404 | \$51,245 | \$55,465 | \$53,306 | \$45,133 | | | \$45,740 |
| 50 to 54 | 139 | 734 | 791 | 592 | 706 | 1,031 | 787 | 307 | 16 | | 5,103 |
| Avg. Pay | \$31,886 | \$34,568 | \$38,249 | \$43,159 | \$49,877 | \$55,190 | \$59,204 | \$55,075 | \$55,310 | | \$47,445 |
| 55 to 59 | 112 | 536 | 629 | 511 | 591 | 777 | 223 | 161 | 45 | | 3,585 |
| Avg. Pay | \$31,178 | \$34,828 | \$39,056 | \$41,289 | \$48,317 | \$53,388 | \$61,544 | \$63,606 | \$54,452 | | \$45,823 |
| 60 to 64 | 200 | 491 | 449 | 310 | 433 | 426 | 73 | 23 | 17 | 2 | 2,424 |
| Avg. Pay | \$57,236 | \$53,434 | \$42,056 | \$43,780 | \$48,748 | \$51,239 | \$57,654 | \$65,112 | \$70,305 | \$76,387 | \$49,558 |
| 65 to 69 | 29 | 161 | 127 | 108 | 108 | 114 | 18 | 7 | 5 | 1 | 678 |
| Avg. Pay | \$64,005 | \$61,375 | \$42,396 | \$43,935 | \$52,894 | \$52,803 | \$54,656 | \$41,550 | \$123,085 | \$100,200 | \$52,492 |
| 70 & up | 6 | 51 | 47 | 40 | 48 | 40 | 7 | 3 | 2 | 6 | 250 |
| Avg. Pay | \$52,771 | \$60,823 | \$48,158 | \$47,343 | \$54,468 | \$52,670 | \$61,400 | \$70,139 | \$53,712 | \$65,953 | \$53,761 |
| Total | 2,553 | 8,676 | 7,097 | 4,117 | 3,920 | 4,061 | 1,422 | 507 | 85 | 9 | 32,447 |
| Avg. Pay | \$32,246 | \$35,517 | \$39,271 | \$44,001 | \$50,668 | \$53,948 | \$58,139 | \$58,024 | \$61,804 | \$72,077 | \$42,716 |

In addition there are 1,812 employees with annual compensation of \$108,425,996 participating in the DROP as of September 30, 2010.

Amounts shown do not reflect any increase in effect after the valuation date.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2010**

ACTIVE STATE POLICE

| Attained Age | Completed Years of Service | | | | | | | | | | Total |
|--------------------|----------------------------|----------|----------|----------|----------|----------|-----------|-----------|----------|---------|----------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | |
| Under 25 | | 8 | | | | | | | | | 8 |
| Avg. Pay | | \$48,379 | | | | | | | | | \$48,379 |
| 25 to 29 | 2 | 55 | 16 | | | | | | | | 73 |
| Avg. Pay | \$46,973 | \$47,747 | \$46,818 | | | | | | | | \$47,522 |
| 30 to 34 | 1 | 38 | 59 | 29 | | | | | | | 127 |
| Avg. Pay | \$50,349 | \$46,940 | \$52,282 | \$58,892 | | | | | | | \$52,178 |
| 35 to 39 | 2 | 25 | 43 | 81 | 23 | | | | | | 174 |
| Avg. Pay | \$47,133 | \$48,520 | \$53,958 | \$59,998 | \$64,719 | | | | | | \$57,332 |
| 40 to 44 | 1 | 19 | 33 | 54 | 64 | 26 | 2 | | | | 199 |
| Avg. Pay | \$40,239 | \$49,237 | \$52,483 | \$63,816 | \$71,751 | \$82,231 | \$101,996 | | | | \$65,768 |
| 45 to 49 | | 13 | 10 | 21 | 39 | 67 | 18 | | | | 168 |
| Avg. Pay | | \$52,857 | \$55,923 | \$62,652 | \$75,585 | \$81,708 | \$85,368 | | | | \$74,529 |
| 50 to 54 | 1 | 7 | 5 | 2 | 7 | 32 | 12 | 4 | | | 70 |
| Avg. Pay | \$50,755 | \$58,363 | \$58,525 | \$67,774 | \$77,805 | \$80,601 | \$81,360 | \$100,716 | | | \$77,007 |
| 55 to 59 | 4 | 6 | 3 | 1 | 6 | 6 | 1 | | | | 27 |
| Avg. Pay | \$100,794 | \$66,915 | \$63,819 | \$84,950 | \$66,483 | \$82,643 | \$69,239 | | | | \$75,743 |
| 60 to 64 | 4 | 4 | | | 3 | 1 | | | | | 12 |
| Avg. Pay | \$87,219 | \$74,137 | | | \$74,735 | \$86,976 | | | | | \$79,717 |
| 65 to 69 | | | | | | | | | | | |
| Avg. Pay | | | | | | | | | | | |
| 70 & up | | | | 1 | | | | | | | 1 |
| Avg. Pay | | | | \$87,594 | | | | | | | \$87,594 |
| Total | 15 | 175 | 169 | 189 | 142 | 132 | 33 | 4 | | | 859 |
| Avg. Pay | \$72,107 | \$49,938 | \$52,835 | \$61,574 | \$71,804 | \$81,625 | \$84,429 | \$100,716 | | | \$63,501 |

In addition there are 29 employees with annual compensation of \$2,718,893 participating in the DROP as of September 30, 2010.

Amounts shown do not reflect any increase in effect after the valuation date.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2010**

ACTIVE LOCAL EMPLOYEES

| Attained Age | Completed Years of Service | | | | | | | | | | Total | |
|--------------------|----------------------------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-------|----------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | | |
| Under 25 | 928 | 1,445 | 42 | | | | | | | | | 2,415 |
| Avg. Pay | \$19,950 | \$26,916 | \$33,348 | | | | | | | | | \$24,351 |
| 25 to 29 | 910 | 3,003 | 987 | 22 | | | | | | | | 4,922 |
| Avg. Pay | \$22,634 | \$30,298 | \$36,335 | \$41,815 | | | | | | | | \$30,143 |
| 30 to 34 | 626 | 2,416 | 1,917 | 755 | 16 | | | | | | | 5,730 |
| Avg. Pay | \$23,661 | \$31,547 | \$38,730 | \$42,516 | \$44,459 | | | | | | | \$34,570 |
| 35 to 39 | 592 | 2,103 | 1,836 | 1,694 | 607 | 22 | | | | | | 6,854 |
| Avg. Pay | \$24,087 | \$31,973 | \$39,234 | \$45,345 | \$51,249 | \$58,501 | | | | | | \$38,334 |
| 40 to 44 | 492 | 1,794 | 1,581 | 1,614 | 1,359 | 601 | 21 | | | | | 7,462 |
| Avg. Pay | \$25,382 | \$31,220 | \$38,048 | \$44,479 | \$50,329 | \$52,605 | \$65,553 | | | | | \$40,449 |
| 45 to 49 | 427 | 1,725 | 1,474 | 1,376 | 1,135 | 1,137 | 433 | 24 | | | | 7,731 |
| Avg. Pay | \$24,402 | \$30,689 | \$35,966 | \$42,045 | \$48,620 | \$53,668 | \$56,138 | \$61,053 | | | | \$40,901 |
| 50 to 54 | 371 | 1,417 | 1,322 | 1,220 | 1,015 | 1,015 | 689 | 311 | 19 | | | 7,379 |
| Avg. Pay | \$23,864 | \$30,610 | \$35,141 | \$39,518 | \$44,810 | \$51,824 | \$55,800 | \$59,315 | \$55,600 | | | \$41,053 |
| 55 to 59 | 222 | 1,064 | 1,164 | 1,041 | 864 | 786 | 349 | 244 | 61 | 1 | | 5,796 |
| Avg. Pay | \$25,521 | \$29,808 | \$34,904 | \$39,218 | \$44,263 | \$47,936 | \$52,690 | \$60,270 | \$61,750 | \$71,063 | | \$39,974 |
| 60 to 64 | 130 | 619 | 796 | 700 | 518 | 452 | 165 | 90 | 55 | 22 | | 3,547 |
| Avg. Pay | \$31,363 | \$31,545 | \$33,550 | \$40,486 | \$42,987 | \$46,809 | \$50,100 | \$50,326 | \$61,052 | \$65,560 | | \$39,377 |
| 65 to 69 | 48 | 227 | 276 | 224 | 162 | 125 | 42 | 22 | 17 | 6 | | 1,149 |
| Avg. Pay | \$27,110 | \$32,247 | \$31,823 | \$37,459 | \$44,716 | \$46,744 | \$43,033 | \$56,622 | \$49,666 | \$75,155 | | \$37,625 |
| 70 & up | 20 | 164 | 170 | 113 | 80 | 74 | 33 | 13 | 3 | 6 | | 676 |
| Avg. Pay | \$26,532 | \$24,953 | \$25,296 | \$31,650 | \$39,784 | \$38,545 | \$40,328 | \$39,246 | \$41,927 | \$40,055 | | \$30,683 |
| Total | 4,766 | 15,977 | 11,565 | 8,759 | 5,756 | 4,212 | 1,732 | 704 | 155 | 35 | | 53,661 |
| Avg. Pay | \$23,399 | \$30,563 | \$36,626 | \$42,108 | \$47,224 | \$50,820 | \$54,229 | \$58,101 | \$59,040 | \$62,990 | | \$37,724 |

In addition there are 752 employees with annual compensation of \$43,612,022 participating in the DROP as of September 30, 2010.

Amounts shown do not reflect any increase in effect after the valuation date.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2010**

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

| Age | Number of Members | Total Annual Benefits | Average Annual Benefits |
|------------|------------------------------|----------------------------------|------------------------------------|
| Under 50 | 330 | \$ 9,465,316 | \$ 28,683 |
| 50 – 54 | 1613 | 43,045,211 | 26,686 |
| 55 – 59 | 2913 | 75,665,296 | 25,975 |
| 60 – 64 | 6131 | 144,760,494 | 23,611 |
| 65 – 69 | 5970 | 121,577,889 | 20,365 |
| 70 – 74 | 5155 | 97,363,390 | 18,887 |
| 75 – 79 | 3904 | 65,291,379 | 16,724 |
| 80 – 84 | 2628 | 40,036,276 | 15,235 |
| 85 – 89 | 1373 | 18,467,601 | 13,451 |
| 90 – 94 | 484 | 5,813,770 | 12,012 |
| 95 & Over | 126 | 1,378,758 | 10,943 |
| Total | 30,627 | \$ 622,865,380 | \$ 20,337 |

**NUMBER OF DROP PARTICIPANTS
AND THEIR BENEFITS BY AGE**

| Age | Number of Members | Total Annual Benefits | Average Annual Benefits |
|------------|------------------------------|----------------------------------|------------------------------------|
| Under 60 | 1701 | \$ 53,315,937 | \$ 31,344 |
| 60 – 64 | 745 | 20,796,167 | 27,914 |
| 65 – 69 | 110 | 2,876,655 | 26,151 |
| 70 – 74 | 26 | 644,456 | 24,787 |
| 75 & Over | 11 | 277,204 | 25,200 |
| Total | 2,593 | \$ 77,910,419 | \$ 30,046 |



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2010**

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

| Age | Number of Members | Total Annual Benefits | Average Annual Benefits |
|------------|------------------------------|----------------------------------|------------------------------------|
| Under 50 | 122 | \$ 1,051,635 | \$ 8,620 |
| 50 – 54 | 104 | 1,082,806 | 10,412 |
| 55 – 59 | 175 | 1,979,578 | 11,312 |
| 60 – 64 | 265 | 3,056,444 | 11,534 |
| 65 – 69 | 369 | 4,064,655 | 11,015 |
| 70 – 74 | 523 | 6,265,367 | 11,980 |
| 75 – 79 | 584 | 5,783,166 | 9,903 |
| 80 – 84 | 575 | 5,509,798 | 9,582 |
| 85 – 89 | 429 | 3,350,630 | 7,810 |
| 90 – 94 | 187 | 1,178,388 | 6,302 |
| 95 & Over | 55 | 289,822 | 5,269 |
| Total | 3,388 | \$ 33,612,289 | \$ 9,921 |

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

| Age | Number of Members | Total Annual Benefits | Average Annual Benefits |
|------------|------------------------------|----------------------------------|------------------------------------|
| Under 50 | 317 | \$ 3,824,437 | \$ 12,064 |
| 50 – 54 | 483 | 6,184,358 | 12,804 |
| 55 – 59 | 765 | 10,194,864 | 13,327 |
| 60 – 64 | 826 | 10,386,027 | 12,574 |
| 65 – 69 | 545 | 6,285,107 | 11,532 |
| 70 – 74 | 292 | 3,377,559 | 11,567 |
| 75 – 79 | 197 | 2,256,032 | 11,452 |
| 80 – 84 | 84 | 998,601 | 11,888 |
| 85 – 89 | 34 | 326,605 | 9,606 |
| 90 – 94 | 12 | 88,089 | 7,341 |
| 95 & Over | 1 | 18,668 | 18,668 |
| Total | 3,556 | \$ 43,940,347 | \$ 12,357 |