

ALABAMA STATE EMPLOYEES' HEALTH INSURANCE PLAN



GASB STATEMENT NO. 74 REPORT

**PREPARED FOR SEPTEMBER 30, 2024
FINANCIAL REPORTING**



January 13, 2025

State Employees' Insurance Board
201 South Union Street, Suite 200
Montgomery, AL 36104

Dear Members of the Board:

Presented in this report is information to assist the Alabama State Employees' Health Insurance Plan (SEHIP) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 74 for the Retired Trust. The information is presented for the one-year period ending September 30, 2024. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

The annual actuarial valuation performed as of September 30, 2023 was used as the basis for much of the information presented as of September 30, 2024 in this report. The valuation was based upon data furnished by the Retirement System of Alabama and the SEHIP staff, concerning active, inactive, and retired members along with pertinent claims data and financial information. This information was reviewed for completeness and internal consistency but was not audited. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different, and our calculations may need to be revised.

To the best of our knowledge, the information contained in this report is complete and accurate. These calculations were performed by, and under the supervision of, independent consulting actuaries with experience in performing valuations for public retirement systems and retiree health benefit plans. In addition, the valuation was prepared in accordance with generally accepted actuarial principles and practices as well as with Actuarial Standards of Practice prescribed by the Actuarial Standards Board.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement No. 74. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB No. 74 may produce significantly different results.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.



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 and retiree health benefit plans, that the valuations were 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 medical plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of each plan.

Respectfully submitted,

Alisa Bennett, FSA, EA, FCA, MAAA
President

Jessica Fain, EA, MAAA
Associate Actuary

AB/JF: jf



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SECTION I – SUMMARY OF PRINCIPAL RESULTS



REPORT OF THE ANNUAL GASB STATEMENT NO. 74 REQUIRED INFORMATION FOR THE ALABAMA STATE EMPLOYEES' HEALTH INSURANCE PLAN

PREPARED AS OF SEPTEMBER 30, 2024

Valuation Date (VD):*	September 30, 2023	September 30, 2022
Prior Measurement Date:	September 30, 2023	September 30, 2022
Measurement Date (MD):	September 30, 2024	September 30, 2023
Membership Data as of Valuation Date:		
Retired Members Currently Receiving Benefits	21,664	21,726
Surviving Spouses Currently Receiving Benefits	1,785	1,787
Inactive Members Entitled to Benefits but Not Yet Receiving**	1,476	1,334
Active Members***	<u>30,117</u>	<u>29,612</u>
Total Membership	55,042	54,459
Discount Rate:		
Long-Term Expected Rate of Return	7.25%	7.25%
Municipal Bond Index Rate at Measurement Date	3.89%	4.53%
Municipal Bond Index Rate at Prior Measurement Date	4.53%	4.40%
Year in which Fiduciary Net Position is Projected to be Depleted	2043	N/A
Single Equivalent Interest Rate at Measurement Date	4.52%	7.25%
Single Equivalent Interest Rate at Prior Measurement Date	7.25%	7.25%
Net OPEB Liability:		
Total OPEB Liability (TOL)	\$ 2,261,935,061	\$ 1,180,254,011
Fiduciary Net Position (FNP)	<u>305,732,695</u>	<u>243,575,635</u>
Net OPEB Liability (NOL = TOL – FNP)	\$ 1,956,202,366	\$ 936,678,376
FNP as a percentage of TOL	13.52%	20.64%

* The actuarial valuation has been updated to account for the known 2025 Medicare Advantage rate which is higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act.

** There were 50 ERS State, 3 JRS, and 35 TRS Deferred Vested Employees who are eligible for multiple pension benefits and are therefore in the pension census more than once. The 2023 valuation headcounts above reflect the removal of any additional records.

*** There were 2 ERS State Active Employees who are eligible for multiple pension benefits and are therefore in the pension census more than once and 84 ERS State Active Employees in DROP who are valued as retirees. The 2023 valuation headcounts above reflect the removal of any additional records.



SECTION II - INTRODUCTION



The Governmental Accounting Standards Board (GASB) issued Statement No. 74 (GASB 74), *“Financial Reporting for Postemployment Benefit Plans other than Pension Plans,”* in June 2015. The effective date for reporting under GASB 74 is plan years beginning after June 15, 2016. This report has been prepared as of September 30, 2024 (the Measurement Date) to assist the Alabama State Employees’ Health Insurance Plan (Plan) in better understanding the requirements of GASB 74 and to identify the information to be provided by the Plan’s actuary, CavMac. Much of the material provided in this report is based on the data, assumptions, and results of the annual actuarial valuation of the Plan as of September 30, 2023, however the Medicare costs have been updated to account for the known 2025 Medicare Advantage rate which is higher than expected due to application of the prescription drug plan design changes required by the Inflation Reduction Act.

GASB 74 requires the determination of the Total OPEB Liability (TOL) utilizing the Entry Age Normal actuarial cost method. The Net OPEB Liability (NOL) is then set equal to the TOL minus the Plan’s Fiduciary Net Position (FNP) (basically the market value of assets). The benefit provisions recognized in the calculation of the TOL are summarized in Schedule B.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR), as described by GASB 74. To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan’s provisions applicable to the members and beneficiaries of the Plan on the Measurement Date. If the FNP is not projected to be depleted at any point in the future, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate (Municipal Bond Index Rate). The Municipal Bond Index Rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the S&P High Grade 20-year Municipal Bond Index, and the Bloomberg (Barclays) General Obligation 20-year Muni Bond Index. The rates as of September 30, 2024 were 3.81%, 4.06%, 3.79% for the Bond Buyer, S&P, and Barclays Municipal Bond Indices respectively. These three rates resulted in an averaged Municipal Bond Index Rate of 3.89%. The projection of cash flows used to determine the discount rate assumed that as a base, plan contributions will be equal to the lesser of the largest five-year average of the plan contributions since the implementation of GASB 74, indexed with inflation, or actual benefit payments plus expenses. Based on these projections, we have determined that discount rate of 4.52% meets the requirements of GASB 74.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 74 for note disclosure and Required Supplementary Information (RSI).



SECTION III – FINANCIAL STATEMENT NOTES



The actuarial related information presented herein will follow the order presented in GASB 74. Paragraph numbers are provided for ease of reference.

Paragraphs 34.a. (1)-(3): This information will be supplied by the Plan.

Paragraph 34.a. (4): The data required regarding the membership of the Plan were furnished by SEHIP and the Retirement System of Alabama. The following table summarizes the membership of the Fund as of September 30, 2023, the date of the valuation used to determine the September 30, 2024 Total OPEB Liability.

Membership	Total Number
Retired Members Currently Receiving Benefits	21,664
Surviving Spouses Currently Receiving Benefits	1,785
Inactive Members Entitled To But Not Yet Receiving Benefits	1,476
Active Members	30,117
Total	55,042

Paragraphs 34.a. (5)-(6) and Paragraphs 34.b.-e.: This information will be supplied by the Plan.



SECTION III – FINANCIAL STATEMENT NOTES



Paragraphs 35.a. (1)-(4): As stated earlier, the NOL is equal to the TOL minus the FNP. That result, as of September 30, 2024, is presented in the following table.

Fiscal Year Ending September 30, 2024		
Total OPEB Liability	\$	2,261,935,061
Fiduciary Net Position		<u>305,732,695</u>
Net OPEB Liability	\$	1,956,202,366
Ratio of Fiduciary Net Position to Total OPEB Liability		13.52%

Paragraph 35.b.: This paragraph requires information regarding the actuarial assumptions used to measure the TOL. The actuarial assumptions utilized in developing the TOL are outlined in Schedule C. The Total OPEB Liability as of September 30, 2024 was determined based on an actuarial valuation prepared as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the Measurement Date of September 30, 2024:

Inflation	2.50%
Salary Increases	6.00 - 3.25% for State Employees, 7.75 - 4.00% for Police, 3.50 – 2.75% for Judges, and 5.00 – 3.25% for Teachers, including 2.75% wage inflation
Long-Term Investment Rate of Return	7.25% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at Measurement Date	3.89%
Municipal Bond Index Rate at Prior Measurement Date	4.53%
Year FNP is projected to be depleted	2043
Single Equivalent Interest Rate at Measurement Date	4.52%
Single Equivalent Interest Rate at Prior Measurement Date	7.25%
Medical Cost Trend Rate*	
Initial Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033
Medicare Eligible	4.50% in 2028
Dental Trend Rate	4.50%

* Includes price inflation at 2.50%

** Initial Medicare trend rates are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period.



SECTION III – FINANCIAL STATEMENT NOTES



Mortality

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below. Note that the Judicial Retirement Fund uses the same mortality tables as the Teachers' Retirement System of Alabama.

Active Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Employee Below Median	None	65%
Non-FLC	General Employee Below Medical	Male: -1 Female: -1	None
FLC/State Police	Public Safety Employee Below Median	Male: -1 Female: -1	None

Retiree Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 – 67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69 – 74
Non-FLC	General Below Median	Male: +2 Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police	Public Safety Below Median	Male: +1 Female: None	None

Disabled Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Disability	Male: +8 Female: +3	None
Non-FLC	General Disability	Male: +7 Female: +3	None
FLC/State Police	Public Safety Disability	Male: +7 Female: None	None



SECTION III – FINANCIAL STATEMENT NOTES



Beneficiaries Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates
Judges and Teachers	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None
Non-FLC/ FLC/State Police	Contingent Survivor Below Median	Male: +2 Female: +2	None

The decremental 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 13, 2021 and September 14, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2023 valuation were based on a review of recent plan experience done concurrently with the September 30, 2023 valuation.



SECTION III – FINANCIAL STATEMENT NOTES



The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Retirement Systems of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class are to be summarized in a manner suggested by the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed income	28.2%	4.40%
US Domestic Stocks	55.2%	8.70%
International Developed Market Stocks	10.8%	9.80%
Cash	<u>5.8%</u>	1.50%
Total	100.0%	

* Geometric mean, includes 2.50% inflation



SECTION III – FINANCIAL STATEMENT NOTES



Discount rate (SEIR). For the purpose of this report, we have determined that a discount rate of 4.52% as of September 30, 2024 meets the requirements of GASB 74.

Paragraph 35.b.(1)

Sensitivity analysis: Disclosure of the sensitivity of the Net OPEB Liability to changes in the healthcare cost trend rate. The following presents the Net OPEB Liability of the Fund, calculated using the current healthcare trend rates, as well as the Net OPEB Liability calculated using healthcare trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
	(5.75% decreasing to 3.50% for Pre-Medicare, Known decreasing to 3.50% for Medicare eligible)	(6.75% decreasing to 4.50% for Pre-Medicare, Known decreasing to 4.50% for Medicare eligible)	(7.75% decreasing to 5.50% for Pre-Medicare, Known decreasing to 5.50% for Medicare eligible)
Net OPEB Liability	1,546,154,849	1,956,202,366	2,475,346,148

Paragraph 35.b.(2)

- (a) **Discount rate (SEIR).** The discount rate used to measure the Total OPEB Liability was 4.52%.
- (b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed that as a base, plan contributions will be equal to the lesser of the largest five-year average of the plan contributions since the implementation of GASB 74, indexed with inflation, or actual benefit payments plus expenses.
- (c) **Long term rate of return:** The long-term expected rate of return on OPEB plan investments will be determined based on the allocation of assets by asset class and by the mean and variance of real returns.
- (d) **Municipal bond rate:** The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid.
- (e) **Periods of projected benefit payments:** Projected future benefit payments for all current plan members were projected through 2123.
- (f) **Assumed asset allocation:** The target asset allocation and best estimates of geometric real rates of return for each major asset class were summarized on the prior page.
- (g) **Sensitivity analysis:** This paragraph requires disclosure of the sensitivity of the Net OPEB Liability to changes in the discount rate. The following presents the Net OPEB Liability, calculated using the discount rate of 4.52%, as well as the Net OPEB Liability calculated using a discount rate that is 1-percentage-point lower (3.52%) or 1-percentage-point higher (5.52%) than the current rate:

	1% Decrease (3.52%)	Current Discount Rate (4.52%)	1% Increase (5.52%)
Net OPEB Liability	2,331,178,421	1,956,202,366	1,654,859,343



SECTION III – FINANCIAL STATEMENT NOTES



Paragraph 35.c.: September 30, 2023 is the actuarial Valuation Date upon which the TOL is based. The result is rolled forward using standard actuarial techniques to the Measurement Date. The roll forward calculation adds the normal cost (also called the service cost) for the period October 1, 2023 through September 30, 2024, subtracts the actual benefit payments for the same period and then applies the expected investment rate of return for the period. If applicable, actuarial gains and losses arising from benefit changes, the differences between estimated and actual experience, and changes in assumptions or other inputs are reconciled to the TOL as of the Measurement Date. The procedure was used to determine the TOL as of September 30, 2024, as shown in the following table:

TOL Roll Forward	
(a) TOL as of September 30, 2023*	\$ 1,180,254,011
(b) Actual Benefit Payments and Refunds, for the Period October 1, 2023 - September 30, 2024	(55,363,976)
(c) Interest on TOL = [(a) x (Prior SEIR)] + [(b) x (Prior SEIR x 0.5)]	83,561,471
(d) Service Cost for the Period October 1, 2023 - September 30, 2024 at the End of the Period	26,008,651
(e) Change Due to Change in Experience**	534,840,407
(f) Change Due to Change in Assumptions***	492,634,497
(g) Change Due to Change in Benefits	<u>0</u>
(h) TOL Rolled Forward to September 30, 2024 = (a) + (b) + (c) + (d) + (e) + (f) + (g)	\$ 2,261,935,061

* The TOL as of September 30, 2023 used in the roll forward was calculated using the discount rate as of the Prior Measurement Date.

** Change due to Experience includes demographic changes such as retirements, terminations, disabilities, and deaths different from expected as well as claims costs different from expected. The loss this year was primarily due to higher than anticipated Medicare renewal premium rates through calendar year 2025, which was partially offset by lower than anticipated Pre-Medicare retiree costs and higher than anticipated retiree dental premium rates.

*** Change due to Assumptions was due to changes in assumptions regarding aging factors (\$20.5M loss), changes in future health care trend rates for the Medicare plan (\$224.2M gain), and a change in the discount rate from 7.25% to 4.52% (\$696.3M loss).



SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION



There are several tables of Required Supplementary Information (RSI) that need to be included in the Plan's financial statements. Paragraph numbers are provided for ease of reference.

Paragraphs 36.a.-c.: The required tables of schedules are provided in Schedule A.

Paragraph 36.d. and 37: The required schedule presenting the annual money-weighted rates of return is to be supplied by the Plan.

Paragraph 38: The following information should be noted regarding the RSI, particularly for the *Schedule of Employer Contributions*:

Changes in actuarial assumptions:

In 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan with prescription Drugs (MAPD) were updated.

In 2023, the following assumptions were adjusted to reflect actual and anticipated experience more closely:

- Assumed rates of medical and dental plan participation for future retirees with less than 15 years of service, current retirees waiving coverage, and current eligible deferred vested members were adjusted in order to reflect recent experience and the impact of the sliding scale legislation
- Assumed rates of coverage for spouses of female retirees were increased from 25% to 30%
- Assumed rates for Medicare eligible participants subject to the Spousal Surcharge were decreased from 10% to 0%

In 2022, rates of participation were adjusted to reflect actual and anticipated experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. Additionally, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

In 2019, assumed rates of tobacco use, spouse participation and the payment of the spousal surcharge were adjusted to reflect actual and anticipated experience more closely.

Recent Plan Changes:

Beginning in plan year 2022, the valuation reflects the provisions of the following legislative Acts:

- Act 2022-222 which allows TRS Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC),
- Act 2022-351 which allows ERS State and Police Tier II members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC).

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a MAPD plan.



SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION



Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay, open
Remaining amortization period	30 years
Asset valuation method	Market value of assets
Inflation	2.50%
Healthcare cost trend rate	
Pre-Medicare eligible	7.00%
Medicare eligible	*
Ultimate trend rate	
Pre-Medicare eligible	4.50% in 2033
Medicare eligible	4.50% in 2033
Dental Trend Rate	4.50%
Investment rate of return	7.25%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2024.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION TABLES

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY										
GASB 74 Paragraph 36.a.										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability										
Service Cost	\$ 113,584,851	\$ 92,850,947	\$ 49,012,454	\$ 56,664,882	\$ 20,443,446	\$ 23,413,974	\$ 23,514,177	\$ 26,008,651		
Interest	104,580,656	118,485,629	129,729,955	68,730,982	87,746,193	77,787,636	84,617,750	83,561,471		
Benefit changes	0	0	0	0	0	15,151,756	0	0		
Difference between expected and actual experience	0	(53,532,069)	(1,429,779,671)	(71,679,925)	(147,999,642)	7,124,243	(168,470,176)	534,840,407		
Changes of assumptions	(373,573,542)	(318,988,284)	156,524,663	(721,135,114)	(1,249,580)	24,020,526	99,635,262	492,634,497		
Benefit payments	(92,372,830)	(80,536,674)	(74,691,645)	(54,391,265)	(57,702,867)	(54,210,603)	(52,368,754)	(55,363,976)		
Refunds of contributions	0	0	0	0	0	0	0	0		
Net change in Total OPEB Liability	\$ (247,780,865)	\$ (241,720,451)	\$ (1,169,204,244)	\$ (721,810,440)	\$ (98,762,450)	\$ 93,287,532	\$ (13,071,741)	\$ 1,081,681,050		
Total OPEB Liability - beginning	\$ 3,579,316,670	\$ 3,331,535,805	\$ 3,089,815,354	\$ 1,920,611,110	\$ 1,198,800,670	\$ 1,100,038,220	\$ 1,193,325,752	\$ 1,180,254,011		
Total OPEB Liability - ending (a)	\$ 3,331,535,805	\$ 3,089,815,354	\$ 1,920,611,110	\$ 1,198,800,670	\$ 1,100,038,220	\$ 1,193,325,752	\$ 1,180,254,011	\$ 2,261,935,061		
Plan Fiduciary Net Position										
Contributions – employer	\$ 92,790,140	\$ 80,608,921	\$ 74,781,414	\$ 54,480,012	\$ 58,992,977	\$ 55,495,239	\$ 53,643,438	\$ 56,573,366		
Contributions - non-employer	0	0	0	0	0	0	0	0		
Contributions – member	0	0	0	0	0	0	0	0		
Net investment income	17,889,466	15,900,379	6,677,443	14,874,908	41,213,348	(37,538,243)	30,570,141	61,002,775		
Benefit payments*	(92,372,830)	(80,536,674)	(74,691,645)	(54,391,265)	(57,702,867)	(54,210,603)	(52,368,754)	(55,363,976)		
Administrative expense	(417,310)	(72,247)	(89,769)	(88,747)	(90,110)	(84,636)	(74,684)	(55,105)		
Refund of contributions	0	0	0	0	0	0	0	0		
Other	0	0	0	0	0	0	0	0		
Net change in Plan Fiduciary Net Position	\$ 17,889,466	\$ 15,900,379	\$ 6,677,443	\$ 14,874,908	\$ 42,413,348	\$ (36,338,243)	\$ 31,770,141	\$ 62,157,060		
Plan Fiduciary Net Position – beginning	\$ 150,388,193	\$ 168,277,659	\$ 184,178,038	\$ 190,855,481	\$ 205,730,389	\$ 248,143,737	\$ 211,805,494	\$ 243,575,635		
Plan Fiduciary Net Position - ending (b)	168,277,659	184,178,038	190,855,481	205,730,389	248,143,737	211,805,494	243,575,635	305,732,695		
Net OPEB Liability - ending (a) - (b)	\$ 3,163,258,146	\$ 2,905,637,316	\$ 1,729,755,629	\$ 993,070,281	\$ 851,894,483	\$ 981,520,258	\$ 936,678,376	\$ 1,956,202,366		

* Benefit payments are net of member contributions.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION TABLES

SCHEDULE OF THE NET OPEB LIABILITY										
GASB 74 Paragraph 36.b.										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability	\$ 3,331,535,805	\$ 3,089,815,354	\$ 1,920,611,110	\$ 1,198,800,670	\$ 1,100,038,220	\$ 1,193,325,752	\$ 1,180,254,011	\$ 2,261,935,061		
Plan Fiduciary Net Position	168,277,659	184,178,038	190,855,481	205,730,389	248,143,737	211,805,494	243,575,635	305,732,695		
Net OPEB Liability	\$ 3,163,258,146	\$ 2,905,637,316	\$ 1,729,755,629	\$ 993,070,281	\$ 851,894,483	\$ 981,520,258	\$ 936,678,376	\$ 1,956,202,366		
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	5.05%	5.96%	9.94%	17.16%	22.56%	17.75%	20.64%	13.52%		
Covered-employee payroll	\$ 1,556,807,444	\$ 1,536,660,536	\$ 1,540,200,949	\$ 1,653,317,989	\$ 1,731,565,292	\$ 1,739,250,242	\$ 1,843,889,402	\$ 1,960,800,200		
Net OPEB Liability as a percentage of covered-employee payroll	203.19%	189.09%	112.31%	60.07%	49.20%	56.43%	50.80%	99.77%		

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION TABLES

SCHEDULE OF EMPLOYER CONTRIBUTIONS										
GASB 74 Paragraph 36.c.										
(\$ in Thousands)										
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined employer contribution	\$ 201,465	\$ 164,756	\$ 170,136	\$ 109,036	\$ 97,801	\$ 68,639	\$ 75,659	\$ 77,377		
Actual employer contributions	92,790	80,609	74,781	54,480	58,993	55,495	53,643	56,573		
Annual contribution deficiency (excess)	\$ 108,675	\$ 84,147	\$ 95,355	\$ 54,556	\$ 38,808	\$ 13,144	\$ 22,016	\$ 20,804		
Covered-employee payroll	\$ 1,556,807	\$ 1,536,661	\$ 1,540,201	\$ 1,653,318	\$ 1,731,565	\$ 1,739,250	\$ 1,843,889	\$ 1,960,800		
Actual contributions as a percentage of covered-employee payroll	5.96%	5.25%	4.86%	3.30%	3.41%	3.19%	2.91%	2.89%		

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.



SCHEDULE B – SUMMARY OF MAIN BENEFIT PROVISIONS



ELIGIBILITY: Retiree medical eligibility is attained when an employee with at least ten years of service to the State retires and is immediately eligible to draw a retirement annuity from the Alabama Employees' Retirement System, the Alabama Judicial Retirement System, and for a small group of employers listed below, the Teachers' Retirement System of Alabama.

Teachers' Retirement System of Alabama employers participating in SEHIP:

- Alabama Community College System
- Alabama Commission on Higher Education
- Alabama Department of Rehabilitation Services
- Alabama Department of Education
- Alabama Department of Youth Services

BENEFITS: The State Employees' Insurance Board (SEIB) serves as the Plan Administrator for the SEHIP. This is a self-insured comprehensive health benefit plan serving active and retired State employees and their dependents. As Plan Administrator, the SEIB is primarily responsible for the control and supervision for the SEHIP. The SEIB is also responsible for designing benefits and setting premiums.

PROVISIONS FOR MEDICARE: The SEHIP remains the primary insurer for medical coverage until the retiree is entitled to Medicare. Health benefits will be modified when the retiree or dependent becomes entitled to Medicare.

A Medicare retiree and/or spouse should have both Medicare Parts A and B to have adequate coverage with the State of Alabama. A retiree cannot have SEHIP prescription drug coverage if enrolled for Medicare Part D prescription drug coverage. The SEHIP prescription drug benefit for Medicare retirees and/or spouses is provided through the SEHIP Employer Group Waiver Plan (EGWP).

RETIREE CONTRIBUTIONS: Retiree contributions vary based on type of contract, dependent coverage, Medicare eligibility and election, wellness participation, preventive screening participation, spousal surcharge, and tobacco usage.

A sliding scale premium is applied after September 30, 2005 to all employees retiring after September 30, 2005, based on their years of service. The premium for retiree coverage is broken down into the employer share (what SEHIP pays) and the retiree share. Under the sliding scale, the retiree will still be responsible for the retiree share; however, the employer share will increase or decrease based upon a retiree's years of service. For those employees retiring with 25 years of service, the employer would pay 100% of the employer share of the premium. For each year less than 25, the employer share would be reduced by 2% and the retiree share will be increased accordingly. For each year over 25, the employer share would be increased by 2% and the retiree share reduced accordingly.

For members retiring on or after January 1, 2012, the 2% reduction in the employer share of the premium for each year of service less than 25 will be increased to 4%. In addition, a 1% reduction in the employer share of the premium will be added for each year of age less than the Medicare entitlement age. This additional age premium component will be removed upon attaining Medicare entitlement.



SCHEDULE B – SUMMARY OF MAIN BENEFIT PROVISIONS



Employees who retire on disability on or after January 1, 2012 are exempt from the retiree sliding scale premium calculation for a period of two years, provided the retiree applies for Social Security disability. However, these employees are not exempt from the retiree sliding scale premium calculation based on age. To obtain the two-year exemption, the retiree must submit documentation from the Social Security Administration acknowledging the retiree's application for disability benefits. To maintain the exemption after two years, the retiree must be approved for Social Security disability. If the retiree fails to obtain Social Security disability within two years from retirement, the retiree permanently loses the eligibility for this exemption.

Furthermore, monthly retiree contributions are subject to discounts for wellness and preventative screening, non-tobacco use and spousal surcharge waiver and are as follows:

- Wellness and Preventative Screening (Pre-Medicare only): \$50 retiree, \$50 spouse.
- Non-Tobacco use: \$65 retiree, \$65 spouse
- Spousal Surcharge Pre-Medicare: Spousal surcharge of \$50 if a spouse is covered but is eligible for other insurance coverage. With waiver, Spousal surcharge is \$25.
- Spousal Surcharge Post-Medicare: Spousal surcharge of \$50 if a spouse is covered but is eligible for other insurance coverage. With waiver, Spousal surcharge is \$0.

Sliding Scale (Employer base share)

Type of Contract	Sliding Scale Employer Base Share
Individual Coverage/ Non-Medicare Eligible Retired Member	\$ 555.00
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$ 968.00
Family Coverage/Non-Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	\$ 845.00
Individual Coverage/ Medicare Eligible Retired Member	\$ 350.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependents(s) (with Spouse)	\$ 640.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s)	\$ 604.00



SCHEDULE B – SUMMARY OF MAIN BENEFIT PROVISIONS



Retired Members

The base retiree premiums as of January 1, 2024 before sliding scale adjustment, if applicable, are shown below.

Type of Contract	Retiree Monthly Base Premium	Non-Tobacco User, Wellness Screening, Preventative Screening, and No Spouse Surcharge Premium Discount	Retiree Monthly Base Premium With All Discounts
Individual Coverage/ Non-Medicare Eligible Retired Member	\$ 389.00	\$ (115.00)	\$ 274.00
Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) (with Spouse)	\$ 816.00	\$ (255.00)	\$ 561.00
Individual Coverage/ Medicare Eligible Retired Member	\$ 80.00	\$ (65.00)	\$ 15.00
Family Coverage/Medicare Eligible Retired Member and Medicare Eligible Dependent(s) (with Spouse)	\$ 316.00	\$ (155.00)	\$ 161.00

Dental monthly premiums are \$15 for single coverage and \$24 for family coverage for Blue Cross Blue Shield or Southland. Southland Vision and Cancer coverage are each \$15 for single coverage and \$24 for family coverage.



SCHEDULE B – SUMMARY OF MAIN BENEFIT PROVISIONS



BlueCard PPO for Non-Medicare eligible retirees effective 1/1/2024

Highlights of the BlueCard PPO for non-Medicare eligible retirees effective 1/1/2024 are as follows:

Medical Benefit	In Network (PPO)	Out Of Network (Non-PPO)
Inpatient Hospital Benefits	Covered at 100% of the allowance, subject to a \$250 per admission deductible and \$25 copay per day for days 2-5 per admission.	Covered at 80% of the allowance, subject to a \$250 per admission deductible.
	All hospital admissions require pre-admission certification except medical emergency, maternity, and as required by applicable Federal law.	
Outpatient Hospital Benefits	Most services covered at 100%, subject to co-pay.	Most services covered at 80%, subject to deductible.
	In Alabama, outpatient benefits for non-member hospitals are available only in cases of accidental injury or medical emergency.	
Physician/Nurse Practitioner Benefits and Routine Preventive Care	Most services covered at 100%, subject to co-pay.	Most services covered at 80%, subject to deductible.
Major Medical General Provisions	\$300 deductible per person each calendar year, maximum of three deductibles per family. \$9,450 individual out-of-pocket maximum; \$18,900 aggregate family maximum.	
Prescription Drug Benefit	Participating Pharmacy	Non-Participating Pharmacy
Prescription drug benefits are administered by OptumRx.		
Prescription Drugs	<p>Covered at 100% subject to the following co-pays:</p> <p>Active employees and Non-Medicare Retirees:</p> <ul style="list-style-type: none"> •\$10 co-pay per prescription for Tier 1 Drugs for a 30- or 60-day supply, \$20 for a 90-day supply. If the generic drug is over \$50, the drug will move to Tier 2. •20% co-pay with a \$45 minimum and a \$85 maximum per prescription for Tier 2 Drugs; limited to 30-, 60- or 90-day supply. •50% co-pay with a \$65 minimum and a \$125 maximum per prescription for Tier 3 Drugs; limited to 30-day supply. •50% co-pay with a \$150 maximum per prescription for Tier 4 Drugs; limited to 30-day supply. •\$150 copay for Tier 5 Drugs; limited to 30-day supply. Copays for certain specialty medications may vary and be set to the maximum of any available manufacturer-funded copay assistance programs. 	No benefits



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



The decremental assumptions used in the valuation were selected based on the actuarial experience studies prepared as of September 30, 2020, submitted to, and adopted by the RSA Board of Control on September 13, 2021 and September 14, 2021.

VALUATION DATE: September 30, 2023

PAYROLL GROWTH: 2.75% per annum

HEALTH CARE COST TREND RATES: The following chart details the trend assumptions.

Fiscal Year Ending	Pre-Medicare Medical Trend*	Medicare-Eligible Medical Trend	SEHIP Dental Trend
2024	6.75%	**	4.50%
2025	6.50	0.00%	4.50
2026	6.25	0.00	4.50
2027	6.00	0.00	4.50
2028	5.75	4.50	4.50
2029	5.50	4.50	4.50
2030	5.25	4.50	4.50
2031	5.00	4.50	4.50
2032	4.75	4.50	4.50
2033	4.50	4.50	4.50

* Sliding scale base amounts for Medicare-eligible participants follow the Pre-Medicare medical trends.

** Initial Medicare trend rates are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026 – 2028 contract negotiation period.

Southland Plan and Supplemental Plan costs are trended at 4.50%.

The “Annual Increase in Base Contributions Received from Covered Members” details how the expected increase in the amounts contributed from covered retirees and dependents will increase over time. The trend rates are detailed below and apply to the base rate retiree premiums only. The sliding scale premiums are assumed to increase with health care trend. The premiums for surviving dependents are assumed to approximate the assumed claims cost over time.

Annual Increase in Base Contributions Received from Covered Members		
Retiree Share of Premium		Retiree Optional Plans Premium
Pre-Medicare	Medicare Eligible	
2.0%	1.0%	2.0%



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



ANTICIPATED PLAN PARTICIPATION: Retirees who are eligible for post-employment health benefits may choose to waive coverage or elect full medical, prescription drug and dental coverage, dental coverage only, or Southland optional plans. Those who elect coverage may elect to cover dependents. Current retirees are included in the valuation based on their actual plan and tier elections. Assumptions must be made for actives who will retire in the future. The assumed annual rates of plan participation, spouse coverage, wellness participation, preventative screening participation, and tobacco use for future retirees are as follows. For future retirees who participate in the plan, we assume they all choose full medical, prescription drug and dental coverage. We assume future retirees elect the SEHIP Dental plan.

Medical	Under 65	Over 65
Plan Participation		
Terminating with a Deferred Benefit	10%	10%
Disability Retirement	90%	90%
Service Retirement:		
Less than 15 Years of Service	60%	60%
At least 15, but less than 20 Years of Service	70%	70%
At least 20, but less than 25 Years of Service	80%	80%
25 or More Years of Service	90%	90%
Wellness and Preventative Screening	92.5%	N/A
Tobacco	10%	10%
Spouse Surcharge without Waiver	10%	0%
Spouse Coverage		
Male	50%	50%
Female	30%	30%

Wives are assumed to be three years younger than husbands for Non-JRS employees and four years younger for JRS employees.

It is assumed 10% of current Pre-Medicare inactive members waiving medical or dental coverage will enroll in coverage once attaining Medicare eligibility.

All retirees are assumed to continue their spouse or family coverage at the same level as reported on the Valuation Date. Future retirees are assumed to maintain spouse or family coverage, if elected, for life.



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



ANNUAL EXPECTED MEDICAL/RX DRUGS CLAIMS (AGE ADJUSTED):

Per capita costs are adjusted to reflect expected cost changes related to age. The relative value factors used were developed from the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries. Representative values of the expected annual claims are as follows:

Pre-Medicare Retirees

Age	Male	Female
40	\$3,485	\$5,687
45	4,319	6,020
50	5,641	7,014
55	7,401	8,171
60	9,534	9,531
64	11,644	11,158

Medicare-Eligible Retirees

Age	Male	Female
65	\$851	\$811
70	1,035	997
75	1,229	1,165
80	1,426	1,342
85	1,607	1,514
90	1,765	1,644

Claims for Medicare-Eligible retirees are set based on the 2024 plan year known premium rates.

MEDICARE ADVANTAGE PREMIUMS: Premium rates dropped beginning with plan year 2021 due to the repeal of the ACA Health Insurer Fee effective January 1, 2021. The following table details expected Medicare Advantage monthly premium rates. Following calendar year 2025, monthly premiums are expected to increase with the health care cost trend rates, as described previously.

Medicare Advantage Plan Monthly Premium Rates

Calendar Year	2020	2021	2022	2023*	2024	2025
Expected Monthly Premium Rates	\$126.00	\$101.41	\$110.00	\$98.54	\$98.54	\$208.75

* The preliminary premium rate for calendar year 2023 was \$120.00. However, the final rate was later reduced to \$98.54.



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



ANNUAL EXPECTED DENTAL PLAN CLAIMS: Following is a chart detailing expected per member per year SEHIP Dental Plan claims for pre and post Medicare for the year following the Valuation Date. Dental claims are not age-adjusted. The SEHIP Vision Plan was determined to be self-financed by retiree contributions and thus no liability was assumed. We assume future retirees elect the SEHIP Dental Plan with the same election rates as the medical plans.

Dental
\$475

ANNUAL EXPECTED OPTIONAL PLAN CLAIMS: Following is a chart detailing expected Southland Plan claims for the year following the Valuation Date. Southland Plan claims are not age-adjusted. Only retirees who have currently elected the Southland Plans are assumed to elect them in the future.

Vision Plan	Cancer Plan	Hospital Indemnity Plan	Dental
\$69	\$126	\$153	\$488

ACTUARIAL METHOD: Costs were determined using the Entry Age Normal, Level Percentage of Pay Actuarial Cost Method. Under this method, a calculation is made for retirement benefits to determine the uniform and constant percentage rate of contribution which, if applied to the compensation of the average new member during the entire period of his or her anticipated covered service, would be required to meet the cost of benefits payable. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

ASSET VALUATION METHOD: Market value.

FEDERAL LEGISLATION: The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the anticipation of potential changes to Medicare due to the IRA, which are included in our trend assumption. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

COVID-19: The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.





STATE AND LOCAL EMPLOYEES

The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Employees' Retirement System of Alabama Board on September 14, 2021.

MORTALITY RATES:

Pre-Retirement:

Non-FLC Active Members:

Pub-2010 General Employee Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-back 1 year for males and females

FLC/State Police Active Members:

Pub-2010 Public Safety Employee Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-back 1 year for males and females

Post-Retirement:

Non-FLC Service Retirees:

Pub-2010 General Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 90% of rates for males less than age 65 and 96% of rates for males over age 65; 96% of rates for females at all ages

FLC/State Police Service Retirees:

Pub-2010 Public Safety Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 1 year for males

Post-Disablement:

Non-FLC Disabled Retirees:

Pub-2010 General Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 7 years for males and 3 years for females

FLC/State Police Disabled Retirees:

Pub-2010 Public Safety Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 7 years for males

Beneficiaries and Survivors:

Pub-2010 Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



TERMINATION RATES:

The following are sample withdrawal rates based on years of service (for causes other than death, disability, or retirement).

Years of Service	State Non FLC	State FLC and State Police Group 2	State Police Group 1
1	20.00%	16.50%	6.00%
2	16.75	12.00	6.00
3	14.00	11.50	6.00
4	13.00	11.00	6.00
5	7.50	6.50	6.00
6	6.75	6.25	1.50
7	6.50	6.00	1.50
8	5.75	5.40	1.50
9	5.25	5.00	1.50
10 – 12	3.50	3.00	1.50
13 – 14	3.50	2.75	1.50
15	3.00	2.25	1.50
16 – 18	2.50	2.00	1.50
19	2.00	1.50	1.50
20+	1.50	1.50	1.00

There are no withdrawal decrements after eligibility for service retirement.



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT RATES:

The assumed annual rates of service retirement are as follows:

State Non FLC Members				
Age	Annual Rate			
	TIER I ¹		TIER II	
	1 st Eligible	Subsequent	1 st Eligible	Subsequent
49 & Under	16.50%	10.50%	2.50%	2.50%
50 – 54	20.00	10.50	2.50	2.50
55 – 56	20.00	10.50	10.00	10.00
57	20.00	10.50	20.00	20.00
58	25.00	12.50	20.00	20.00
59	23.00	12.50	20.00	20.00
60	12.00	15.00	50.00	50.00
61	13.00	12.00	50.00	50.00
62	23.00	23.00	50.00	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 – 79	35.00	21.00	35.00	21.00
80 & Above	100.00	100.00	100.00	100.00

¹25% are assumed to retire at age 60 with 25 years of service.



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT RATES (continued):

State FLC Members and State Police Group 2 Members				
Age	Annual Rate			
	TIER I ¹		TIER II	
	1 st Eligible	Subsequent	1 st Eligible	Subsequent
51 & Under	35.00%	22.00%		
52 – 55	35.00	18.00		
56 – 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 – 74	60.00	30.00	60.00	30.00
75 & Above	100.00	100.00	100.00	100.00

¹50% are assumed to retire at age 60 with 25 years of service.

State Police Group 1 Members			
Age	Service		
	10 – 19	20 – 24	25+
51 & Under			40.00%
52	5.00%	33.00%	33.00
53 – 54	5.00	28.00	28.00
55	5.00	33.00	33.00
56 – 57	5.00	40.00	40.00
58	20.00	40.00	40.00
59 – 64	20.00	35.00	35.00
65 & Above	100.00	100.00	100.00



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



DISABILITY RATES:

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

Age	State and Police Group 2 Members				
	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

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

State Police Group 1 Members	
Age	Rate
20	0.080%
25	0.100
30	0.140
35	0.220
40	0.340
45	0.460
50	0.600
55	



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SALARY INCREASES:

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

Service	Annual Rate ¹	
	State	State Police
0	6.00%	7.75%
1 – 3	4.25	7.75
4 – 5	4.25	7.50
6	4.00	6.25
7 – 10	4.00	5.50
11 – 14	3.75	5.25
15	3.75	4.75
16 – 17	3.50	4.75
18 – 19	3.50	4.50
20 & Over	3.25	4.00

¹Includes wage inflation at 2.75% per annum.





JUDICIAL

The Judicial Retirement Fund uses the same mortality tables as the Teachers' Retirement System of Alabama. The following mortality assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

MORTALITY RATES:

Pre-Retirement:

Pub-2010 Teacher Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; 65% of rates for males and females

Post-Retirement:

Pub-2010 Teacher Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 108% of rates for males less than age 63 and 96% of rates for males over age 67 with a phasing down between age 63 and 67; 112% of rates for females less than age 69 and 98% of rates for females over age 74 with a phasing down between age 69 and 74

Post-Disablement:

Pub-2010 Teacher Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 8 years for males and 3 years for females

Beneficiaries and Survivors:

Pub-2010 Teacher Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



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

TERMINATION RATES:

The following are withdrawal rates based on years of service (for causes other than death, disability, or retirement).

Years of Service	Rates of Withdrawal*
1 – 9	3.00%
10+	1.30

* No rates after eligibility for retirement

SERVICE RETIREMENT RATES:

The assumed annual rates of service retirement are as follows:

Age	Tier 1 Judges ¹	Tier 2 Judges/Clerks ²	Clerks/District Attorneys
59 & Under	7.5%		
60 – 61	16.5		
62	20.0	30.0%	30.0%
63 – 64	16.5	16.5	10.0
65 – 69	20.0	20.0	10.0
70 – 74	30.0	30.0	30.0
75 & Above	100.0	100.0	100.0

¹30% are assumed to retire in the first year a member reaches retirement eligibility at ages younger than 60, and 25% are assumed to retire in the first year a member reaches retirement eligibility at ages 60 through 69.

²10% are assumed to retire at all ages with less than 18 years of service.



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



DISABILITY RATES:

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

Age	Rates of Disability
20	0.013%
25	0.015
30	0.020
35	0.040
40	0.068
45	0.108
50	0.163
55	0.250
60	0.395
65	0.618
70	0.000

SALARY INCREASES:

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

Service	Annual Rate ¹
0 – 13	3.50%
14	3.25
15 & Over	2.75

¹Includes wage inflation at 2.75% per annum.





TEACHERS

The following decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to, and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

MORTALITY RATES:

Pre-Retirement:

Pub-2010 Teacher Below Median Employee Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; 65% of rates for males and females

Post-Retirement:

Pub-2010 Teacher Below Median Healthy Retiree Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males and females; 108% of rates for males less than age 63 and 96% of rates for males over age 67 with a phasing down between age 63 and 67; 112% of rates for females less than age 69 and 98% of rates for females over age 74 with a phasing down between age 69 and 74

Post-Disablement:

Pub-2010 Teacher Disabled Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 8 years for males and 3 years for females

Beneficiaries and Survivors:

Pub-2010 Contingent Survivor Below Median Rates projected generationally using the MP-2020 Improvement Scale modified with an adjustment of 66-2/3% to the table beginning in 2019; set-forward 2 years for males



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



TERMINATION RATES:

The following are sample withdrawal rates based on years of service (for causes other than death, disability or retirement).

Years of Service	Annual Rate*	
	Male	Female
0 – 3	12.00%	11.00%
4	10.00	9.00
5	7.25	6.50
6	6.25	5.50
7	5.25	5.00
8	5.00	4.25
9	4.25	3.50
10	3.25	3.25
11	3.25	3.00
12	3.00	2.75
13	3.00	2.50
14	2.75	2.25
15	2.50	2.25
16	2.00	2.00
17	2.00	1.90
18	2.00	1.85
19	2.00	1.70
20+	1.00	1.00

* No rates after eligibility for retirement



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT:

For Tier I members, the rates are as follows:

AGE	Annual Rates				
	Males		Females		
	Years of Service		Years of Service		
	<25	>=25	<25	25	>=25
40-47		25.00%		25.00%	25.00%
48		22.00		18.00	18.00
49		17.50		15.50	15.50
50		16.00		17.50	12.50
51		16.00		19.00	14.00
52		16.00		19.50	14.50
53		16.00		20.00	15.00
54		16.00		21.50	16.50
55		15.50		22.00	17.00
56		15.50		22.00	17.00
57		15.50		22.50	17.50
58		15.50		23.50	18.50
59		18.00		25.00	20.00
60	12.00%	18.00	15.00%	29.00	24.00
61	9.50	18.00	12.00	29.00	24.00
62	22.00	32.00	21.00	45.00	40.00
63	16.00	27.50	16.00	36.00	31.00
64	14.00	21.50	15.50	32.50	27.50
65	25.00	27.50	27.00	38.00	38.00
66	25.00	27.50	28.00	40.00	40.00
67	22.00	23.50	23.00	33.00	33.00
68	21.00	22.50	25.00	33.00	33.00
69	21.00	22.50	20.50	30.00	30.00
70	21.00	22.50	24.50	30.00	30.00
71-74	20.00	22.50	22.00	30.00	30.00
75-76	30.00	22.50	30.00	30.00	30.00
77-79	30.00	22.50	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT (continued):

For non-FLC Tier II members, the rates are as follows:

AGE	Annual Rates								
	Males				Females				
	Years of Service				Years of Service				
	<25	25-29	30	>=31	<25	25	26-29	30	>=31
40-47			10.00%	10.00%				10.00%	10.00%
48			10.00	10.00				10.00	10.00
49			10.00	10.00				10.00	10.00
50			10.00	10.00				10.00	10.00
51			10.00	10.00				10.00	10.00
52			10.00	10.00				10.00	10.00
53			10.00	10.00				10.00	10.00
54			10.00	10.00				10.00	10.00
55			20.00	10.00				20.00	10.00
56			20.00	10.00				20.00	10.00
57			20.00	10.00				20.00	10.00
58			20.00	10.00				20.00	10.00
59			20.00	10.00				20.00	10.00
60			40.00	40.00				45.00	45.00
61			40.00	40.00				45.00	45.00
62	50.00%	60.00%	60.00	60.00	50.00%	70.00%	70.00%	70.00	70.00
63	16.00	27.50	27.50	27.50	16.00	36.00	31.00	31.00	31.00
64	14.00	21.50	21.50	21.50	15.50	32.50	27.50	27.50	27.50
65	25.00	27.50	27.50	27.50	27.00	38.00	38.00	38.00	38.00
66	25.00	27.50	27.50	27.50	28.00	40.00	40.00	40.00	40.00
67	22.00	23.50	23.50	23.50	23.00	33.00	33.00	33.00	33.00
68	21.00	22.50	22.50	22.50	25.00	33.00	33.00	33.00	33.00
69	21.00	22.50	22.50	22.50	20.50	30.00	30.00	30.00	30.00
70	21.00	22.50	22.50	22.50	24.50	30.00	30.00	30.00	30.00
71-74	20.00	22.50	22.50	22.50	22.00	30.00	30.00	30.00	30.00
75-76	30.00	22.50	22.50	22.50	30.00	30.00	30.00	30.00	30.00
77-79	30.00	30.00	22.50	22.50	30.00	30.00	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



SERVICE RETIREMENT (continued):

For FLC Tier II members, the rates are as follows:

AGE	Annual Rates		
	Years of Service		
	10	11 – 29	30
40-47			2.50%
48			2.50
49			5.00
50			5.00
51			10.00
52			10.00
53			10.00
54			10.00
55			10.00
56	15.00%	15.00%	15.00
57	15.00	15.00	15.00
58	15.00	15.00	15.00
59	15.00	15.00	15.00
60	17.00	17.00	17.00
61	40.00	18.50	18.50
62	40.00	30.00	30.00
63	40.00	25.00	25.00
64	40.00	22.00	22.00
65	40.00	27.00	27.00
66	40.00	38.00	38.00
67	40.00	30.00	30.00
68	40.00	30.00	30.00
69	40.00	30.00	30.00
70-74	60.00	30.00	30.00
75	100.00	100.00	100.00



SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS



DISABILITY RATES:

The following are sample disability rates based on years of service and age.

AGE	Years of Service*			
	Male		Female	
	< 25**	>= 25	< 25**	>= 25
30	0.1000%		0.0700%	
35	0.1000		0.0700	
40	0.1300		0.1700	
45	0.2500	0.2000%	0.3200	0.2000%
50	0.5000	0.2000	0.5800	0.2000
55	0.8000	0.2000	0.9000	0.2250
60	0.5000	0.2000	0.6500	0.3000
64	0.5000	0.2000	0.6500	0.3000

* No rates of disability are assumed for members with less than 10 years of service.

** Rates assumed for all Tier II members.

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

Service	Annual Rate ¹
0	5.00%
1 – 5	4.00
6 – 10	3.75
11 – 15	3.50
16 & Over	3.25

¹Includes wage inflation at 2.75% per annum.



SCHEDULE D – ACTUARIAL COST METHOD



1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 4.52%), of each participant's expected retiree health benefit at retirement or death is based on his age and service. The calculations take into account the probability of a participant's death or termination of employment prior to becoming eligible for a benefit, as well as the probability of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active participants is added to the present value of the expected future payments to retired participants and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of participants and beneficiaries.
2. The contributions required to support the benefits of the Plan 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. Using this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of each participant during the entire period of his anticipated covered service, would be required in addition to the contributions of the participant to meet the cost of all benefits payable on his behalf.
4. The present value of future unfunded accrued liability contributions is determined by subtracting the present value of prospective normal contributions together with the current assets held, from the present value of expected benefits to be paid from the Plan.

