



TO: Ms. Donna S. Early
FROM: Findley
DATE: October 30, 2019
RE: Kentucky Legislators Retirement Plan – Addendum to July 1, 2019 Actuarial Valuation Report – Update of Annual Required Contribution for Administrative Expenses

It is our understanding that starting with the 2020-21 fiscal year, administrative and personnel expenses will begin to be paid from plan assets. Due to this change, the Annual Required Contribution amounts shown in the July 1, 2019 Actuarial Valuation Report (“Valuation Report”), dated October 1, 2019, require an adjustment to include the expenses expected to be paid out of the plan assets during the 2020-21 and 2021-22 fiscal years. This memorandum shall serve as an Addendum to the Valuation Report and documents such adjustments to the Annual Required Contributions.

This change is expected to have minimal impact on the other results shown in the Valuation Report. For the projections shown on pages 40-41 of the Valuation Report, the Annual Contribution Requirements would increase by the expected expenses in each year. However, since anticipated expenses for a particular year will be paid out during that year, this increased contribution is assumed to have no impact on the projected Unfunded Liability or Funded Ratio.

The Preliminary Annual Required Contribution as of July 1, 2019 below is the amount shown on pages 2 and 8 of the Valuation Report. Because the actual contributions, based on this July 1, 2019 measurement date calculation, will be made during the 2020-21 and 2021-22 fiscal years, one and two years after the date the requirement was calculated, the Annual Required Contribution has been increased at the interest rate assumption of 6.50%. This adjustment is being made for the time value of money (i.e., there is a time lag between the date of the calculation, July 1, 2019, and the time in which monies are actually contributed to the plan trust).

	<u>Pension</u>	+	<u>OPEB</u>	=	<u>Total</u>
1. Preliminary Annual Required Contribution as of July 1, 2019	271,666		-		271,666
<u>Annual Required Contribution for 2020-21 Fiscal Year</u>					
2a. Preliminary Annual Required Contribution for 2020-21 Fiscal Year [(1) * 1.065]	289,324		-		289,324
2b. Requested Expenses for 2020-21 Fiscal Year (split based on July 1, 2019 liability)	194,775		53,225		248,000
2c. Final Annual Required Contribution for 2020-21 Fiscal Year	484,099		53,225		537,324
<u>Annual Required Contribution for 2021-22 Fiscal Year</u>					
3a. Preliminary Annual Required Contribution for 2021-22 Fiscal Year [(1) * 1.065 * 1.065]	308,130		-		308,130
3b. Requested Expenses for 2021-22 Fiscal Year (split based on July 1, 2019 liability)	204,357		55,843		260,200
3c. Final Annual Required Contribution for 2021-22 Fiscal Year	512,487		55,843		568,330

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