Actuarial Report

Gulf Power Company

Southern Company's Nonqualified Pension Plans
For 2009 Fiscal Year

Preparation of this Actuarial Valuation

For 2009 Fiscal Year

Southern Company's Nonqualified Pension Plans
Gulf Power Company—Allocable Portion

This report has been prepared primarily to present to management the FAS 87 pension cost allocable to Gulf Power Company (GULF) as set forth in FASB Statement of Financial Accounting Standards No. 87 (as amended) and No. 88 (as amended), including the provisions in FAS No. 132(R) and FAS No. 158. This cost is a portion of the total cost of Southern Company's nonqualified pension benefit plans. GULF's cost is based on the benefit obligations to its employees. Determinations for purposes other than financial accounting requirements may be significantly different from the results reported herein. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

In conducting the valuation, we have relied on personnel and plan design information supplied by the Company. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information along with any adjustments or modifications, is summarized in various sections of this report.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of FAS 87 and FAS 88 (as amended). The information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report. The Company selected the economic assumptions and prescribed them for use for purposes of compliance with FAS 87 and FAS 88. While the demographic assumptions were also prescribed by the Company, Hewitt Associates provided guidance with respect to these assumptions, and it is our belief that they represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Hewitt Associates has any direct financial interest or indirect material interest in the Company, nor has anyone at Hewitt Associates acted as an officer or director of the Company. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Company.

Hewitt Associates LLC

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Summary

Summary

Change in Measurement Date

As required by FAS 158, in 2008 the measurement date was changed from September 30 to December 31. As a result, reconciliations from the prior measurement date to the current measurement date reflect a 15 month period and include retained earnings adjustments required by FAS 158.

Changes Between September 30, 2007 and December 31, 2008 Measurements

In general, the 2009 fiscal year costs are based on the same plan provisions and actuarial basis used to determine 2008 costs.

However, the following changes were recognized as of the December 31, 2008 measurement date.

- Two plan changes were recognized in this valuation due to indexing of the pay and benefit limits.
  - The IRC Section 415 benefit limit increased to $185,000 from $180,000.
  - The IRC Section 401(a)(17) pay limit increased to $230,000 from $225,000.

  These automatic increases in the limits were previously anticipated, so their impact has been treated as an experience item as required by FAS 87.

- The following assumptions have been changed:
  - The discount rate was increased to 6.75% from 6.30%.
  - The single sum discount rate decreased to 4.75% from 5.30%.
  - The single sum prime rate decreased to 6.75% from 7.30%.
  - The mortality rates were updated to better reflect anticipated experience.

  The discount rate was increased to comply with the FAS 87 requirements that the assumptions reflect market conditions as of the measurement date, and changes in the assumptions between measurement dates reflect changes in the market conditions. As required by FAS 87, the impact of all of these changes was treated as an experience item.

No other changes were reflected in the 2009 fiscal year costs.

Summary

Significant results of the 2009 valuation are shown below. Comparable results of the 2008 valuation are also shown.

	2008	2009
Projected Benefit Obligation	$ 13,190,616	$ 12,885,348
Accumulated Benefit Obligation	$ 11,245,826	$ 11,483,029
Service Cost	$ 255,982	$ 220,459
Assets	$ 0	$ 0
Accrued Costs	$ 6,480,788	$ 7,777,734
Pension Cost	$ 1,659,285	$ 1,543,459
Participant Counts		
Retirees and Beneficiaries	26	30
Terminated Vested	0	0
Actives	62	62
Total	88	92

Accounting Requirements for the SERP, Supplemental Benefit Plan, and Benefits Provided in Individual Agreements

Accounting Requirements

Pension Cost Under FASB Statement No. 87

The Financial Accounting Standards Board issued Statement No. 87 (Employers' Accounting for Pensions) and Statement No. 88 (Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits) in December of 1985. Southern Company first adopted the cost and disclosure portions of Statement No. 87 for the 1987 fiscal year.

The following pages contain the results determined under Statement No. 87 for the 2009 fiscal year. The following developments are included:

- Reconciliation of Funded Status;
- Pension Cost;
- Plan Experience During Prior Plan Year;
- Amortizable Gain or Loss; and
- Unrecognized Prior Service Cost.

Reconciliation of Funded Status

This schedule reconciles the funded status of the plan with amounts already accrued by the Company as of the current and prior measurement dates. The difference between the funded status and the prepaid/accrued pension cost represents amounts to be recognized in future periods as amortization payments.

A reconciliation of funded status is shown as of the current year's measurement date and at the prior year's measurement date.

	Fiscal 2008 (September 30, 2007)	**Fiscal 2009 (December 31, 2008)**
Projected Benefit Obligation	$ (13,190,616)	$ (12,885,348)
Market Value of Assets	0	0
Funded Status	$ (13,190,616)	$ (12,885,348)
Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	1,900,396	1,577,618
■ (Gain)/Loss	4,661,035	3,529,996
Fourth Quarter Cashflows	148,397	0
Prepaid/(Accrued) Pension Cost	$ (6,480,788)	$ (7,777,734)

Pension Cost

The development of the pension cost for the fiscal year consists of payments for benefit accruals (service cost), interest on the current projected benefit obligation (interest cost), expected return on assets, and amortizations of unrecognized amounts.

	Fiscal 2008 Cost	Fiscal 2009 Cost
Service Cost	$ 255,982	$ 220,459
Interest Cost	810,883	840,631
Expected Return on Assets	0	0
Amortization of Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	258,223	258,223
■ (Gain)/Loss	334,197	224,146
Total Pension Cost	**$ 1,659,285**	**$ 1,543,459**
Supplemental Data and Expected Values		
■ Market-Related Value of Assets	$ 0	$ 0
■ Annual Benefit Payments	$ 638,927	$ 863,115
■ Average Remaining Service	10 Years	10 Years

Accounting Requirements

Plan Experience

During the current valuation, actual experience during the prior fiscal year is compared to anticipated experience. This comparison identifies experience gains or losses. These are measured as the difference between the expected funded position of the plan at year-end (based on the beginning of year actuarial assumptions and adjusted for plan changes) and the actual funded position of the plan at year-end.

		October 1, 2007 to December 31, 2008
(1)	Funded Status, As of Last Measurement Date	$ (13,190,616)
(2)	Service Cost for Period[1]	(319,978)
(3)	Interest Cost for Period[1]	(1,013,604)
(4)	Expected Return for Period[1]	0
(5)	Contributions During Period (Benefit Payments)	924,733
(6)	Impact of Plan Amendment	0
(7)	Expected Funded Status, As of Current Measurement Date, (1)+(2)+(3)+(4)+(5)+(6)	$ (13,599,465)
(8)	Actual Funded Status, At Current Measurement Date	(12,885,348)
(9)	Experience (Gain)/Loss, (7)-(8)	$ (714,117)

[1] For the 15 month period from October 1, 2007 to December 31, 2008, which includes the amounts reported in 2008 pension costs and the amounts reported in the 2008 retained earnings adjustment.

Development of (Gain)/Loss Amortization

Only gains and losses in excess of a corridor limit are subject to amortization. The corridor is 10% of the greater of:

- Market-Related Value of Assets (MRV); or
- Projected Benefit Obligation (PBO).

Only asset gains or losses which have been incurred and admitted into the market-related value of assets are subject to amortization. Gains and losses outside of the corridor, if any, are amortized over the average remaining service period of employees expected to receive benefits from the plan.

		Fiscal 2009
(1)	Unrecognized Net (Gain)/Loss	$ 3,529,996
(2)	Nonadmitted Asset (Gain)/Loss	0
(3)	(Gain)/Loss Subject to Corridor, (1)-(2)	$ 3,529,996
(4)	Corridor, 10% of Greater of PBO or MRV	
	(a) PBO	$ 12,885,348
	(b) MRV	$ 0
	(c) Corridor, 10% of Max [(a) or (b)]	$ 1,288,535
(5)	(Gain)/Loss to be Amortized, Excess of (3) over (4c), If Any	$ 2,241,461
(6)	Average Remaining Service Period	10 Years
(7)	(Gain)/Loss Amortization, (5)÷(6)	$ 224,146

Development of Unrecognized Prior Service Cost

Under FASB Statement No. 87, increases in the projected benefit obligation (PBO) attributable to plan amendments are amortized over the remaining service period of employees benefiting under the Plan. Prior service costs that are being amortized are shown below.

Date Established	Original Amounts to be Amortized	Remaining Amortization Period	Remaining Amounts to be Amortized	Annual Amortization Amount
01/01/2001	$ 884,347	2 Years	$ 176,867	$ 88,435
03/31/2007	$ 1,697,880	8.25 Years	1,400,751	169,788
Total			$ 1,577,618	$ 258,223

Appendix

Personnel Information

This page contains a summary of personnel data submitted and used for the measurement of cost for fiscal 2009. Benefit obligations as of the December 31 measurement date are based on projections using personnel data supplied as of the preceding January 1 complemented with pay data which includes the preceding March updates. See the actuarial assumptions and methods section for more details.

	For Fiscal 2008 (As of January 1, 2007)	**For Fiscal 2009 (As of January 1, 2008)**
Active Participants[1]	62	62
Retirees and Beneficiaries		
Number Receiving Average Monthly Benefit[1]	26	28
Average Monthly Benefit	$ 1,949	$ 1,837
Number Receiving Installment Benefit[1]	N/A	2
Average Remaining Installment Benefit	N/A	$ 478,145
Terminated Vesteds		
Number[1]	0	0
Average Monthly Benefit	N/A	N/A

[1] Includes participants who are currently active at, retired from, or terminated from other operating companies who will receive (or are receiving) a portion of their benefit from GULF due to prior service with GULF.

Supplemental Benefit Plan (Pension Provisions)

Participation	Eligibility to participate is determined by the plan's Administrative Committee.
Benefit	Monthly retirement income under The Southern Company Pension Plan that is not payable under that plan as a result of the exclusion of compensation deferred under the Southern Company Deferred Compensation Plan, the IRC section 401(a)(17) recognizable pay limit, and/or the IRC section 415 defined benefit plan maximum annual benefit.
Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)	Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.
Single Sum Discount Rate	The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)
Single Sum Prime Rate	The annual prime rate as published in the Wall Street Journal.

Supplemental Executive Retirement Plan

Participation	Eligibility to participate is determined by the plan's Administrative Committee.
Benefits	Monthly retirement income supplementing benefits provided under The Southern Company Pension Plan and Supplemental Benefit Plan related to recognition of incentive pay not included in determination of benefits provided under those plans.

Supplemental Executive Retirement Plan

Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)	Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.
Single Sum Discount Rate	The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)
Single Sum Prime Rate	The annual prime rate as published in the Wall Street Journal.

Benefits Provided in Individual Agreements

Participation	Employees who execute individual agreements with the Company that provide nonqualified pension benefits.
Benefits	Pension benefits specified in individual agreements.
Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)	Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.

Plan Provisions

Benefits Provided in Individual Agreements

Single Sum Discount Rate	The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)
Single Sum Prime Rate	The annual prime rate as published in the Wall Street Journal.

Certain Other Supplemental Pension Benefits

Participation	Employees who retired under nonqualified early retirement window offerings in the late 1980’s and early 1990’s.
Benefits	Benefits provided in window offerings.

Actuarial Assumptions

Measurement Date for Fiscal 2009	December 31, 2008.
Discount Rate	6.75% compounded annually.
Pay Increases	4.00% per year to age 65.
Social Security	Projected based on the Social Security Act in effect during 2008 assuming: (1) 3.25% per year increases in the formula breakpoints. (2) 2.75% per year cost-of-living increases.
Single Sum Discount Rate	4.75% compounded annually.
Single Sum Prime Rate	6.75% compounded annually.

Retirement Age

Actives

According to the rates of retirement shown below:

Age	Percent Retiring	Age	Percent Retiring
55	7.5%	63	30.0%
56	2.5%	64	20.0%
57	5.0%	65	99.0%
58	7.5%	66	99.0%
59	10.0%	67	99.0%
60	12.5%	68	99.0%
61	15.0%	69	99.0%
62	50.0%	70	100.0%

These rates produce a weighted average retirement age of 61.

Terminated Vesteds — Age 65.

Mortality Rates

Healthy Lives — Retired Pensioners 2000 Combined Healthy Mortality Table, Fully Generational.

Disabled Lives — Retired Pensioners 2000 Combined Healthy Mortality Table.

Withdrawal Rates	According to select and ultimate rates based on Company experience. See Table B for specific rates.
Disability Rates	According to rates which vary by age. See Table A for specific rates.
Incentive Payments	Future incentives are anticipated to pay out at 135% of target.
Marital Status	80% of males and 70% of females are married. Husbands are two years older than wives.
Payment Form	Based on participants' election.
Cost Method	Projected Unit Credit.
Market-Related Value of Assets	These benefits are currently unfunded.
Pay and Benefit Limits Indexing	2.75% per year.
Participants Included	All employees designated by the Company as active, transfers in or transfers out, and eligible to participate, plus any others currently receiving benefits or entitled to benefits in the future.
Participant Data	Benefit obligations are based on reasonable and normal actuarial projections of participant data supplied prior to the measurement date. For the development of fiscal 2009 costs, demographic information as of January 1, 2008 and pay data including the March 2008 updates were used.

Actuarial Assumptions

Participant Data	Population data as of January 1, 2008 was projected to the December 31, 2008 measurement date. As directed by Southern, the projection reflects no increase in pay rates during the projection period for employees not covered by a collective bargaining agreement, including SERP participants. This reflects the fact that Southern announced a freeze in base pay rates in December 2008. The valuation assumptions were otherwise assumed to have accurately anticipated plan experience during the projection period. No other significant changes in the employee population during that period were identified by Southern that merited special adjustments.
Asset Data	Benefits under the plan are currently unfunded for FAS 87 purposes and are paid out of the Company’s general assets.

Table A

Disability Rates

Age	Disabilities Per 1,000 Participants
Under 40	0.85
40 to 44	1.76
45 to 49	3.80
50 to 54	6.39
55 to 59	11.60
60 to 64	15.52
65 & Over	0.00

Table B

Withdrawals per 1,000 Participants

Hire	Years of Service					
Age	**0**	**1**	**2**	**3**	**4**	**Ultimate**
20 & Under	180.0	130.5	115.0	99.0	84.5	70.0
21	176.0	130.5	115.0	99.0	82.5	66.0
22	171.0	126.9	115.0	99.0	80.0	61.0
23	166.0	122.4	111.0	99.0	77.5	56.0
24	163.0	117.9	106.0	94.6	73.8	53.0
25	159.0	115.2	101.0	89.1	69.1	49.0
26	156.0	111.6	98.0	83.6	64.8	46.0
27	152.0	108.9	94.0	80.3	61.2	42.0
28	149.0	105.3	91.0	75.9	57.5	39.0
29	146.0	102.6	87.0	72.6	54.3	36.0
30	144.0	99.9	84.0	68.2	51.1	34.0
31	141.0	98.1	81.0	64.9	48.0	31.0
32	139.0	95.4	79.0	61.6	45.3	29.0
33	137.0	93.6	76.0	59.4	43.2	27.0
34	135.0	91.8	74.0	56.1	40.6	25.0
35	133.0	90.0	72.0	53.9	38.5	23.0
36	131.0	88.2	70.0	51.7	36.4	21.0
37	129.0	86.4	68.0	49.5	34.3	19.0
38	128.0	84.6	66.0	47.3	32.7	18.0
39	126.0	83.7	64.0	45.1	30.6	16.0
40	125.0	81.9	63.0	42.9	29.0	15.0
41	123.0	81.0	61.0	41.8	27.4	13.0
42	122.0	79.2	60.0	39.6	25.8	12.0
43	121.0	78.3	58.0	38.5	24.8	11.0
44	119.5	77.4	57.0	36.3	22.9	9.5
45	118.5	76.1	56.0	35.2	21.9	8.5
46	117.5	75.2	54.5	34.1	20.8	7.5
47	116.5	74.3	53.5	32.5	19.5	6.5
48	115.5	73.4	52.5	31.4	18.5	5.5
49	115.0	72.5	51.5	30.3	17.7	5.0
50	114.0	72.0	50.5	29.2	16.6	4.0
51	113.0	71.1	50.0	28.1	15.6	3.0
52	112.5	70.2	49.0	27.5	15.0	2.5
53	111.5	69.8	48.0	26.4	14.0	1.5
54	110.0	68.9	47.5	25.3	13.2	1.0
55	110.0	67.5	46.5	24.8	12.4	0.0
56	110.0	67.5	45.0	23.7	11.9	0.0
57	110.0	67.5	45.0	22.0	11.0	0.0
58	110.0	67.5	45.0	22.0	11.0	0.0
59	110.0	67.5	45.0	22.0	11.0	0.0
60	110.0	67.5	45.0	22.0	11.0	0.0
61 & over	0.0	0.0	0.0	0.0	0.0	0.0

Accounting Method

Valuations to determine the net periodic pension cost for the ongoing plan use the **Projected Unit Credit Cost Method**.

Under this actuarial method, the ultimate retirement benefit is first projected to retirement using the salary scale assumptions. The cost attributed to past service **(projected benefit obligation)** is determined on the measurement date as the present value of the projected benefits actually earned (accrued) as of that date. (The actual attribution of each portion of the benefit for accounting purposes follows the benefit accrual pattern as defined in the plan.) The **funded status** is the amount by which the fair value of assets exceeds the projected benefit obligation.

The current year's **service cost**, determined on the measurement date, is the amount required to fund the projected benefit expected to be earned in the current year (based on the attribution pattern of the benefit).

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Overview of FAS 87

Background

The Financial Accounting Standards Board issued Statement No. 87, "Employers' Accounting for Pensions" and Statement No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" in December 1985.

Statement No. 87 deals with three aspects of pension accounting: the income statement, the balance sheet, and financial footnotes. The expense and disclosure portions of Statement No. 87 were effective for fiscal years beginning after December 15, 1986. Compliance with the balance sheet and non-U.S. plans portion of the statement became mandatory for plan years beginning after
December 15, 1988. Statement No. 88 was effective upon adoption of Statement No. 87.

Statement of Financial Accounting Standards No. 132 (Employers' Disclosures about Pensions and Other Postretirement Benefits) was published in February 1998. Statement No. 132 amended the disclosure requirements of FAS Statements No. 87 and 88. The new disclosure requirements under Statement No. 132 are effective for fiscal years beginning after December 15, 1997.

The sections dealing with the income statement define components, positive or negative, which are added together to provide the expense for the year. Since some of these components are negative, the pension plan expense may also be negative. That is, pensions can be a source of corporate income.

The sections dealing with the balance sheet require that in some circumstances, certain liabilities and assets be recorded. Some companies with poorly funded plans may discover their reported corporate equity diminished by poor pension asset performance.

The disclosure requirements of Statement No. 87 are designed to assist readers of annual reports in accurately assessing the financial position of the company. The required disclosure includes expense and liability items, as well as assumptions used in deriving the results.

Actuarial computations under Statement of Financial Accounting Standards No. 87 (FAS 87) are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of FAS 87. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from these results. Accordingly, additional determinations are needed for other purposes, such as judging benefit security at termination or adequacy of funding for an ongoing plan.

Overview of FAS 87

The following list briefly discusses the items shown on the FAS 87 valuation summary.

Components of the Reconciliation of Funded Status

Accumulated Benefit Obligation	The actuarial present value[1] of vested and nonvested benefits accrued to date based on current service and compensation.
Projected Benefit Obligation	The actuarial present value[1] of accrued benefits based on current service and projected salaries.
Fair Value of Assets	Market value of assets (excluding contributions owed to the plan but not yet paid by the Company).
Funded Status	A measurement of the overall financial position of a pension plan. Difference between the projected benefit obligation and fair value of assets.
Unrecognized:	
Transition (Asset) Liability	The unrecognized portion of the difference (on the date of adoption of FAS 87) between the funded status of the plan and the (accrued) prepaid pension expense.
Prior Service Cost	The unrecognized cost of a plan amendment which grants benefits retroactively.
Net Actuarial (Gain)/Loss	The unrecognized cost of (gains)/losses resulting from experience different than assumed or from changes in assumptions.
Prepaid/(Accrued)	The amount by which past cash contributions to the plan exceed (fall short of) the pension expense recognized in past income statements.

[1] The value, as of a specified date, of pension benefit amounts payable now and in the future, with each amount adjusted to reflect the time value of money and the probability of payment using the discount rate and assumptions of mortality, withdrawal, and retirement.

Components of Expense

Service Cost	Present value of benefits attributed to service rendered during the period. Equal to projected unit credit normal cost with interest to year-end.
Interest Cost	The increase in the projected benefit obligation due to the passage of time. Basically, the interest cost on the PBO adjusted for benefit payments expected during the period.
Expected Return on Assets	The return on plan assets expected during the period adjusted for expected benefit payments and cash contribution.
Amortization of Unrecognized Transition Liability, Prior Service Cost, and Net Actuarial (Gain)/Loss	Recognition through the income statement of a portion of the liabilities recognized in the funded status of the plan but not yet on the balance sheet of the Company.
Net Periodic Pension Cost (Income)	Represents the FAS 87 pension cost (income) for the fiscal year.
Contribution	Represents the cash contribution made during the fiscal year.
Expected Benefit Payments	Represents the expected benefit payments (both monthly annuity payments and lump sum payments) that will be made during the fiscal year.
Average Remaining Service	Represents the average remaining working lifetime of those current active employees who are expected to receive a benefit.

Components of Expense

The expense is calculated as of the first day of the plan year using assumptions that are appropriate as of that date. Using the components described above, the annual expense under FAS 87 equals:

(1) Service cost; plus

(2) Interest cost; minus

(3) Expected return on plan assets, if any; plus

(4) Amortization of transition (asset) or liability; plus

(5) Amortization of prior service cost; plus

(6) Required amortization of actuarial (gains) or losses.

Disclosure

Unlike expense, footnote items disclosed in the plan sponsor's annual report are determined as of the last day of the plan year, using assumptions that are current as of the end of the year. The disclosure items required by FAS 87 (as revised by FAS 132) include:

- Components of expense as listed above;
- The amount of gain or loss due to settlements, curtailments, and the additional costs of providing special termination benefits;
- Reconciliation of assets and liabilities from previous year–end to the current year–end;
- Reconciliation of the funded status of the plan;
- The projected benefit obligation, accumulated benefit obligation and assets for pension plans with underfunded ABO.
- The long-term rate of return on assets, the discount rate, and the salary increase rate assumption used to develop expense;
- The amount of other comprehensive income (arising from the change in additional minimum liability, if any).