



The calculation of the Pension Expense is shown in the following table.

Pension Expense
Determined as of the Measurement Date
(\$ thousands)

| | State Employees | State Police | Local Employees | Total |
|---|--------------------|-----------------|--------------------|------------------|
| Service Cost | \$119,061 | \$9,426 | \$220,197 | \$348,684 |
| Interest | 600,401 | 48,517 | 817,677 | 1,466,595 |
| Current-period benefit changes | 0 | 0 | 39,193 | 39,193 |
| Expensed portion of current-period difference between expected and actual experience in the total pension liability | 21,633 | 1,355 | 316 | 23,304 |
| Expensed portion of current-period changes of assumptions | 78,793 | 5,890 | 78,908 | 163,591 |
| Member contributions | (108,134) | (4,919) | (173,343) | (286,396) |
| Other | 0 | 0 | 0 | 0 |
| Projected earnings on plan investments | (373,152) | (26,300) | (592,651) | (992,103) |
| Expensed portion of current-period differences between actual and projected earnings on plan investments | (140,653) | (9,880) | (223,286) | (373,819) |
| Administrative expense | 14,496 | 0 | 0 | 14,496 |
| Transfers among employers | 0 | 0 | 0 | 0 |
| Recognition of beginning deferred outflows of resources as pension expense | 53,509 | 3,582 | 151,494 | 208,585 |
| Recognition of beginning deferred inflows of resources as pension expense | (2,318) | (129) | (76,903) | (79,350) |
| Pension Expense | <u>\$263,636</u> | <u>\$27,542</u> | <u>\$241,602</u> | <u>\$532,779</u> |



SCHEDULE A
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Last 10 Fiscal Years Ending September 30
STATE EMPLOYEES
(\$ in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|------|------|
| Total pension liability | | | | | | | | | | |
| Service Cost | \$ 119,061 | \$ 115,018 | \$ 110,482 | \$ 107,929 | \$ 107,377 | \$ 113,497 | \$ 152,160 | \$ 107,776 | | |
| Interest | 600,401 | 582,317 | 573,993 | 567,816 | 563,620 | 557,699 | 549,795 | 541,492 | | |
| Benefit changes | - | - | - | - | - | - | - | - | | |
| Difference between expected and actual experience | 77,877 | 134,241 | 310 | (16,241) | (56,579) | 3,957 | (60,921) | - | | |
| Changes of assumptions | 283,655 | - | - | 35,615 | - | 183,527 | - | - | | |
| Benefit payments, including refunds of employee contributions | (606,886) | (586,640) | (569,659) | (569,781) | (551,721) | (563,913) | (559,171) | (531,786) | | |
| Transfers among employers | (398) | 39 | 1,470 | 2,411 | 1,290 | (409) | 19,304 | - | | |
| Net change in total pension liability | 473,710 | 244,975 | 116,596 | 127,749 | 63,987 | 294,358 | 101,167 | 117,482 | | |
| Total pension liability - beginning | \$ 8,100,855 | \$ 7,855,880 | \$ 7,739,284 | \$ 7,611,535 | \$ 7,547,548 | \$ 7,253,190 | \$ 7,152,023 | \$ 7,034,541 | | |
| Total pension liability - ending (a) | \$ 8,574,565 | \$ 8,100,855 | \$ 7,855,880 | \$ 7,739,284 | \$ 7,611,535 | \$ 7,547,548 | \$ 7,253,190 | \$ 7,152,023 | | |
| Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability | | | | | | | | | | |
| Contributions - employer | \$ 221,634 | \$ 228,964 | \$ 208,020 | \$ 186,715 | \$ 184,362 | \$ 192,420 | \$ 177,599 | \$ 146,752 | | |
| Contributions - member | 108,134 | 110,197 | 104,031 | 97,527 | 95,979 | 100,907 | 97,144 | 96,585 | | |
| Other | - | - | - | (7,481) | - | - | 68,898 | - | | |
| Net investment income | 1,076,417 | 276,998 | 128,063 | 446,946 | 581,603 | 446,180 | 54,772 | 523,129 | | |
| Benefit payments, including refunds of employee contributions | (606,886) | (586,640) | (569,659) | (570,131) | (551,721) | (563,913) | (559,171) | (531,786) | | |
| Transfers among employers | (398) | 39 | 1,470 | 2,411 | 478 | (409) | 6,435 | 410 | | |
| Administrative Expenses | (14,496) | (16,539) | (15,829) | (13,763) | (14,502) | (13,023) | (13,182) | - | | |
| Net change in plan fiduciary net position | 784,405 | 13,019 | (143,904) | 142,224 | 296,199 | 162,162 | (167,505) | 235,090 | | |
| Plan fiduciary net position - beginning | \$ 4,992,137 | \$ 4,979,118 | \$ 5,123,022 | \$ 4,980,798 | \$ 4,684,599 | \$ 4,522,437 | \$ 4,689,942 | \$ 4,454,852 | | |
| Plan fiduciary net position - ending (b) | \$ 5,776,542 | \$ 4,992,137 | \$ 4,979,118 | \$ 5,123,022 | \$ 4,980,798 | \$ 4,684,599 | \$ 4,522,437 | \$ 4,689,942 | | |
| Net pension liability (asset) - ending (a) - (b) | \$ 2,798,023 | \$ 3,108,718 | \$ 2,876,762 | \$ 2,616,262 | \$ 2,630,737 | \$ 2,862,949 | \$ 2,730,752 | \$ 2,462,081 | | |
| Plan fiduciary net position as a percentage of the total pension liability | 67.37% | 61.62% | 63.38% | 66.20% | 65.44% | 62.07% | 62.35% | 65.58% | | |
| Covered payroll* | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | | |
| Net pension liability (asset) as a percentage of covered payroll | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | | |

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2022 the measurement period is October 1, 2021 – September 30, 2022.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.



SCHEDULE A
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
Last 10 Fiscal Years Ending September 30
STATE POLICE
(\$ in thousands)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------|------|
| Total pension liability | | | | | | | | | | |
| Service Cost | \$ 9,426 | \$ 8,800 | \$ 8,758 | \$ 8,829 | \$ 9,016 | \$ 8,484 | \$ 8,394 | \$ 8,654 | | |
| Interest | 48,517 | 46,806 | 46,042 | 45,434 | 44,687 | 43,025 | 42,677 | 41,950 | | |
| Benefit changes | - | - | - | - | - | - | - | - | | |
| Difference between expected and actual experience | 5,826 | 8,966 | 181 | (1,093) | (1,079) | 7,138 | (2,544) | - | | |
| Changes of assumptions | 25,326 | - | - | 2,823 | - | 24,237 | - | - | | |
| Benefit payments, including refunds of employee contributions | (45,849) | (46,258) | (44,857) | (44,004) | (42,454) | (44,770) | (43,588) | (39,451) | | |
| Transfers among employers | 510 | 3,710 | 496 | 127 | 253 | (470) | - | - | | |
| Net change in total pension liability | 43,756 | 22,024 | 10,620 | 12,116 | 10,423 | 37,644 | 4,939 | 11,153 | | |
| Total pension liability - beginning | \$ 653,019 | \$ 630,995 | \$ 620,375 | \$ 608,259 | \$ 597,836 | \$ 560,192 | \$ 555,253 | \$ 544,100 | | |
| Total pension liability - ending (a) | \$ 696,775 | \$ 653,019 | \$ 630,995 | \$ 620,375 | \$ 608,259 | \$ 597,836 | \$ 560,192 | \$ 555,253 | | |
| Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability | | | | | | | | | | |
| Contributions - employer | \$ 25,768 | \$ 24,917 | \$ 20,915 | \$ 17,885 | \$ 23,031 | \$ 18,491 | \$ 16,463 | \$ 15,347 | | |
| Contributions - member | 4,919 | 4,638 | 4,406 | 4,141 | 4,322 | 4,407 | 4,374 | 4,454 | | |
| Other | - | - | - | - | - | - | - | - | | |
| Net investment income | 75,700 | 19,211 | 8,817 | 30,819 | 39,883 | 30,508 | 3,776 | 36,410 | | |
| Benefit payments, including refunds of employee contributions | (45,849) | (46,258) | (44,857) | (44,004) | (42,454) | (44,770) | (43,588) | (39,451) | | |
| Transfers among employers | 510 | 3,710 | 496 | 127 | 253 | (470) | (138) | (384) | | |
| Administrative Expenses | - | - | - | - | - | - | - | - | | |
| Net change in plan fiduciary net position | 61,048 | 6,218 | (10,223) | 8,968 | 25,035 | 8,166 | (19,113) | 16,376 | | |
| Plan fiduciary net position - beginning | \$ 348,883 | \$ 342,665 | \$ 352,888 | \$ 343,920 | \$ 318,885 | \$ 310,719 | \$ 329,832 | \$ 313,456 | | |
| Plan fiduciary net position - ending (b) | \$ 409,931 | \$ 348,883 | \$ 342,665 | \$ 352,888 | \$ 343,920 | \$ 318,885 | \$ 310,719 | \$ 329,832 | | |
| Net pension liability (asset) - ending (a) - (b) | \$ 286,844 | \$ 304,136 | \$ 288,330 | \$ 267,487 | \$ 264,339 | \$ 278,951 | \$ 249,473 | \$ 225,421 | | |
| Plan fiduciary net position as a percentage of the total pension liability | 58.83% | 53.43% | 54.31% | 56.88% | 56.54% | 53.34% | 55.47% | 59.40% | | |
| Covered payroll* | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | | |
| Net pension liability (asset) as a percentage of covered payroll | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | | |

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2022 the measurement period is October 1, 2021 – September 30, 2022.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years Ending September 30
STATE EMPLOYEES



| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Actuarially determined contribution* | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX |
| Contributions in relation to the actuarially determined contribution* | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered payroll** | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX |
| Contributions as a percentage of covered payroll | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% |

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

**Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022*:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 27.9 years |
| Asset valuation method | Five-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 3.25% - 5.00%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

*If the employer's financial reporting period end is other than September 30, 2022, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 Fiscal Years Ending September 30
STATE POLICE



| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Actuarially determined contribution* | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX |
| Contributions in relation to the actuarially determined contribution* | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX | X,XXX |
| Contribution deficiency (excess) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Covered payroll** | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX | \$X,XXX |
| Contributions as a percentage of covered payroll | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% | X.XX% |

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

**Employer's covered payroll for FY2022 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2021 to September 30, 2022*:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry Age |
| Amortization method | Level percent closed |
| Remaining amortization period | 27.8 years |
| Asset valuation method | Five-year smoothed market |
| Inflation | 2.75% |
| Salary increases | 4.50%, including inflation |
| Investment rate of return | 7.70%, net of pension plan investment expense, including inflation |

*If the employer's financial reporting period end is other than September 30, 2022, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.



SCHEDULE B
SUMMARY OF BENEFIT PROVISIONS EVALUATED

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:

- Tier 1 - the 3 highest years in the last 10 years of creditable service
- Tier 2 - the 5 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 AS STATE EMPLOYEES

Service Retirement Allowance

Condition for Allowance

| | |
|---------|--|
| Tier I | 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. |
| Tier II | A retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable |



service for a full-time certified firefighter, police officer or correctional officer).

Amount of Allowance

Tier I

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.

Tier II

Upon service retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

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

Tier I

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.

Tier II

Upon disability retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.



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 (age 62 for Tier II members).

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.

As a result of Act 2011-27 no new participants were allowed to enter DROP with an effective participation date after June 1, 2011.

Member Contributions

Tier I

Prior to October 1, 2011, regular members contributed 5.0% of salary. Full-time certified police officers, firefighters and correctional officers contributed 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.

Beginning October 1, 2011, the contribution rates were increased to 7.25% for regular members and 8.25% for full-time certified police officers, firefighters and correctional officers, for all State employees and for local employees whose employers elect to do so.



Beginning October 1, 2012, the contribution rates were increased to 7.50% for regular members and 8.50% for full-time certified police officers, firefighters and correctional officers, for all State employees and for local employees whose employers elect to do so.

Tier II Regular members contribute 6% of salary and full-time certified firefighters, police officers and correctional officers contribute 7% of salary.

Both 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.

“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)).

MEMBERS OF LOCAL EMPLOYERS

Members of local employers generally receive the same benefit structure as State employees, however some benefits must be elected by individual employers. Members whose employers have not yet elected to grant retirement upon completion of 25 years of service must have 30 years of service for retirement before age 60. These employers have the option of electing 25-year retirement for their members. Employers may also elect to increase Tier I member contribution rates to 7.5% of payroll for regular members and 8.5% of payroll for FLC members. Employers who have not elected to allow sick leave conversion may still elect to do so. Employers may elect to provide Tier I benefits to their Tier II members, provided the members pay the increased members rates shown above.

Members of the City of Montgomery who elected to remain under the City’s retirement plan structure are subject to the conditions and benefit structure of that plan. A brief description of this structure is as follows:



Service Retirement Allowance

Condition for Allowance

- Group I** For general municipal employees hired before October 1, 2013, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service, or who has attained age 65 (25 years or age 62 if hired after October 1, 2005 or elected)
- Group II** For members of the fire department or police department of the City, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service or attained age 62 (25 years or age 55 if hired after October 1, 2005, or 25 years or age 55 with 10 years of creditable service if hired after October 1, 2013)

Amount of Allowance

- Group I** **20-year retirement plan:** Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation.
25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.
- Group II** **20-year retirement plan:** Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation.



25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.

Age 62 retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation. Benefit is reduced by early retirement factor (5/9% for each month annuity start date precedes age 62 but not earlier than age 55).

Employee Retention Incentive Program
(ERIP)

An employee is eligible to enter the ERIP plan if he or she is an active employee and has at least 20 years of service (25 years for a 25-year retirement plan participant). The participant can effectively elect to retire up to three years prior to termination, and receive the payments that would have been made as a lump sum (accumulated with 5% interest). Subsequent monthly benefits are based on the benefit used to determine the lump sum.

Preretirement Death Benefits

If the member is eligible for a service retirement, 50% of the accrued benefit, reduced for a 50% joint and survivor annuity. If the member is not eligible for a service retirement benefit, a lump sum of member contributions is payable.

Disability Benefits

If a participant has 10 years of service and becomes permanently disabled he is entitled to immediately receive his monthly accrued benefit, based on his current years of service and current final average earnings.



Separation Benefits

- | | |
|----------|--|
| Group I | Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 62 (age 65 for 20-year plan). |
| Group II | Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 55 (age 62 for 20-year plan and Age 62 plan). |

MEMBERS CLASSIFIED AS STATE POLICEMEN

Service Retirement Allowance

Condition for Allowance

- | | |
|---------|---|
| Tier I | Members hired prior to January 1, 2015: 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. Members hired after January 1, 2015: A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service. |
| Tier II | A retirement allowance is payable upon the request of any member who has attained age 56 and completed at least 10 years of creditable service. |

Amount of Allowance

- | | |
|--------|--|
| Tier I | Members hired prior to January 1, 2015: 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.

Members hired after January 1, 2015: 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 an officer.

Tier II

Members hired prior to January 1, 2015: Upon service retirement a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member’s average final compensation.

Members hired after January 1, 2015: Upon service retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member’s average final compensation.



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

Tier I

Members hired prior to January 1, 2015: 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.

Members hired after January 1, 2015: 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 officer.

Tier II

Members hired prior to January 1, 2015: Upon retirement for disability, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member's average final compensation.

Members hired after January 1, 2015: Upon retirement for disability, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member's average final compensation.

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 (age 56 for Tier II members).

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

Tier I

Members hired prior to January 1, 2015: 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.

Members hired after January 1, 2015: Each member contributes 8.5% of salary.

Tier II

Members hired prior to January 1, 2015: 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.

Members hired after January 1, 2015: Each member contributes 7% of salary.



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.

Partial Lump Sum Option Plan (PLOP). For members retiring on or after October 1, 2019, in addition to selecting Options 1, 2, 3, or 4, the member may also elect to receive a one-time lump-sum distribution in addition to the monthly retirement benefit. The PLOP distribution will be made as a single payment at the time the first monthly benefit is paid. Based on the amount of the PLOP and the member's age, the monthly retirement benefit is actuarially reduced.



SCHEDULE C

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Board on September 14, 2021.

INVESTMENT RATE OF RETURN: 7.45% per annum, compounded annually, including price inflation at 2.50%.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows:

STATE AND LOCAL EMPLOYEES

| Service | Annual Rate * |
|----------------|----------------------|
| 0 | 6.00 % |
| 1-5 | 4.25 |
| 6-10 | 4.00 |
| 11-15 | 3.75 |
| 16-19 | 3.50 |
| 20 & Over | 3.25 |

STATE POLICEMEN

| Service | Annual Rate * |
|----------------|----------------------|
| 0-3 | 7.75 % |
| 4-5 | 7.50 |
| 6 | 6.25 |
| 7-10 | 5.50 |
| 11-14 | 5.25 |
| 15-17 | 4.75 |
| 18-19 | 4.50 |
| 20 & Over | 4.00 |

**Includes wage inflation at 2.75% per annum.*



SEPARATIONS FROM ACTIVE SERVICE- STATE AND LOCAL EMPLOYEES

TERMINATION: Representative values of the assumed annual rates of withdrawal are shown in the following tables:

| <u>Years of Service</u> | <u>Annual Rate of Withdrawal*</u> | |
|-------------------------|-----------------------------------|-------------|
| | Non-FLC Members | FLC Members |
| 0-1 | 20.00% | 16.50% |
| 2 | 16.75 | 12.00 |
| 3 | 14.00 | 11.50 |
| 4 | 13.00 | 11.00 |
| 5 | 7.50 | 6.50 |
| 6 | 6.75 | 6.25 |
| 7 | 6.50 | 6.00 |
| 8 | 5.75 | 5.40 |
| 9 | 5.25 | 5.00 |
| 10-12 | 3.50 | 3.00 |
| 13-14 | 3.50 | 2.75 |
| 15 | 3.00 | 2.25 |
| 16-18 | 2.50 | 2.00 |
| 19 | 2.00 | 1.50 |
| 20+ | 1.50 | 1.50 |

There are no withdrawal decrements after eligibility for service retirement.

* For local employers with fewer than 25 employees the rates are multiplied by 50%.



SERVICE RETIREMENT: The assumed annual rates of service retirement are as follows:

REGULAR MEMBERS

| Age | Annual Rate ¹ | | | |
|------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | TIER I ² | | TIER II | |
| | <u>1ST Eligible</u> | <u>Subsequent</u> | <u>1ST Eligible</u> | <u>Subsequent</u> |
| 49 & Under | 16.50% | 10.50% | | |
| 50 to 57 | 20.00 | 10.50 | | |
| 58 | 25.00 | 12.50 | | |
| 59 | 23.00 | 12.50 | | |
| 60 | 12.00 | 15.00 | | |
| 61 | 13.00 | 12.00 | | |
| 62 | 23.00 | 23.00 | 50.00% | |
| 63 | 23.00 | 20.00 | 23.00 | 20.00% |
| 64 | 23.00 | 17.00 | 23.00 | 17.00 |
| 65 | 32.00 | 25.00 | 32.00 | 25.00 |
| 66 | 35.00 | 28.50 | 35.00 | 28.50 |
| 67 | 35.00 | 24.00 | 35.00 | 24.00 |
| 68 to 79 | 35.00 | 21.00 | 35.00 | 21.00 |
| 80 & Above | 100.00 | 100.00 | 100.00 | 100.00 |

¹For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

²25% are assumed to retire at age 60 with 25 years of service.

FLC MEMBERS

| Age | Annual Rate ¹ | | | |
|------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | TIER I ² | | TIER II | |
| | <u>1ST Eligible</u> | <u>Subsequent</u> | <u>1ST Eligible</u> | <u>Subsequent</u> |
| 51 & Under | 35.00% | 22.00% | | |
| 52 to 55 | 35.00 | 18.00 | | |
| 56 to 59 | 40.00 | 18.00 | 15.00% | 15.00% |
| 60 | 17.00 | 21.00 | 17.00 | 17.00 |
| 61 | 40.00 | 18.50 | 40.00 | 18.50 |
| 62 | 40.00 | 30.00 | 40.00 | 30.00 |
| 63 | 40.00 | 25.00 | 40.00 | 25.00 |
| 64 | 40.00 | 22.00 | 40.00 | 22.00 |
| 65 | 40.00 | 27.00 | 40.00 | 27.00 |
| 66 | 40.00 | 38.00 | 40.00 | 38.00 |
| 67-69 | 40.00 | 30.00 | 40.00 | 30.00 |
| 70 to 74 | 60.00 | 30.00 | 60.00 | 30.00 |
| 75 & Above | 100.00 | 100.00 | 100.00 | 100.00 |

¹For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

²50% are assumed to retire at age 60 with 25 years of service.



RATES OF DEATH: Representative values of the assumed annual rates of death are as follows:

| Age | Annual Rate of Death* | | | |
|-----|-----------------------|--------|-------------------|--------|
| | Non FLC State & Local | | FLC State & Local | |
| | Male | Female | Male | Female |
| 20 | 0.040% | 0.014% | 0.042% | 0.016% |
| 25 | 0.040 | 0.011 | 0.049 | 0.025 |
| 30 | 0.050 | 0.017 | 0.054 | 0.034 |
| 35 | 0.065 | 0.027 | 0.060 | 0.046 |
| 40 | 0.089 | 0.043 | 0.074 | 0.062 |
| 45 | 0.132 | 0.066 | 0.101 | 0.085 |
| 50 | 0.201 | 0.099 | 0.147 | 0.115 |
| 55 | 0.297 | 0.145 | 0.216 | 0.157 |
| 60 | 0.432 | 0.218 | 0.323 | 0.213 |
| 65 | 0.631 | 0.344 | 0.499 | 0.290 |
| 69 | 0.866 | 0.512 | 0.793 | 0.466 |

*Base mortality rates as of 2010 before application of the improvement scale

RATES OF DISABILITY: Representative values of the assumed annual rates of disability are as follows:

STATE EMPLOYEES

| Age | Annual Rate of Disability* | | | | |
|-----|----------------------------|--------|--------------|---------|--------|
| | Tier I | | | Tier II | |
| | Service < 25 | | Service >=25 | Male | Female |
| | Male | Female | | | |
| 20 | 0.014% | 0.013% | | 0.014% | 0.013% |
| 25 | 0.082 | 0.075 | | 0.082 | 0.075 |
| 30 | 0.150 | 0.138 | | 0.150 | 0.138 |
| 35 | 0.180 | 0.200 | | 0.180 | 0.200 |
| 40 | 0.350 | 0.300 | | 0.350 | 0.300 |
| 45 | 0.650 | 0.500 | 0.250% | 0.650 | 0.500 |
| 50 | 1.000 | 0.800 | 0.250 | 1.000 | 0.800 |
| 55 | 1.350 | 1.100 | 0.250 | 1.350 | 1.100 |
| 60 | 1.200 | 1.450 | 0.250 | 1.200 | 1.450 |
| 65 | 0.600 | 0.750 | 0.250 | 0.600 | 0.750 |
| 69 | 0.200 | 0.270 | | 0.200 | 0.270 |



LOCAL EMPLOYEES

| Age | Annual Rate of Disability* | | | | |
|-----|----------------------------|--------|-----------------|---------|--------|
| | Tier I | | | Tier II | |
| | Service < 25 | | Service >=25 | Male | Female |
| | Male | Female | | | |
| 20 | 0.006% | 0.014% | 0.006% | 0.014% | |
| 25 | 0.033 | 0.082 | 0.033 | 0.082 | |
| 30 | 0.060 | 0.150 | 0.060 | 0.150 | |
| 35 | 0.120 | 0.080 | 0.120 | 0.080 | |
| 40 | 0.290 | 0.230 | 0.290 | 0.230 | |
| 45 | 0.470 | 0.350 | 0.250% | 0.470 | 0.350 |
| 50 | 0.800 | 0.600 | 0.250 | 0.800 | 0.600 |
| 55 | 1.300 | 0.900 | 0.250 | 1.300 | 0.900 |
| 60 | 1.000 | 0.550 | 0.250 | 1.000 | 0.550 |
| 65 | 0.500 | 0.160 | 0.250 | 0.500 | 0.160 |
| 69 | 0.100 | 0.032 | | 0.100 | 0.032 |

*There are no disability rates for members with less than 10 years of service.



STATE POLICE

GROUP 1: MEMBERS HIRED BEFORE JANUARY 1, 2015

| <u>Withdrawal</u> | | <u>Age</u> | <u>Death</u> | | <u>Disability</u> | | <u>Retirement</u> | | |
|-------------------------|-------------|------------|--------------|---------------|-------------------|---------------|-------------------|--------------|------------|
| <u>Years of Service</u> | <u>Rate</u> | | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> | <u>10-19</u> | <u>20-24</u> | <u>25+</u> |
| 0 | 6.00% | 20 | 0.042% | 0.016% | 0.050% | 0.012% | | | |
| 1-5 | 6.00 | 25 | 0.049 | 0.025 | 0.250 | 0.060 | | | |
| 6-10 | 1.50 | 30 | 0.054 | 0.034 | 0.500 | 0.120 | | | |
| 11-15 | 1.50 | 35 | 0.060 | 0.046 | 0.300 | 0.180 | | | |
| 20+ | 1.00 | 40 | 0.074 | 0.062 | 0.200 | 0.290 | | | |
| | | 45 | 0.101 | 0.085 | 0.550 | 0.440 | | | 40.00% |
| | | 50 | 0.147 | 0.115 | 0.500 | 0.500 | | | 40.00 |
| | | 55 | 0.216 | 0.157 | | | | | 40.00 |
| | | 60 | 0.323 | 0.213 | | | 5.00% | 33.00% | 33.00 |
| | | 62 | 0.383 | 0.241 | | | 20.00 | 35.00 | 35.00 |
| | | 65 | 0.499 | 0.290 | | | 20.00 | 35.00 | 35.00 |
| | | | | | | | 100.00 | 100.00 | 100.00 |



GROUP 2: MEMBERS HIRED AFTER JANUARY 1, 2015

RATES OF WITHDRAWAL

| <u>Years of Service</u> | <u>Annual Rate of Withdrawal</u> |
|-------------------------|----------------------------------|
| 0-1 | 16.50% |
| 2 | 12.00 |
| 3 | 11.50 |
| 4 | 11.00 |
| 5 | 6.50 |
| 6 | 6.25 |
| 7 | 6.00 |
| 8 | 5.40 |
| 9 | 5.00 |
| 10-12 | 3.00 |
| 13-14 | 2.75 |
| 15 | 2.25 |
| 16-18 | 2.00 |
| 19 | 1.50 |
| 20+ | 1.50 |

There are no withdrawal decrements after eligibility for service retirement.

RATES OF SERVICE RETIREMENT

| <u>Age</u> | <u>Annual Rate</u> | | | |
|------------|--------------------------------|-------------------|--------------------------------|-------------------|
| | <u>TIER I¹</u> | | <u>TIER II</u> | |
| | <u>1ST Eligible</u> | <u>Subsequent</u> | <u>1ST Eligible</u> | <u>Subsequent</u> |
| 51 & Under | 35.00% | 22.00% | | |
| 52 to 55 | 35.00 | 18.00 | | |
| 56 to 59 | 40.00 | 18.00 | 15.00% | 15.00% |
| 60 | 17.00 | 21.00 | 17.00 | 17.00 |
| 61 | 40.00 | 18.50 | 40.00 | 18.50 |
| 62 | 40.00 | 30.00 | 40.00 | 30.00 |
| 63 | 40.00 | 25.00 | 40.00 | 25.00 |
| 64 | 40.00 | 22.00 | 40.00 | 22.00 |
| 65 | 40.00 | 27.00 | 40.00 | 27.00 |
| 66 | 40.00 | 38.00 | 40.00 | 38.00 |
| 67 | 40.00 | 30.00 | 40.00 | 30.00 |
| 68-69 | 40.00 | 30.00 | 40.00 | 30.00 |
| 70 to 74 | 60.00 | 30.00 | 60.00 | 30.00 |
| 75 & Above | 100.00 | 100.00 | 100.00 | 100.00 |

¹ 50% are assumed to retire at age 60 with 25 years of service.



RATES OF DEATH: Representative values of the assumed annual rates of death are as follows:

| Age | Annual Rate of Death* | |
|-----|-----------------------|--------|
| | Male | Female |
| 20 | 0.042% | 0.016% |
| 25 | 0.049 | 0.025 |
| 30 | 0.054 | 0.034 |
| 35 | 0.060 | 0.046 |
| 40 | 0.074 | 0.062 |
| 45 | 0.101 | 0.085 |
| 50 | 0.147 | 0.115 |
| 55 | 0.216 | 0.157 |
| 60 | 0.323 | 0.213 |
| 65 | 0.499 | 0.290 |
| 69 | 0.793 | 0.466 |

*Base mortality rates as of 2010 before application of the improvement scale

RATES OF DISABILITY: Representative values of the assumed annual rates of disability are as follows:

| Age | Annual Rate of Disability* | | | | |
|-----|----------------------------|--------|-----------------|---------|--------|
| | Tier I | | | Tier II | |
| | Service < 25 | | Service >=25 | Male | Female |
| | Male | Female | | | |
| 20 | 0.014% | 0.013% | 0.014% | 0.013% | |
| 25 | 0.082 | 0.075 | 0.082 | 0.075 | |
| 30 | 0.150 | 0.138 | 0.150 | 0.138 | |
| 35 | 0.180 | 0.200 | 0.180 | 0.200 | |
| 40 | 0.350 | 0.300 | 0.350 | 0.300 | |
| 45 | 0.650 | 0.500 | 0.250% | 0.650 | 0.500 |
| 50 | 1.000 | 0.800 | 0.250 | 1.000 | 0.800 |
| 55 | 1.350 | 1.100 | 0.250 | 1.350 | 1.100 |
| 60 | 1.200 | 1.450 | 0.250 | 1.200 | 1.450 |
| 65 | 0.600 | 0.750 | 0.250 | 0.600 | 0.750 |
| 69 | 0.200 | 0.270 | | 0.200 | 0.270 |



DEATH AFTER RETIREMENT: Rates of mortality are according to the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

| <u>Group</u> | <u>Membership Table</u> | <u>Set Forward (+)/ Setback (-)</u> | <u>Adjustment to Rates</u> |
|------------------------------------|------------------------------------|---|--|
| Non FLC Service Retirees | General Healthy Below Median | Male: +2, Female: +2 | Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages |
| FLC/State Police Service Retirees | Public Safety Healthy Below Median | Male: +1, Female: none | None |
| Beneficiaries | Contingent Survivor Below Median | Male: +2, Female: +2 | None |
| Non-FLC Disabled Retirees | General Disability | Male: +7, Female: +3 | None |
| FLC/State Police Disabled Retirees | Public Safety Disability | Male: +7, Female: none | None |

DEATH IN ACTIVE SERVICE BENEFIT: For those eligible for service retirement who die in active service, it is assumed that 70% of beneficiaries will elect the lump sum death benefit and 30% will elect the Option 3 allowance.

BENEFITS PAYABLE UPON SEPARATION FROM SERVICE: For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity.

UNUSED SICK LEAVE: 1.00% load on service retirement liabilities for active members (No load for Tier II members).

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

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



ASSET METHOD: Market value.

LIABILITY FOR CURRENT INACTIVE MEMBERS: Member Contribution Balance is multiplied by a factor of 3.0 for vested local employees with incomplete data and by a factor of 1.0 for all non-vested inactive members.

LIABILITY FOR POST-DROP ACTIVE MEMBERS: Members are assumed to retire immediately and receive their accrued benefit.

COLA: No future ad hoc cost of living adjustments (COLAs) are assumed.

FUTURE SERVICE CREDIT: One year of creditable service per year of employment.