FINDLEY

Kentucky Judicial Retirement Plan – Hybrid Tier

GASB Disclosure Report as of July 1, 2020

Contents

Introduction

An actuarial valuation of the Kentucky Judicial Retirement Plan - Hybrid Tier ("KJRP-HT") was last performed as of July 1, 2019. The results shown in this report as of July 1, 2020 were developed using a "roll-forward" method that employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2019 Actuarial Valuation Report. This report covers only the hybrid cash balance/OPEB tier of Kentucky Judicial Retirement Plan ("KJRP").

Actuarial valuations are based on the integrity of employee data, plan asset data, plan provisions and an extensive set of assumptions regarding future events. There is necessary uncertainty with any actuarial calculation based on the accuracy of the data provided, the correct interpretation of plan provisions and the realization of the assumptions made. These results were based on participant data and asset information provided by the Kentucky Judicial Form Retirement System. This information was not audited but was reviewed for reasonableness.

Detailed explanations of the actuarial assumptions and methods used in the report are contained in later sections of this report. Also included in this report is a summary of provisions of the plan as we understand them.

Governmental Accounting Standards Board Statement 67 ("GASB 67") and Statement 74 ("GASB 74") establish financial reporting standards for defined benefit pension plans and other postemployment benefit (OPEB) plans sponsored by employers that are subject to governmental accounting standards. Governmental Accounting Standards Board Statement 68 ("GASB 68") and Statement 75 ("GASB 75") provide standards for reporting pension and OPEB expenditures and expense, and related liabilities and assets for such plans. The purpose of this report is to provide pertinent financial statement disclosure information for the fiscal year ending in 2020. Actuarial computations under Statements 67, 68, 74, and 75 are for purposes of fulfilling plan and employer governmental accounting requirements and may not be appropriate for other purposes. This report has been prepared on a basis consistent with our understanding of the statements and does not constitute legal, accounting, tax or investment advice.

Statements 68 and 75 set forth a methodology for the calculation of the annual Pension Expense for the upcoming fiscal year. GASB 68 and GASB 75 provide a method for reflecting prior gains and losses from asset and plan experience, as well as other areas including plan amendments. Amounts not reflected previously or in the upcoming year are reflected in the Deferred Outflows and Inflows of Resources shown.

Findley does not have access to and is not providing information concerning liabilities other than benefits, such as for legal or accounting fees.

Findley is not aware of any significant events subsequent to the current year's measurement date that could materially affect the information contained in this report.

We are not aware of any relationship between the plan or plan sponsor and Findley which would impair or appear to impair our objectivity.

To the best of our knowledge, all information provided in this report is complete and accurate and disclosures for GASB purposes have been determined in accordance with generally accepted accounting principles.

Legislative and Regulatory Background

As stated previously, state statutes were amended in 2013 such that all participants entering KJRP on or after January 1, 2014 will be covered under a hybrid cash balance/OPEB tier; those entering before that date will continue to be covered under the traditional defined benefit/OPEB tier. The legislation making this change also restricted the availability of future cost-of-living adjustments (COLA's) to plan benefits.

Actuarial Standard of Practice No. 51 (ASOP 51) is effective for actuarial valuations on or after November 1, 2018. This standard calls for explicit disclosure of risks associated with the pension plan and any recommended actions for better understanding the nature and impact of those risks. Please let us know if any additional analysis or information is desired.

Actuarial Soundness

A plan that has adopted a reasonable funding method, adopts reasonable assumptions, and contributes at a rate at or above the recommended contribution rate (based on these reasonable methods and assumptions), could be considered to be actuarially sound.

In order to ensure KJRP-HT is funded in an "actuarially sound manner", we would recommend the following:

1. Revise the actuarial funding method to amortize all past unfunded as well as new liabilities over a period not more than 15 years and amortize future gains and losses over a period not more than 15 years. (Note that GASB 68 may require the expensing of liabilities at a faster pace than these amortization periods.)
2. Contribute at least the recommended contribution each year.

Deviations from these recommendations may result in an "actuarially unsound" approach to funding KJRP-HT and may eventually result in KJRP-HT becoming insolvent – that is, exhausting assets at which time all future benefits would be provided on a pay as you go basis.

Although the Actuarial Standards of Practice 4 "Measuring Pension Obligations" allows for plan liabilities to be calculated under a legally prescribed method, the statement goes on to say,

> "If, in the actuary's professional judgment, such an actuarial cost method or amortization method is significantly inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming that all actuarial assumptions will be realized and that the plan sponsor or other contributing entity will make contributions when due, the actuary should disclose this."

It is our professional actuarial opinion that the current legally prescribed method, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability (per KRS 21.525) and which (per KRS 21.405) does not recognize cost of living increases effective after the most recent valuation (assuming future increases are expected), is inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming all actuarial assumptions are realized. The current method of amortizing unfunded liabilities will not result in the full amortization of those liabilities.

In addition, the total cost of the Medical Premium Supplement is approximately 0.75% of pay, compared to the required employee contribution of 1% of pay. As a result, members are paying approximately 0.25% of pay more than the benefits are expected to be worth. The Medical plan is currently 34% overfunded and, without any changes, is expected to be increasingly overfunded going forward.

Summary of Benefits

This summary is not a Summary Plan Description or a plan document. You should not rely solely on this summary in making a determination of eligibility of benefits. Liabilities and plan provisions are based on the plan data and provisions as of July 1, 2019. This report covers only the hybrid cash balance/OPEB tier of KJRP.

Source

Sections 21.345-21.580 of the Kentucky Revised Statutes. {See 2013 Senate Bill 2}.

Eligibility for Membership

District, Circuit, Court of Appeals and Supreme Court Judges may, within 30 days after taking office, elect to make monthly contributions, and thereby become eligible for membership in the KJRP-HT plan. Individuals commencing participation before January 1, 2014 became participants in the KJRP.

Hypothetical Member Accounts

The Hypothetical Member Account for each member is credited monthly with 9% of "creditable compensation" (including a 5% employee credit and a 4% state credit), as well as interest as described below. The Hypothetical Member Account balance on June 30 each year is equal to the sum of all prior contribution credits and all prior interest credits.

Employee Contributions

All members contribute 5% of their "creditable compensation" to help fund their pension benefit. Additionally, all members contribute 1% of their "creditable compensation" towards the retiree medical benefit.

State Contributions

The state contributes actuarially determined amounts to finance benefits.

Creditable Compensation

Creditable compensation is based on actual compensation received during each year.

Interest on Hypothetical Member Accounts

The Hypothetical Member Account will be credited with 4% annually. The credit will be applied on each June 30 based upon the Hypothetical Member Account balance from the preceding June 30. No interest credit is provided for contribution credits made in the current year.

Additionally, if the geometric average net investment return for the prior five years (or years since the effective date of the hybrid plan, if less) exceed 4%, members who were active and participating in the prior year will have their hypothetical accounts credited with 75% of the amount of the return over 4%. This additional interest credit is applied in the same method as the interest credit in the prior paragraph.

Normal Retirement

Condition

Members who have attained age 65 and completed at least 5 years of service. However, for members who are at least age 57, members may retire if age plus service equals 87 years.

Benefit

A member will receive their accumulated Hypothetical Account as either a lump sum or as one of a variety of annuity options, calculated by dividing their accumulated Hypothetical Account by an actuarial factor.

Early Retirement

A member who retires prior to normal retirement date with at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

Termination Benefit

If a judge ceases to be a member of the plan prior to having 5 years of service, the amount of the member's accumulated contributions shall be returned to the member, including the member contributions and the interest applicable to this portion of the account. A member terminating with less than 5 years of service does not receive a refund of state contributions nor the interest applicable to this portion of the account.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income, the named beneficiary shall receive survivor benefits based upon the form of retirement benefits being received.

If a member with at least 5 years of service dies before retirement, the named beneficiary is entitled to receive a full refund of the accumulated Hypothetical Member Account. If a member with less than 5 years of service dies before retirement, the named beneficiary is entitled to receive a refund of the member's accumulated contributions, including the member contributions and the interest applicable to this portion of the account.

Medical Insurance Premium Supplement

Retired members with at least 15 years of service, in addition to actual retirement benefits, will receive a monthly medical insurance benefit of ten dollars per year of service.

The current premium rates in effect are:

	Monthly Premium
Under age 65	
Family coverage	$ 1,767.60
Single coverage	729.34
Parent Plus coverage	1,037.08
Member and Spouse	1,589.10
Age 65 or older	
Medicare Advantage PPO	297.90

Premium rates are approved by the Board of Trustees.

Actuarial Assumptions

Interest

4% per annum – this rate was selected by the KJRP Investment Committee and Findley and the Fund Investment Manager believe this to be a reasonable long-term rate of return assumption.

Mortality

RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality.

Terminations

Table T-3 from the Actuary's Pension Handbook. Specimen rates are as follows:

Age	Rate of Termination
20	.066
25	.053
30	.048
35	.045
40	.038
45	.032
50	.015
55	.003
60+	.000

Salary Increases

1% for the next five years, and 3.5% thereafter.

Disability

None

Retirement Age

Retirements were assumed to occur as follow:

Retirement Age *	Percentage of Active Members Retiring
60	16.67%
61	20.00%
62	25.00%
63	33.33%
64	50.00%
65	100.00%

* The plan also requires 5 years of service to be eligible to retire.

Prior to July 1, 2017, an extra 20% rate was assumed at the age a member reaches 27 years of service credit. No additional retirement rate is currently assumed.

Post-Retirement Death Benefit

Assumption is that 80% of the judges would be married at retirement and the husband would be 3 years older than the wife on average.

Pre-Retirement Death Benefit

Assumption is that 80% of the judges would be survived by a spouse upon death prior to retirement and that the husband would be 3 years older than the wife on average.

Form of Benefit

All participants are assumed to receive a lump sum.

Medical Insurance Premium Supplement

Medical premiums will increase for each year beyond the valuation date at the rate of 7.00% for the next 3 years, then 6.75% for the next year and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

An annual COLA of 1.5% is applied to the monthly insurance benefit, beginning at retirement.

100% of eligible retirees are assumed to elect the benefit. It was further assumed that coverage would be split among retirees as follows:

	% of Retirees	% With Spouse Coverage
Pre-Medicare Coverage		
Family	18%	N/A
Single	53%	N/A
Parent Plus	9%	N/A
Member and Spouse	20%	N/A
Medicare Coverage		
Medicare Advantage PPO	100%	75%

The assumed annual claims costs per subscriber as of July 1, 2019 are:

Pre-65 Cost	Post-65 Cost
$ 16,224	$ 6,256

Claims were adjusted downward using the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013 for attained ages 55 to 65.

Retirees are assumed to contribute the difference between the premium rate and the portion of the premium paid by the Plan. Premium rates and Plan contributions are described in the Summary of Benefits.

Non-members

Judges electing not to participate are assumed to continue as non-members in the future.

Actuarial Methods

Funding Method

Accrued liability and normal cost calculated based on Entry Age Normal funding method. The required contribution is calculated based on KRS 21.525, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability.

Asset Valuation Method

The determination of the actuarial value of assets is as follows:

1. Investment gains/losses are determined for each year by comparing the expected value of assets based on the assumed interest assumption to actual market value. Expected value of assets in each year shall be determined by projecting the market value of assets from the prior year using the assumed interest rate, plus contributions less benefit payments and plan expenses (adjusted with interest at the assumed rate). If the expected value of plan assets is different than the actual market value of plan assets then the difference is treated as a gain or loss for that year.
2. The amount of any gain or loss as determined above shall be recognized evenly over the subsequent five years.
3. The actuarial value of assets on any valuation date shall be equal to the market value of assets on that date adjusted as follows:
    - Reduced by 80% of a gain or increased by 80% of a loss from the preceding year
    - Reduced by 60% of a gain or increased by 60% of a loss from the 2nd preceding year
    - Reduced by 40% of a gain or increased by 40% of a loss from the 3rd preceding year
    - Reduced by 20% of a gain or increased by 20% of a loss from the 4th preceding year
4. In no event will the actuarial value of assets be less than 80% or greater than 120% of the current market value of assets

This asset valuation method is used in the determination of funding levels. The fair market value of assets is used for disclosure purposes under GASB Statement Nos. 67, 68, 74, and 75.

For purposes of GASB Statement Nos. 67, 68, 74, and 75, the market value of assets has been allocated between retirement related and medical premium supplement liabilities. This market value allocation is carried forward each year based on the following:

1. State and member contributions, are allocated pro-rata reflecting the ARC for that year.
2. Benefits paid reflect actual benefits paid relative to retirement related benefits separately from medical premium supplements.
3. Preliminary assets are determined by adjusting beginning value for allocated State and member contributions and actual benefits paid.
4. Net investment return is allocated pro-rata based on the preliminary assets developed in the previous step.
5. Allocated assets as of the valuation date equal the preliminary balance plus the allocated share of investment income.

Actuarial value of assets is developed initially in total and then allocated between retirement related benefits and medical premium supplement benefits on a pro-rata basis reflecting allocated share of market value as of the valuation date.

Actuarial Certification

The information contained in this document (including any attachments) is not intended by Findley to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer. The information and valuation results shown in this report are, to the best of our knowledge, complete and accurate and are based upon the following:

1. The liabilities used in this report are based on a roll forward of liabilities from the July 1, 2019 Actuarial Valuation Report.
2. Financial data as of June 30, 2020, submitted by the Kentucky Judicial Form Retirement System. This data was not audited by us but appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions and methods are established either by statute or the Board. The actuarial assumptions currently adopted by the Board appear to be reasonable, both individually and in aggregate.
4. For purposes of GASB 67, 68, 74, and 75 disclosures, assets were split between pension and retiree medical liabilities on the basis of the employee and employer contributions allocated to each part and a prorata allocation of investment return. This methodology was based on the process used to split assets in the traditional defined benefit plan between the pension and retiree medical components.

We believe the information is sufficiently complete and reliable. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles. The actuarial valuation is based on actuarial assumptions used in the July 1, 2019 report. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for Findley member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Certified by:

Matthew Widick

9/28/2020

Matthew Widick, F.S.A., E.A., C.E.R.A., M.A.A.A.
Senior Consultant

Date

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GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	June 30, 2020
Additions	
Contributions:	
Employer	$94,800
Employee	228,052
Total Contributions	322,852
Transfer In Payments	0
Investment Income	127,922
Other	0
Total Additions	450,774
Deductions	
Benefit Payments / Refunds	0
Administrative Expenses	0
Other	0
Total Deductions	0
Net Increase in Net Position	450,774
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	1,162,514
End of Year Market Value of Assets	$1,613,288

Net Pension Liability

Determination of Net Pension Liability

	June 30, 2020
Total Pension Liability (4.00%)	1,739,145
Plan Fiduciary Net Position (Market Value of Assets)	(1,613,288)
Net Pension Liability	$125,857
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.76%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease (3.00%)	**Current Rate** (4.00%)	**1% Increase** (5.00%)
Net Pension Liability	$221,407	$125,857	$36,713

Schedule of Changes in the Net Pension Liability and Related Ratios (Dollar amounts in thousands)

	fiscal year ending June 30											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Pension Liability												
Service cost	$0.0	$166.6	$166.6	$227.7	$227.7	$419.9						
Interest	0.0	10.1	17.1	29.4	39.7	66.9						
Changes of benefit terms	85.0	0.0	0.0	0.0	0.0	0.0						
Differences between expected and actual experience	0.0	0.0	76.8	0.0	225.7	0.0						
Changes of assumptions	0.0	0.0	(10.9)	0.0	0.0	0.0						
Benefit Payments / Refunds	0.0	0.0	(4.4)	0.0	(4.8)	0.0						
Net Change in Total Pension Liability	$85.0	$176.7	$245.2	$257.1	$488.3	$486.8						
Total Pension Liability - beginning	0.0	85.0	261.7	506.9	764.0	1,252.3						
Total Pension Liability - ending (a)	$85.0	$261.7	$506.9	$764.0	$1,252.3	$1,739.1						
Plan Fiduciary Net Position (Market Value of Assets)												
Contributions - employer	$42.3	$71.3	$69.3	$69.3	$94.8	$94.8						
Contributions - employee	47.9	99.1	118.5	161.1	213.0	228.1						
Transfer In Payments	0.0	0.0	0.0	0.0	0.0	0.0						
Net investment income	0.3	4.1	35.5	52.4	92.8	127.9						
Benefit Payments / Refunds	0.0	0.0	(4.4)	0.0	(4.8)	0.0						
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0						
Other	0.0	0.0	0.0	0.0	0.0	0.0						
Net Change in Plan Fiduciary Net Position	$90.5	$174.5	$218.9	$282.8	$395.8	$450.8						
Plan Fiduciary Net Position - beginning	0.0	90.5	265.0	483.9	766.7	1,162.5						
Plan Fiduciary Net Position - ending (b)	$90.5	$265.0	$483.9	$766.7	$1,162.5	$1,613.3						
Net Pension Liability - ending (a) - (b)	($5.5)	($3.3)	$23.0	($2.7)	$89.8	$125.8						
Plan Fiduciary Net Position as a % of the Total Pension Liability	106.5%	101.3%	95.5%	100.4%	92.8%	92.8%						
Covered-employee payroll	$1,936	$1,936	$2,697	$2,724	$5,205	$5,257						
Net Pension Liability as a % of covered-employee payroll	-0.3%	-0.2%	0.9%	-0.1%	1.7%	2.4%						
Discount Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%						

Schedule of Contributions

(Dollar amounts in thousands)

	fiscal year ending June 30											
	2015	2016	2017	208	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contribution [1]	$42.3	$71.3	$69.3	$69.3	$98.5	$102.5						
Contributions in relation to the actuarially determined contribution	42.3	71.3	69.3	69.3	94.8	94.8						
Contribution deficiency (excess)	$0.0	$0.0	$0.0	$0.0	$3.7	$7.7						
Covered-employee payroll	$1,936	$1,936	$2,697	$2,697	$5,205	$5,257						
Contributions as a percentage of covered-employee payroll	2.2%	3.7%	2.6%	2.6%	2.5%	1.8%						

[1] Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption of 4.00%.

Additional Requirements Under GASB Statement No. 67

GASB Statement No. 67 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 67, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. Findley is prepared to assist the system as needed.

GASB Statement No.68

Schedule of Changes in NPL, Deferrals, & Pension Expense

	Increase (Decrease)					
	Total Pension Liability (a)	Plan Net Position (Assets) (b)	Net Pension Liability (a) - (b)	Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources	Pension Expense
Balances–at 06/30/19	$ 1,252,325	$ 1,162,514	$ 89,811	$ 373,724	$ 79,129	
Changes for the Year:						
Service cost	419,930		419,930			419,930
Interest expense	66,890		66,890			66,890
Benefit changes	-		-			-
Experience losses (gains)	-		-	-	-	21,277
Changes of assumptions	-		-	-	-	(761)
Contributions--State		94,800	(94,800)			
Contributions--Members		228,052	(228,052)			(228,052)
Transfer In Payments		-	-			
Net investment income		127,922	(127,922)			
Expected return on plan investments						(52,913)
Current expense of asset gain/loss						(35,582)
Non expensed asset gain/loss				-	60,007	
Refunds of contributions	-	-	-			
Benefits paid	-	-	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(102,481)		
Post-measurement Contribution				202,991		
Other changes						
Amortization of or change in beginning balances				(21,862)	(21,926)	
Net Changes	486,820	450,774	36,046	78,648	38,081	190,789
Balances–at 06/30/20	$ 1,739,145	$ 1,613,288	$ 125,857	$ 452,372	$ 117,210	$ 190,789

Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2021, the recognized pension expense will be $190,789. At June 30, 2021, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	As of June 30, 2020			As of June 30, 2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognized in Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)						
- 6/30/2017	60,816	-	5,354	55,463	-	10.360 years
- 6/30/2019	209,841	-	15,924	193,918	-	12.178 years
subtotal	270,658	-	21,277	249,381	-	
Change of assumptions						
- 6/30/2017	-	8,642	(761)	-	7,881	10.360 years
subtotal	-	8,642	(761)	-	7,881	
Net difference between projected and actual earnings on investments						
- 6/30/2016	585	-	585	-	-	0.000 years
- 6/30/2017	-	8,480	(4,240)	-	4,240	1.000 year
- 6/30/2018	-	17,088	(5,696)	-	11,392	2.000 years
- 6/30/2019	-	44,919	(11,230)	-	33,689	3.000 years
- 6/30/2020	-	75,009	(15,002)	-	60,007	4.000 years
subtotal	585	145,496	(35,582)	-	109,329	
Total	$ 271,243	$ 154,138	$ (15,066)	$ 249,381	$ 117,210	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactives (0 years of future service is assumed for inactives for this calculation).

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	(15,651)
2023	(11,411)
2024	(5,715)
2025	5,515
2026	20,516
Thereafter	138,917

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2020) and the disclosure date (June 30, 2021) for GASB 68 be reported as a deferred outflow of resources.

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	June 30, 2020
Additions	
Contributions	
Employer	0
Employee	45,610
Total Contributions	45,610
Transfer In Payments	0
Investment Income	17,068
Other	0
Total Additions	62,678
Deductions	
Benefit Payments / Refunds	0
Administrative Expenses	0
Other	0
Total Deductions	0
Net Increase in Net Position	62,678
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	152,581
End of Year Market Value of Assets	$215,259

Net OPEB Liability

Determination of Net OPEB Liability

Total OPEB Liability	160,879
Plan Fiduciary Net Position (Market Value of Assets)	(215,259)
Net OPEB Liability	($54,380)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	133.80%

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease on Trend Assumption	Current Trend Assumption	1% Increase on Trend Assumption
Net OPEB Liability	($55,925)	($54,380)	($52,429)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 3.00%	**Current Rate** 4.00%	**1% Increase** 5.00%
Net OPEB Liability	($21,982)	($54,380)	($80,560)

Schedule of Changes in the Net OPEB Liability and Related Ratios

(Dollar amounts in thousands)

	fiscal year ending June 30									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability										
Service cost	$15.4	$21.3	$21.3	$41.5						
Interest	1.6	2.7	3.7	6.2						
Changes of benefit terms	0.0	0.0	0.0	0.0						
Differences between expected and actual experience	4.8	0.0	15.4	0.0						
Changes of assumptions	0.0	0.0	1.7	0.0						
Benefit Payments / Refunds	0.0	0.0	0.0	0.0						
Net Change in Total OPEB Liability	$21.8	$24.0	$42.1	$47.7						
Total OPEB Liability - beginning	25.3	47.1	71.1	113.2						
Total OPEB Liability - ending (a)	$47.1	$71.1	$113.2	$160.9						
Plan Fiduciary Net Position (Assets)										
Contributions - employer	$0.0	$0.0	$0.0	$0.0						
Contributions - employee	23.7	32.2	42.6	45.6						
Transfer In Payments	0.0	0.0	0.0	0.0						
Net investment income	4.3	6.7	12.2	17.1						
Benefit Payments / Refunds	0.0	0.0	0.0	0.0						
Administrative expenses	0.0	0.0	0.0	0.0						
Other	0.0	0.0	0.0	0.0						
Net Change in Plan Fiduciary Net Position	$28.0	$38.9	$54.8	$62.7						
Plan Fiduciary Net Position - beginning	30.9	58.9	97.8	152.6						
Plan Fiduciary Net Position - ending (b)	$58.9	$97.8	$152.6	$215.3						
Net OPEB Liability - ending (a) - (b)	($11.8)	($26.7)	($39.4)	($54.4)						
Plan Fiduciary Net Position as a % of the Total OPEB Liability	125.1%	137.6%	134.8%	133.8%						
Covered-employee payroll	$2,697	$2,724	$5,205	$5,257						
Net OPEB Liability as a % of covered-employee payroll	(0.4%)	(1.0%)	(0.8%)	(1.0%)						
Discount Rate	4.00%	4.00%	4.00%	4.00%						

Schedule of Contributions

(Dollar amounts in thousands)

	fiscal year ending June 30									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contribution [1]	$0.0	$0.0	$0.0	$0.0						
Contributions in relation to the actuarially determined contribution	0.0	0.0	0.0	0.0						
Contribution deficiency (excess)	$0.0	$0.0	$0.0	$0.0						
Covered-employee payroll	$2,697	$2,724	$5,205	$5,257						
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%						

[1] Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption of 4.00%.

Additional Requirements Under GASB Statement No. 74

GASB Statement No. 74 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 74, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. Findley is prepared to assist the system as needed.

GASB Statement No. 75

Schedule of Changes in NOL, Deferrals, & OPEB Expense

	Increase (Decrease)					
	Total OPEB Liability (a)	Plan Net Position (Assets) (b)	Net OPEB Liability (a) - (b)	Deferred OPEB Outflows of Resources	Deferred OPEB Inflows of Resources	OPEB Expense
Balances--at 06/30/19	$ 113,230	$ 152,581	$ (39,351)	$ 19,705	$ 9,098	
Changes for the Year:						
Service cost	41,461		41,461			41,461
Interest expense	6,188		6,188			6,188
Benefit changes	-		-			-
Experience losses (gains)	-		-	-	-	1,425
Changes of assumptions	-		-	-	-	117
Contributions--State		-	-			
Contributions--Members		45,610	(45,610)			(45,610)
Transfer In Payments		-	-			
Net investment income		17,068	(17,068)			
Expected return on plan investments						(7,060)
Current expense of asset gain/loss						(4,716)
Non expensed asset gain/loss				-	8,006	
Refunds of contributions	-	-	-			
Benefits paid	-	-	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				-		
Post-measurement Contribution				2,587		
Other changes						
Amortization of or change in beginning balances				(1,542)	(2,715)	
Net Changes	47,649	62,678	(15,029)	1,045	5,291	(8,195)
Balances--at 06/30/20	$ 160,879	$ 215,259	$ (54,380)	$ 20,750	$ 14,389	$ (8,195)

Schedule of Changes in Deferred Outflows/Inflows

For the year ended June 30, 2021, the recognized OPEB expense will be ($8,195). At June 30, 2021, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to OPEBs from the following sources:

	As of June 30, 2020			As of June 30, 2021		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognized in OPEB Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)						
- 6/30/2017	3,810	-	335	3,475	-	10.360 years
- 6/30/2019	14,359	-	1,090	13,269	-	12.178 years
subtotal	18,169	-	1,425	16,744	-	
Change of assumptions						
- 6/30/2019	1,536	-	117	1,419	-	12.178 years
subtotal	1,536	-	117	1,419	-	
Net difference between projected and actual earnings on investments						
- 6/30/2017	-	1,024	(513)	-	511	1.000 year
- 6/30/2018	-	2,179	(727)	-	1,452	2.000 years
- 6/30/2019	-	5,895	(1,474)	-	4,421	3.000 years
- 6/30/2020	-	10,008	(2,002)	-	8,006	4.000 years
subtotal	-	19,105	(4,716)	-	14,389	
Total	$ 19,705	$ 19,105	$ (3,174)	$ 18,163	$ 14,389	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactives (0 years of future service is assumed for inactives for this calculation).

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	(3,172)
2023	(2,659)
2024	(1,933)
2025	(458)
2026	1,542
Thereafter	10,453

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2020) and the disclosure date (June 30, 2021) for GASB 75 be reported as a deferred outflow of resources.

Actuarial Asset Value

Determination of Actuarial Asset Value

	2019-20 Plan Year	2018-19 Plan Year	2017-18 Plan Year	2016-17 Plan Year
Interest Return Assumption	4.00%	4.00%	4.00%	4.00%
Market Value at Beginning of Year				
Amount	$ 1,315,095	$ 864,484	$ 542,775	$ 295,943
Interest to End of Year	52,604	34,579	21,711	11,838
Employer Contributions				
Amount	94,800	94,800	69,300	69,311
Interest to End of Year	1,896	1,896	1,386	1,386
Member Contributions				
Amount	273,662	255,630	193,332	142,183
Interest to End of Year	5,473	5,113	3,867	2,844
Transfers from KERS				
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Benefits Paid				
Amount	-	4,828	-	4,404
Interest to End of Year	-	97	-	88
Expected End of Year Assets	1,743,530	1,251,577	832,371	519,013
Market Value at End of Year	1,828,547	1,315,095	864,484	542,775
Investment Gain (Loss)	85,017	63,518	32,113	23,762
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	(68,014)	(38,111)	(12,845)	(4,752)
Actuarial Asset Value (Market Value plus Adjustment)	**$ 1,704,825**			

	Retirement	Medical Supplement
Market Value at Beginning of Year	1,162,514	152,581
State Contributions	94,800	-
Member Contributions	228,052	45,610
Transfers In Payments	-	-
Distributions	-	-
Refund of Contributions	-	-
Allocated Investment Return	127,922	17,068
Market Value at End of Year	1,613,288	215,259
Allocation of Actuarial Asset Value	1,504,130	200,695

Risk Assessment

Risk Factor	Initial Risk Assessment Language
Investment	Due to the plan's substantial equity exposure, investment returns will likely be much more volatile than the measurements of plan liabilities. Therefore, there is a risk that the funded status of the plan, as well as required plan contributions, could be volatile.
Assumed Rate of Return	Due to the plan's estimated duration of 14 to 18, a 1% decrease in the assumed rate of investment return would increase the measurement of the liability by 14% to 18%.
Longevity	Since nearly all benefits are expected to be paid as lump sums, there is little exposure to longevity risk. If a higher percentage of participants elect to receive an annuity than expected, the exposure to this risk would be higher.
Lump sums	Since lump sum benefits are equal to the cash balance account value, lump sum payments have a compararable effect on both assets and liabilities.
Inflation	Inflation is a component of future interest rates and investment returns over a long period. As a result, changes to inflation can affect funded percentages.
Other Factors	Due to recent and ongoing attempts to pass pension reform legislation at a state level, the plan could be modified in the future. Future legislation may affect benefit levels or future contribution levels and could result in increases or decreases in the plan liabilities or funding status.

Findley can perform more detailed assessments of these risks as desired by the plan sponsor to provide a better understanding of the risks.

GASB Notes

Notes to GASB 67, 68, 74, and 75 Disclosures

1. The tables in this report account for liabilities and assets only for the hybrid cash balance/OPEB tier under the plan; liabilities and assets pertaining to the traditional defined benefit/OPEB tier are presented in a separate report.
2. Actuarial accrued liability is based on the entry age normal funding method.
3. OPEB liabilities and allocated assets have been excluded from GASB 67 and 68 disclosures and established in GASB 74 and 75 disclosures.
4. Market value of assets were split between pension and OPEB obligations based on the basis of the employee and employer contributions and distributions allocated to each part and a prorata allocation of investment return. Actuarial value of assets is then allocated based on the market value of retirement and OPEB assets.
5. Actuarial value of assets uses a 5-year asset smoothing method.
6. Information used in preparing these exhibits has been extracted from past valuation reports.
7. Covered payroll reflects payroll for plan members as of the last actuarial valuation, with assumed pay increases as appropriate.
8. ADC based on full actuarial report (odd numbered years) immediately prior to each biennium, with interest adjustment as appropriate.
9. Interest on OPEB Obligation is based on assumed valuation interest assumption for the prior year, 4% beginning with 2015 valuation.
10. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
11. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2021, the measurement date is July 1, 2020 (the valuation date).
12. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 74.
13. It is assumed the measurement date for GASB 75 will be 12 months before the disclosure date. For the year ending June 30, 2021, the measurement date is July 1, 2020 (the valuation date).

Glossary of Terms

Amortization – The process of systematically recognizing prior gains and losses as a component of the Pension Expense.

Fiduciary Net Position – The market value of assets as of a specified measurement date.

Funded Status – The difference between the Fiduciary Net Position and the Total Pension Liability as of the measurement date.

Gain/Loss – A change in the value of either the Total Pension Liability or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption.

Interest Cost – The amount recognized in a period determined as the increase in the Total Pension Liability due to the passage of time.

Pension Expense – The sum of Service Cost, Interest Cost, Expected Return on Assets and amortizations of Actuarial Gain/Loss over the average remaining service period (or the life expectancy) of plan participants expected to receive plan benefits plus a 5-year amortization of Asset Gain/Loss.

Service Cost – is the actuarial present value of benefits attributed to services rendered by employees during the measurement.

Total Pension Liability – The Entry Age Normal Accrued Liability.