BPS&M

Kentucky Judicial Retirement Plan

Actuarial Valuation and Report

as of July 1, 2017

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Introduction

An actuarial valuation of the Kentucky Judicial Retirement Plan ("KJRP") has been performed as of July 1, 2017. 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.

This report provides details on the actuarial valuation underlying the recommended contribution to the KJRP for plan years commencing in 2018 and 2019. This determination was performed pursuant to Kentucky Revised Statute ("KRS") §21.525 for the retirement system defined in KRS §21.350 to §21.580.

Governmental Accounting Standards Board Statement 67 ("GASB 67"), Statement 43 ("GASB 43"), 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"), Statement 45 ("GASB 45"), and Statement ("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 2017. Actuarial computations under Statements 67, 68, 43, 45, 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.

Statement 45 sets forth a methodology to determine annual adjustments to the Annual Required Contribution (ARC), which is the contribution recommended pursuant to the appropriate actuarial valuation, to account for differences between amounts expensed and contributions actually made. Under GASB 45, the resulting adjusted amount is referred to as the Annual OPEB Cost (AOC) and the accumulated difference between the AOC and the actual contribution is referred to as the Net OPEB Obligation (NOO).

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

BPS&M 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. However, we are aware that studies have been prepared suggesting substantial changes to state-wide retirement systems, including KJRP; this report does not consider any such changes.

We are not aware of any relationship between the plan or plan sponsor and BPS&M, LLC 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.

Summary of Report

An actuarial valuation of the Kentucky Judicial Retirement Plan ("KJRP") was conducted as of July 1, 2017. The purpose of the valuation is to determine the cost implications of the plan including a determination of annual funding levels for the fiscal years beginning July 1, 2018 and July 1, 2019.

In 2013 the applicable state statutes were amended to close participation in the traditional defined benefit, with all individuals first electing to participate in KJRP on or after January 1, 2014 being covered under a new hybrid cash balance tier. **This report covers only the traditional defined benefit/OPEB tier of KJRP.**

It is our understanding that this plan is a "governmental plan" as defined in Internal Revenue Code Section 414(d) and this report has been prepared on that basis.

On the basis of the valuation, it has been determined that the annual funding requirements for the State for the fiscal year beginning in 2018 for the plan, prior to adjusting with interest, as described in the Summary of Benefits section of this report, are as follows:

	Total Amount	Percent of Payroll
Annual Required Contribution	8,637,525	31.31%
Recommended Contribution	13,227,624	47.94%

The Annual Required Contribution is determined based on assumptions and methods set forth in the statute and established by the Board of Trustees. The Recommended Contribution uses assumptions and methods that we believe produce an actuarially sound approach to funding.

The Annual Required Contribution and Recommended Contribution shown above are calculated using asset and liability values as of July 1, 2017. These amounts are used to determine contributions for the fiscal years beginning July 1, 2018 and July 1, 2019.

Due to the lag period between the calculated date and the actual contributions, we have adjusted the Annual Required Contributions and Recommended Contributions for the plan years 2018-2019 and 2019-2020 with one and two years of interest, respectively, at the interest rate assumption of 6.50%.

	2018-2019 (1 year of interest)	2019-2020 (2 years of interest)
Annual Required Contribution (with interest)	9,198,964	9,796,897
Recommended Contribution (with interest)	14,087,420	15,003,102

Summary of Selected Plan Information

	Plan Year Beginning		
	7/1/2017	7/1/2015	7/1/2013
Number of Participants			
Active	227	247	270
Terminated Vested	17	20	21
Retired	258	250	233
Beneficiaries	74	79	75
Total	576	596	599
Average Age (for actives)	56.8	55.3	54.1
Average Service (for actives)	15.1	13.5	11.9
Annual Covered Payroll	$ 27,590,586	$ 30,009,326	$ 32,930,076
Average Salary	121,544	121,495	121,963
Accrued Liability	414,323,736	411,794,639	385,857,736
Actuarial Asset Value	352,785,778	296,799,155	231,588,007
Market Asset Value	371,315,604	332,948,126	272,020,292
Unfunded Accrued Liability (UAL)	61,537,958	114,995,484	154,269,729
Funded Ratio (AVA/AL)	85.15%	72.07%	60.02%
Annual Funding Level [1]			
State Portion of Normal Cost	$ 3,197,933	$ 3,903,075	$ 4,048,278
Expected Employee Contributions	1,430,327	1,555,936	1,698,032
Total Normal Cost	4,628,260	5,459,011	5,746,310
State Annual Required Contribution	8,637,525	13,102,714	16,389,856
Percent of Covered Payroll	31.31%	43.66%	49.77%

[1] In accordance with KRS 21.405 (does not recognize cost of living increases effective after the most recent valuation date) and KRS 21.525 (legally prescribed funding method)

Reconciliation of Total Funding Requirement

	Accrued Liability ($M)	Annual Recommended Contribution ($M)
Prior Valuation ARC Calculation	**411.79**	**13.10**
+ Impact of Current Year Asset Gain/Loss		-0.91
+ Recognition of Prior Asset Gain/Loss		-2.16
+ Other Gain/Loss		-1.71
Current Year Calculation w/ Prior Assumptions	400.37	8.32
+ Updated Discount Rate Assumption, Salary Scale, Medical Trend	+13.95	+0.32
Annual Required Contribution [1]	**414.32**	**8.64**
+ 25 Year Amortization of Unfunded Liability	+0.00	+0.16
Subtotal	414.32	8.80
+ Included Full COLA Assumption	+51.18	+4.43
Minimum Recommended Contribution [2]	**465.50**	**13.23**

[1] In accordance with KRS 21.405 (does not recognize cost of living increases effective after the most recent valuation date) and KRS 21.525 (legally prescribed funding method)

[2] Without regards to KRS 21.405 or KRS 21.525. COLA's will not be granted until the plan is 100% funded (unless current year COLA is prefunded). If all future assumptions are met, ignoring future COLA's in the funding valuation will result in a funding percentage which is always less than 100% when future COLA's are assumed.

Legislative Background

As stated previously, state statues 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.

Statement No.43 of the Governmental Accounting Standards Board was amended by Statement No. 74 of the Governmental Accounting Standards Board. Statement No. 74 became effective for the plan's financial statements for the fiscal year beginning after June 15, 2016. Statement No. 74 establishes financial reporting standards for state and local government OPEB plans that are administered through trusts or equivalent arrangements. The objective of this statement is to improve the usefulness of the information included in pension plan reports.

The Governmental Accounting Standards Board amended Statement No. 45 with Statement No. 75; the effective date for Statement No. 75 is for the fiscal year beginning after June 15, 2017. Statement No. 45 continues to apply to the financial reporting requirement for KJRP for the year ending June 30, 2017. Statement No. 45 provides standards for reporting pension expenditures and expense, and related pension liabilities and assets, for such plans.

Statement No. 75 of the Governmental Accounting Standards Board requires the determination of the OPEB expense for the fiscal year beginning July 1, 2017. Statement No. 75 provides a new approach to calculating the pension expense which differs significantly from Statement No. 45 methodology.

Actuarial Soundness

A plan that has adopted a reasonable funding method, that adopts reasonable assumptions and which 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 is funded in an “actuarially sound manner”, we would recommend the following:

1. Reflect a 1.5% future COLA assumption when calculating the funding requirement for KJRP, to the extent future cost-of-living increases are expected to occur, or intended to be provided.
2. Revise the actuarial funding method to amortize all past unfunded as well as new liabilities over a period not more than 30 years (we suggest shorter periods for various sources of new liability) 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.)
3. Contribute at least the recommended contribution each year.

Deviations from these recommendations may result in an “actuarially unsound” approach to funding KJRP and may eventually result in KJRP 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 option 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.

Changes in Actuarial Assumptions

The following changes were made to the actuarial assumptions effective June 30, 2017:

	Previous	Current
Discount Rate	7.00%	6.50%

The discount rate change described above resulted in an increase in liabilities and annual recommended contribution.

	Previous	Current
Salary Scale	1% for the next five years beginning July 1, 2015 and 3.5% thereafter	1% for the next five years beginning July 1, 2017 and 3.5% thereafter

The salary scale change described above resulted in a decrease in liabilities and annual recommended contribution.

	Previous	Current
Medical Trend Rates	11.00% decreasing to 5.00% over 6 years beginning July 1, 2015	8.00% decreasing to 5.00% over 12 years beginning July 1, 2017

The medical trend rates change described above resulted in an increase in liabilities and annual recommended contribution.

Summaries of the plan provisions, actuarial assumptions and methods can be found in the Basis of Valuation section of this report.

Other Signficant Changes

1. In actuarial valuations prepared in prior years, prior language relating to COLA adjustments, where certain participants were eligible to receive a 4.0% annual COLA, were reflected in plan liabilities. This year, we have been informed that these 4.0% COLA's are not currently being granted and will not be granted in the future. Therefore, we have removed these COLA's from our calculation of plan liabilities effective June 30, 2017. This change resulted in a decrease of $10,304,572 in plan liablities.

2. As of July 1, 2017, the monthly premium rates for Medicare eligible participants in the OPEB plan are $312.79, a significant drop from the premium rates of $391.00 that were effective two years ago in our actuarial valuation. The post-65 OPEB liability is approximately 20% lower than it would have been if the premium rates had not changed.

3. It is our understanding that recent legislation effective for this 2017 actuarial valuation requires the preparation of additional information to be part of the biennial actuarial valuation report. This includes a 20-year projection of liability and cost, as well as disclosure of sensitivity of results to changes in significant assumptions. We have been instructed by the Board of Trustees to not prepare this information until the cost of preparation of such additional information can be appropriately budgeted.

Actuarial Certification

The information contained in this document (including any attachments) is not intended by BPS&M 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. Employee census data as of July 1, 2017, 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.
2. Financial data as of June 30, 2017, 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 as established either by statute or the Board. The actuarial assumptions currently adopted by the Board appear to be reasonable, both individually and in aggregate. However, exclusion of retiree cost-of-living adjustments that can be reasonably anticipated to occur in future years (or for which there is an intent to provide in future years) does not reflect our best estimate of expected experience under the plan. As such, the valuation results presented in this report do not fully reflect the potential liability for future retiree cost-of-living adjustments. For purposes of the calculation of the Recommended Contribution, full future retiree cost-of-living adjustments have been reflected.
4. For purposes of GASB 43, 45, 67, 68, 74, and 75 disclosures, assets were split between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2008 and have been brought forward each year from that date based on actual cash flows and a prorata allocation of investment return. This methodology, initiated by the prior actuary, was based on guidance from the plan's auditor.

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. It is my opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for BPS&M, LLC, 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:

Alan C. Pennington, F.S.A.

Alan C. Pennington, F.S.A., E.A., M.A.A.A.	October 9, 2017
Consulting Actuary/Principal	Date

David L. Shaub

David L. Shaub, F.S.A., M.A.A.A.	October 9, 2017
Managing Consultant	Date

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Annual Required Contribution

Determination of Annual Required Contribution as of July 1, 2017

1. Accrued Liability	Pension	+	OPEB	=	Total
Actives					
Actives	118,231,414		-		118,231,414
Medical Premium Supplement	-		25,430,945		25,430,945
Total Active Liability	118,231,414		25,430,945		143,662,359
Inactives					
Retired	213,668,168		-		213,668,168
Deferred Vested	5,109,753		-		5,109,753
Beneficiaries	25,250,389		-		25,250,389
Medical Premium Supplement	-		26,633,067		26,633,067
Total Inactive Liability	244,028,310		26,633,067		270,661,377
Total Accrued Liability	362,259,724		52,064,012		414,323,736
2. Valuation Assets	277,650,298		75,135,480		352,785,778
3. Unfunded Past Service Liability	84,609,426		(23,071,468)		61,537,958
4. Gross Normal Cost					
Retirement Related	3,722,145		-		3,722,145
Medical Premium Supplement Related	-		906,115		906,115
Total Normal Cost	3,722,145		906,115		4,628,260
5. Annual Covered Payroll	27,590,586		27,590,586		27,590,586
6. Estimated Employee Contributions for the Next 12 Months	1,430,327		-		1,430,327
7. Net Normal Cost (4 - 6)	2,291,818		906,115		3,197,933
8. Interest plus 1% of Unfunded Past Service Liability	6,345,707		(1,730,360)		n/a
9. Total Annual Required Contribution (max (0, 7 + 8))	8,637,525		-		8,637,525
10 . Payment as a Percentage of Covered Payoll (9 / 5)	31.31%		0.00%		31.31%

Estimated Cost of a One-Time COLA as of July 1, 2017

It is our understanding, effective July 1, 2013, that any future COLA's must be pre-funded (either by additional contributions or by excess assets). As of July 1, 2017, the plan has no available excess assets.

<u>Approximate Cost of One Time 1.5% COLA</u>

1. Liability In Payment		
a)	Retired	213,668,168
b)	Beneficiaries	25,250,389
	Total Liability In Payment	238,918,557
2. Desired COLA Percentage		1.50%
3. Estimated Cost of One Time COLA for First Year (1 * 2)		3,583,778*
4. Estimated Cost of One Time COLA for Second Year (3 * 1.015)		3,637,535*

* Cost of 1.5% COLA increase applied to all members in pay status as of the valuation date.

Actuarial Asset Value

Determination of Actuarial Asset Value as of July 1, 2017

	2016-17 Plan Year	2015-16 Plan Year	2014-15 Plan Year	2013-14 Plan Year
Interest Return Assumption	7.00%	7.00%	7.00%	7.00%
Market Value at Beginning of Year				
Amount	$ 337,461,016	$ 332,948,126	$ 306,193,359	$ 272,020,292
Interest to End of Year	23,622,271	23,306,369	21,433,535	19,041,420
Employer Contributions				
Amount	13,102,700	16,389,900	16,389,901	11,438,840
Interest to End of Year	458,595	573,647	573,647	400,359
Member Contributions				
Amount	1,639,675	1,776,150	2,020,278	2,920,311
Interest to End of Year	57,389	62,165	70,710	102,211
Transfers from KERS				
Amount	41,161	117,590	267,528	1,693,123
Interest to End of Year	1,441	4,116	9,363	59,259
Benefits Paid				
Amount	24,950,417	24,816,275	24,212,316	23,846,384
Interest to End of Year	873,265	940,950	918,050	904,175
Expected End of Year Assets	350,560,566	349,420,838	321,827,955	282,925,256
Market Value at End of Year	371,315,604	337,461,016	332,948,126	306,193,359
Investment Gain (Loss)	20,755,038	(11,959,822)	11,120,171	23,268,103
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	(16,604,030)	7,175,893	(4,448,068)	(4,653,621)
Actuarial Asset Value (Market Value plus Adjustment)	**$ 352,785,778**			

	Retirement	Medical Supplement
Market Value at Beginning of Year	$267,190,593	$70,270,423
State Contributions	11,884,797	1,217,903
Member Contributions	1,487,266	152,409
Transfers In Payments	37,335	3,826
Distributions	23,007,246	1,943,171
Allocated Investment Return	34,640,940	9,380,529
Market Value at End of Year	$292,233,685	$79,081,919
Allocation of Actuarial Asset Value	$277,650,298	$75,135,480

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, 2017. This report covers only the traditional defined benefit/OPEB tier of KJRP.

Source

Sections 21.345-21.580 of the Kentucky Revised Statutes.

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 plan. Individuals commencing participation on or after January 1, 2014 will participate in the hybrid plan.

Employee Contributions

Members entering the plan on or after September 1, 2008 must contribute 6% of their "official salary". Members entering the plan prior to September 1, 2008 must contribute 5% of their "official salary". Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, then employee contributions shall cease.

Normal Retirement

Condition

Members who have completed at least 8 years of service and have attained age 65. However, the age 65 requirement shall be reduced by one year for each five years of service, and one year for each year beyond the years of service needed to accrue a benefit of 100% of final average compensation, but with total reduction not to reduce the age requirement below 60. The full accrued benefit will also be payable upon completion of 27 years of service.

For purposes of determining years of service for vesting only, years of service under other authorized state systems will count.

Benefit Formula

The monthly retirement income, payable for the member's lifetime, is based on the following formula:

Members who first participated before July 1, 1978, 5% of final average compensation multiplied by years of service, so long as his service continues without interruption. In no event shall the monthly retirement benefit exceed 100% of final average compensation. (Final average compensation means the average monthly compensation of the member for the 60 months of service immediately preceding retirement date, except for retirements occurring on or before January 1, 2009 which shall use 36 months).

For an individual who first participated, or renewed former participation, between July 1, 1978 and June 30, 1980 the benefit shall be 4.15% of average compensation multiplied by years of service not to exceed 100% of average compensation.

For all other individuals, the benefit shall be 2.75% of average compensation multiplied by years of service not to exceed 100% of average compensation.

Early Retirement

Members who retire prior to normal retirement date with at least 8 years of service have two alternatives with regard to receiving retirement income as follows:

1. Upon reaching normal retirement age, the member may be vested with the right to receive a monthly service retirement allowance computed and payable on the basis of years of service and average salary for the 60 months prior to retirement, or
2. A member may elect to be paid, commencing as of the date of the election, a monthly service retirement allowance equivalent to the amount of monthly allowance that would have been paid had the member waited until reaching normal retirement age, but reduced in accordance with age at the time of election for each year under normal retirement age at the rate of 5% per year.

If the member has 27 or more years of service credit, there shall be no reduction for benefit commencement prior to normal retirement age. If the difference between the number of years of total governmental service and 27 is less than the difference between actual age and normal retirement age, the reduction shall be 5% for each year of service under 27.

Late Retirement

A judge may continue service beyond normal retirement age and continue to accrue service credits, but cannot receive a benefit in excess of 100% of final average compensation.

Disability Benefit

Condition

No service requirement.

Benefit

Upon determination of disability, a member will be eligible to receive ½ of the monthly retirement income that would have been payable commencing at normal retirement date if this member had continued service until that date and then retired. In calculating the retirement income, average salary for the 5 years preceding disability will be used. When a disabled member reaches normal retirement date, the member may apply and start receiving the full amount of retirement income that would have been payable based upon the actual number of years of service and compensation, in lieu of the disability benefit.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income (other than an actuarially reduced income), or was receiving a disability income, the surviving spouse (if married to the member at the time of retirement) is entitled to receive a monthly allowance equal to ½ of what the member was receiving for his/her lifetime.

If a member dies after retirement, and was at the time receiving an actuarially reduced allowance, or was not receiving an allowance, but had acquired a vested right to have received an allowance upon reaching normal retirement date, the surviving spouse (if married to the member at the time of retirement) is entitled to receive ½ of the monthly allowance the member would have received at normal retirement date for his/her lifetime.

If an active member dies before retirement and before reaching normal retirement age, without regard to length of service, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to ½ of the monthly retirement income the member would have received commencing at the member's normal retirement date as if the member had continued in service until that date and then retired, computed on the basis of final compensation at the time of death.

If a member dies before retirement and after reaching normal retirement date, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to ½ of the monthly allowance the member would have been entitled to on the basis of years of service, had the member retired on his date of death, computed on the basis of final compensation at the time of death.

If a member is not married at the time of death, any death benefits described above to which a surviving spouse would have been entitled will be payable to the children of the deceased member until such time as the youngest child attains age 21, or for the life of a disabled child. Also, a member may designate that survivor benefits shall go in part or in total to minor children instead of the spouse.

If cumulative payments to the member and/or beneficiary do not exceed the member's total contributions to this plan, then the excess of such contributions over cumulative plan benefits paid shall be paid as an additional death benefit.

Termination Benefit

If a Judge ceases to be a member of the plan other than by death or disability without having completed at least 8 years of service, then the amount of the member's accumulated contributions shall be returned to the member. If, thereafter, this individual again becomes a holder of an office qualifying for membership in this plan then this individual shall not be entitled to credit for the prior period of service unless, at the time he again participates in the plan, the amount previously refunded is repaid with interest.

Cost-of-Living Adjustment

Ad hoc cost-of-living adjustments (COLA's) have been granted as noted below:

Effective Date of Increase	Percentage Increase	Increase Applies To Benefits Based on Service Prior To
7/1/1986	5%	6/30/1980
7/1/1988	5%	6/30/1982
7/1/1989	5%	6/30/1982
7/1/1990	5%	6/30/1990
7/1/1991	5%	6/30/1991
7/1/1993	3%	6/30/1993
7/1/1994	5%	6/30/1994
7/1/1995	5%	6/30/1995
7/1/1996	None	N/A
7/1/1997	None	N/A
8/1/1998	2.3%	N/A
7/1/1999	1.6%	N/A
7/1/2000	2.2%	N/A
7/1/2001	3.4%	N/A
7/1/2002	2.85%	N/A
7/1/2003	1.6%	N/A
7/1/2004	2.3%	N/A
7/1/2005	2.7%	N/A
7/1/2006	3.4%	N/A
7/1/2007	3.2%	N/A
7/1/2008	2.8%	N/A
7/1/2009 and later*	1.5%	N/A

*COLA's were suspended for fiscal years beginning in 2012 and later; COLA's after 7/1/2013 are not reflected in this valuation. No further COLA's will be granted until the plan is 100% funded, unless a one-time COLA is 100% prefunded.

In addition, a provision for an on-going cost-of-living adjustment is made by statute. Effective August 1, 1998 and each July 1 thereafter, a recipient of a monthly pension shall receive a cost-of-living adjustment keyed to the Consumer Price Index. This COLA is excluded from the inviolable contract and can be repealed by the General Assembly at any time. Beginning July 1, 2009, if granted, this cost-of-living adjustment will be 1.50% for all retirees who have been retired in excess of one year and prorated for those retired less than one year.

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted, except for any anticipated COLA adjustments under the provision as in effect prior to August 1, 1998.

Medical Insurance Premium Supplement

Retired members, in addition to actual retirement benefits, will have a percentage of their (and their dependent's) medical insurance premium paid by the plan. The percentage will vary based on the numbers of years of service credit as follows:

Years of Service Credit at Retirement	Percentage of Medical Insurance Premium Paid by the Plan
20 or more	100%
15, but less than 20	75%
10, but less than 15	50%
4, but less than 10	25%
Less than 4	0%

The current premium rates in effect are:

	Monthly Premium
Under age 65	
Family coverage	$ 1,738.40
Single coverage	721.14
Parent Plus coverage	1,023.04
Member and Spouse	1,564.20
Age 65 or older	
Medicare Advantage PPO	312.79

Premium rates are approved by the Board.

Actuarial Assumptions

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.

Interest

6.5% per annum (7.0 per annum prior to July 1, 2017) – this rate was selected by the Board of Trustees and BPS&M and the Fund Investment Manager believe this to be a reasonable long-term rate of return assumption.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2055. The long-term expected rate of return on pension plan investments was applied to periods of projected benefit payments through this date, and the municipal bond rate was used for the period thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second bases was 6.50% for 38 years and 3.11% thereafter. This is equivalent to an average assumed rate of return of approximately 6.24%.

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

None assumed for Members other than District Judges; for District Judges, turnover assumed to be in accordance with 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
NRA-5	16.67%
NRA-4	20.00%
NRA-3	25.00%
NRA-2	33.33%
NRA-1	50.00%
NRA	100.00%

NRA = Normal Retirement Age

In addition to these rates, an extra 20% rate is assumed at the age a member reaches 27 years of service credit.

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.

Cost-of-Living Adjustment

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted. For the purposes of the calculation of the Recommended Contribution, a full 1.5% annual COLA has been reflected.

Medical Insurance Premium Supplement

Medical premiums will increase for each year beyond the valuation date at the following rates:

Year 1	8.00%
Year 2	7.75%
Year 3	7.50%
Year 4	7.25%
Year 5	7.00%
Year 6	6.75%
Year 7	6.50%
Year 8	6.25%
Year 9	6.00%
Year 10	5.75%
Year 11	5.50%
Year 12	5.25%
Years 13+	5.00%

It was further assumed that coverage would be split among retirees as follows:

	% of Retirees	**% With Spouse Coverage**
Pre-Medicare Coverage		
Family	17%	N/A
Single	49%	N/A
Parent Plus	10%	N/A
Member and Spouse	24%	N/A
Medicare Coverage		
Medicare Advantage PPO	100%	75%

The assumed annual claims costs per subscriber as of July 1, 2017 are:

Pre-65 Cost	Post-65 Cost
$ 15,152	$ 6,569

Claims were adjusted downward 3% for each year of age reduction from age 65 to age 55.

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

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 both the determination of funding levels as well as for disclosure purposes under GASB Statement Nos. 43 and 45. 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. 43, 45, 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, as well as transfers for purchase of additional service, are allocated pro-rata reflecting the Annual Required Contribution 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.

GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	June 30, 2017
Additions	
Contributions:	
Employer	$11,884,797
Employee	1,487,266
Total Contributions	13,372,063
Transfer In Payments	37,335
Investment Income	34,640,940
Other	0
Total Additions	48,050,338
Deductions	
Benefit Payments / Refunds	23,007,246
Administrative Expenses	0
Other	0
Total Deductions	23,007,246
Net Increase in Net Position	25,043,092
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	267,190,593
End of Year Market Value of Assets	$292,233,685

Net Pension Liability

Determination of Net Pension Liability

	June 30, 2017
Total Pension Liability (6.24%)	370,998,166
Plan Fiduciary Net Position (Market Value of Assets)	(292,233,685)
Net Pension Liability	$78,764,481
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.77%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease	**Current Rate**	**1% Increase**
	(5.24%)	(6.24%)	(7.24%)
Net Pension Liability	$116,043,080	$78,764,481	$47,027,180

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

	fiscal year ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	$5.0	$5.0	$4.8	$4.7						
Interest	21.9	22.2	23.4	23.8						
Changes of benefit terms	0.0	0.0	0.0	0.0						
Differences between expected and actual experience	0.0	4.4	0.0	(8.9)						
Changes of assumptions	29.1	(4.4)	0.0	(2.1)						
Benefit Payments / Refunds	(21.8)	(22.3)	(22.9)	(23.0)						
Net Change in Total Pension Liability	$34.2	$4.9	5.3	($5.5)						
Total Pension Liability - beginning	332.1	366.3	371.2	376.5						
Total Pension Liability - ending (a)	$366.3	$371.2	376.5	$371.0						
Plan Fiduciary Net Position (Market Value of Assets)										
Contributions - employer	$10.8	$15.1	$15.1	$11.9						
Contributions - employee	2.8	1.9	1.7	1.5						
Transfer In Payments	1.6	0.2	0.1	0.0						
Net investment income	33.2	25.6	8.7	34.6						
Benefit Payments / Refunds	(21.8)	(22.2)	(22.9)	(23.0)						
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	$26.6	$20.6	$2.7	$25.0						
Plan Fiduciary Net Position - beginning	217.3	243.9	264.5	267.2						
Plan Fiduciary Net Position - ending (b)	$243.9	$264.5	$267.2	$292.2						
Net Pension Liability - ending (a) - (b)	$122.4	$106.7	$109.3	$78.8						
Plan Fiduciary Net Position as a % of the Total Pension Liability	66.6%	71.3%	71.0%	78.8%						
Covered-employee payroll	$32.9	$30.0	$30.0	$27.6						
Net Pension Liability as a % of covered-employee payroll	371.7%	355.7%	364.3%	285.5%						
Discount Rate	6.15%	6.41%	6.41%	6.24%						

Schedule of Contributions

	fiscal year ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$15.2	$15.1	$15.1	$11.9						
Contributions in relation to the actuarially determined contribution	10.8	15.1	15.1	11.9						
Contribution deficiency (excess)	$4.4	$0.0	$0.0	$0.0						
Covered-employee payroll	$32.9	$30.0	$30.0	$27.6						
Contributions as a percentage of covered-employee payroll	32.8%	50.3%	50.3%	43.1%						

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. BPS&M 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 06/30/16	$ 376,509,460	$ 267,190,593	$ 109,318,867	$ 25,052,113	$ 14,938,858	
Changes for the Year:						
Service cost	4,746,022		4,746,022			4,746,022
Interest expense	23,762,543		23,762,543			23,762,543
Benefit changes						
Experience losses (gains)	(8,933,477)		(8,933,477)	-	4,151,102	(4,030,622)
Changes of assumptions	(2,079,136)		(2,079,136)	-	966,108	2,962,828
Contributions--State		11,884,797	(11,884,797)			
Contributions--Members		1,487,266	(1,487,266)			(1,487,266)
Transfer In Payments		37,335	(37,335)			
Net investment income		34,640,940	(34,640,940)			
Expected return on plan investments						(18,311,202)
Current expense of asset gain/loss						(7,582,607)
Non expensed asset gain/loss				-	13,063,791	
Refunds of contributions	-	-	-			
Benefits paid	(23,007,246)	(23,007,246)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(11,884,810)		
Post-measurement Contribution				11,884,810		
Other changes						
Amortization of or change in beginning balances				(7,476,460)	(6,965,509)	
Net Changes	(5,511,294)	25,043,092	(30,554,386)	(7,476,460)	11,215,491	59,697
Balances--at 06/30/17	$ 370,998,166	$ 292,233,685	$ 78,764,481	$ 17,575,653	$ 26,154,349	$ 59,697

Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the recognized pension expense will be $59,697. At June 30, 2018, 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, 2017			As of June 30, 2018		
	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)						
- 6/30/2015	751,753	-	751,753	-	-	0.000 years
- 6/30/2017	-	8,933,477	(4,782,375)	-	4,151,102	0.868 years
subtotal	751,753	8,933,477	(4,030,622)	-	4,151,102	
Change of assumptions						
- 6/30/2014	4,827,759	-	4,827,759	-	-	0.000 years
- 6/30/2015	-	751,903	(751,903)	-	-	0.000 years
- 6/30/2017	-	2,079,136	(1,113,028)	-	966,108	0.868 years
subtotal	4,827,759	2,831,039	2,962,828	-	966,108	
Net difference between projected and actual earnings on investments						
- 6/30/2014	-	8,907,729	(4,453,865)	-	4,453,865	1.000 year
- 6/30/2015	-	5,279,226	(1,759,742)	-	3,519,484	2.000 years
- 6/30/2016	7,587,791	-	1,896,948	5,690,843	-	3.000 years
- 6/30/2017	-	16,329,738	(3,265,948)	-	13,063,791	4.000 years
subtotal	7,587,791	30,516,693	(7,582,607)	5,690,843	21,037,139	
Total	$ 13,167,303	$ 42,281,209	$ (8,650,401)	$ 5,690,843	$ 26,154,349	

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:	
2019	(12,699,816)
2020	(3,128,742)
2021	(1,369,000)
2022	(3,265,948)
2023	-
Thereafter	-

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2017) and the disclosure date (June 30, 2018) for GASB 68 be reported as a deferred outflow of resources.

GASB Statement No. 43

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
7/1/2007	$ 42,990,926	$ 44,137,011	$ 1,146,085	97.4%	$ 31,941,180	3.6%
7/1/2008	$ 44,347,577	$ 47,851,882	$ 3,504,305	92.7%	$ 31,224,444	11.2%
7/1/2009	$ 43,816,525	$ 39,816,215	$ (4,000,310)	110.0%	$ 29,886,624	-13.4%
7/1/2010	$ 43,186,642	$ 41,831,779	$ (1,354,863)	103.2%	$ 29,886,624	-4.5%
7/1/2011	$ 41,791,088	$ 43,643,278	$ 1,852,190	95.8%	$ 33,175,215	5.6%
7/1/2012	$ 43,466,197	$ 45,474,043	$ 2,007,846	95.6%	$ 33,175,215	6.1%
7/1/2013	$ 46,552,166	$ 53,732,181	$ 7,180,015	86.6%	$ 32,930,076	21.8%
7/1/2014	$ 53,374,356	$ 56,161,700	$ 2,787,344	95.0%	$ 32,930,076	8.5%
7/1/2015	$ 61,046,752	$ 61,195,047	$ 148,295	99.8%	$ 30,009,326	0.5%
7/1/2016	$ 67,725,236	$ 64,684,050	$ (3,041,186)	104.7%	$ 30,009,326	-10.1%
7/1/2017	$ 75,135,480	$ 52,064,012	$ (23,071,468)	144.3%	$ 27,590,586	-83.6%

GASB Statement No. 45

Schedule of Employer Contributions

Year Ended June 30	Net OPEB Cost	Percentage Contributed	Net OPEB Obligation
2009	$ 838,352	99%	$ 7,894
2010	$ 838,269	99%	$ 15,698
2011	$ 695,621	44%	$ 405,123
2012	$ 691,499	48%	$ 762,590
2013	$ 885,169	69%	$ 1,037,445
2014	$ 882,259	72%	$ 1,285,579
2015	$ 1,260,868	101%	$ 1,271,967
2016	$ 1,261,012	101%	$ 1,258,499
2017	$ 1,204,581	101%	$ 1,245,177

Determination of Annual OPEB Cost

Fiscal Yr Ending	Applicable Valuation Report Used	ARC	Interest on OPEB Obligation	ARC Adjustment	Amort. Factor	Net OPEB Cost	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation
6/30/2008	7/1/2005	$ 460,348	$ -	$ -	12.594409	$ 460,348	$ 460,341	$ 7	$ 7
6/30/2009	7/1/2007	$ 838,352	$ 1	$ 1	12.594409	$ 838,352	$ 830,465	$ 7,887	$ 7,894
6/30/2010	7/1/2007	$ 838,352	$ 553	$ 636	12.409041	$ 838,269	$ 830,465	$ 7,804	$ 15,698
6/30/2011	7/1/2009	$ 695,787	$ 1,099	$ 1,265	12.409041	$ 695,621	$ 306,196	$ 389,425	$ 405,123
6/30/2012	7/1/2009	$ 695,787	$ 28,359	$ 32,647	12.409041	$ 691,499	$ 334,032	$ 357,467	$ 762,590
6/30/2013	7/1/2011	$ 893,242	$ 53,381	$ 61,454	12.409041	$ 885,169	$ 610,313	$ 274,856	$ 1,037,445
6/30/2014	7/1/2011	$ 893,242	$ 72,621	$ 83,604	12.409041	$ 882,259	$ 634,125	$ 248,134	$ 1,285,579
6/30/2015	7/1/2013	$ 1,274,477	$ 89,991	$ 103,600	12.409041	$ 1,260,868	$ 1,274,480	$ (13,612)	$ 1,271,967
6/30/2016	7/1/2013	$ 1,274,477	$ 89,038	$ 102,503	12.409041	$ 1,261,012	$ 1,274,480	$ (13,468)	$ 1,258,499
6/30/2017	7/1/2015	$ 1,217,904	$ 88,095	$ 101,418	12.409041	$ 1,204,581	$ 1,217,903	$ (13,322)	$ 1,245,177

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	June 30, 2017
Additions	
Contributions	
Employer	1,217,903
Employee	152,409
Total Contributions	1,370,312
Transfer In Payments	3,826
Investment Income	9,380,529
Other	0
Total Additions	10,754,667
Deductions	
Benefit Payments / Refunds	1,943,171
Administrative Expenses	0
Other	0
Total Deductions	1,943,171
Net Increase in Net Position	8,811,496
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	70,270,423
End of Year Market Value of Assets	$79,081,919

Net OPEB Liability

Determination of Net OPEB Liability

Total OPEB Liability	52,064,012
Plan Fiduciary Net Position (Market Value of Assets)	(79,081,919)
Net OPEB Liability	($27,017,907)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	151.89%

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

	1% Decrease	**Current**	**1% Increase**
	7% decreasing to 4% over 12 years	8% decreasing to 5% over 12 years	9% decreasing to 6% over 12 years
Net OPEB Liability	($32,709,099)	($27,017,907)	($20,188,654)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease	**Current Rate**	**1% Increase**
	5.50%	6.50%	7.50%
Net OPEB Liability	($20,322,542)	($27,017,907)	($32,572,528)

Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollar amounts in millions)

	fiscal year ending June 30									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total OPEB Liability										
Service cost	$1.2									
Interest	4.6									
Changes of benefit terms	0.0									
Differences between expected and actual experience	(22.1)									
Changes of assumptions	5.6									
Benefit Payments / Refunds	(1.9)									
Net Change in Total OPEB Liability	($12.6)									
Total OPEB Liability - beginning	64.7									
Total OPEB Liability - ending (a)	$52.1									
Plan Fiduciary Net Position (Assets)										
Contributions - employer	$1.2									
Contributions - employee	0.1									
Transfer In Payments	0.0									
Net investment income	9.4									
Benefit Payments / Refunds	(1.9)									
Administrative expenses	0.0									
Other	0.0									
Net Change in Plan Fiduciary Net Position	$8.8									
Plan Fiduciary Net Position - beginning	70.3									
Plan Fiduciary Net Position - ending (b)	$79.1									
Net OPEB Liability - ending (a) - (b)	($27.0)									
Plan Fiduciary Net Position as a % of the Total OPEB Liability	151.8%									
Covered-employee payroll	$27.6									
Net OPEB Liability as a % of covered-employee payroll	(97.8%)									
Discount Rate	6.50%									

Schedule of Contributions

	fiscal year ending June 30									
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contribution	$1.2									
Contributions in relation to the actuarially determined contribution	1.2									
Contribution deficiency (excess)	$0.0									
Covered-employee payroll	$27.6									
Contributions as a percentage of covered-employee payroll	4.3%									

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. BPS&M is prepared to assist the system as needed.

GASB Statement No. 75

Statement of Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Net Position (Assets) (b)**	**Net OPEB Liability (a) - (b)**
Balances--at 06/30/2017	$64,684,050	$70,270,423	($5,586,373)
Changes for the Year:			
Service cost	1,206,040		1,206,040
Interest	4,549,963		4,549,963
Benefit changes	0		0
Difference between expected and actual experience	(22,073,088)		(22,073,088)
Changes of assumptions	5,640,218		5,640,218
Contributions--Employer		1,217,903	(1,217,903)
Contributions--Employee		152,409	(152,409)
Transfer In Payments		3,826	(3,826)
Net investment income		9,380,529	(9,380,529)
Refunds of contributions		0	0
Benefits paid	(1,943,171)	(1,943,171)	0
Administrative expenses		0	0
Other changes		0	0
Net Changes	(12,620,038)	8,811,496	(21,431,534)
Balances--at 06/30/2018	$52,064,012	$79,081,919	($27,017,907)

OPEB Expense

	Fiscal Year Ending June 30, 2018
Service cost	$1,206,040
Interest	4,549,963
Benefit changes	0
Contributions--Employee	(152,409)
Expected investment return	(4,955,229)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	(11,816,428)
Recognition of investment gains or losses	(885,060)
Recognition of assumption changes or inputs	3,019,389
Plan administrative expenses	0
OPEB Expense	($9,033,734)

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the recognized OPEB expense will be -$9,033,734. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources relation to benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)			
- June 30, 2017	0	10,256,660	0.868 years
subtotal	0	10,256,660	
Asset losses (gains)			
- June 30, 2017	0	3,540,240	4.000 years
subtotal	0	3,540,240	
Changes of assumptions			
- June 30, 2017	2,620,829	0	0.868 years
subtotal	2,620,829	0	
Total	$2,620,829	$13,796,900	

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2018 will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(8,520,891)
2020	(885,060)
2021	(885,060)
2022	(885,060)
2023	0
Thereafter	0

GASB Statement No. 71 requires contributions between the measurement date (June 30, 2017) and the disclosure date (June 30, 2018) for Statement No. 75 to be reported as a deferred outflow of resources.

Schedule of Changes in Deferred Outflows/Inflows

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Balances--at 06/30/2017	$1,217,904	$0
Changes for the Year:		
Contribution (prior year expected)	(1,217,904)	0
Contribution (current year expected)	1,217,904	0
Experience gains/losses	0	10,256,660
Asset gains/losses	0	3,540,240
Amortization of gains/losses	2,620,829	0
Net Changes	2,620,829	13,796,900
Balances--at 06/30/2018 *	$3,838,733	$13,796,900

* Deferred OPEB Outflows includes deferred losses of $2,620,829 plus expected contributions of $1,217,904.
* Deferred OPEB Inflows includes deferred gains of $13,796,900.

GASB Notes

Notes to GASB 43, 45, 67, 68, 74, and 75 Disclosures

1. The tables in this report account for liabilities and assets only for the traditional defined benefit/OPEB tier under the plan; liabilities and assets pertaining to the hybrid cash balance/OPEB tier are presented in a separate report.
2. Actuarial accrued liability is based on the projected unit credit funding method for actuarial valuations prior to July 1, 2013 and the entry age normal funding method thereafter.
3. Effective July 1, 2007, OPEB liabilities and allocated assets have been excluded from GASB 67 and 68 disclosures and established in GASB 43, 45, 74, and 75 disclosures.
4. Market value of assets as of July 1, 2007 was allocated between pension and OPEB obligations based on proportionate share of accrued liability on that date. Allocations in subsequent years are based on prior year allocated value adjusted for contributions and benefits paid during the year, with investment return (net of expenses) allocated proportionately between retirement and OPEB obligations. Actuarial value of assets is then allocated based on the market value of retirement and OPEB assets.
5. Actuarial value of assets is equal to cost value prior to 1990, 1990 through 2002 utilize market related value based on the average of the ratio of market to cost value over the prior five years applied to current cost value. 2003 and later use a 5-year asset smoothing method that is phased in from July 1, 2003 market value.
6. Information used in preparing these exhibits has been extracted from past valuation reports.
7. Covered payroll reflects payroll for all current plan members.
8. Fiscal years beginning prior to December 15, 1986 have not been included pursuant to paragraph 32 of GASB Statement No. 27.
9. Interest on OPEB Obligation is based on assumed valuation interest assumption for the prior year. The interest rates for prior years are as follows: 7% through 1999 valuation; 8% for 2001 and 2003 valuations; 7.5% beginning with 2005 valuation; 7% beginning with 2009 valuation; 6.5% beginning with 2017 valuation.
10. GASB 67 replaces GASB 25 effective for the fiscal year ending June 30, 2014. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
11. GASB 68 replaces GASB 27 effective for the fiscal year ending June 30, 2015. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2018, the measurement date is July 1, 2017 (the valuation date).

Note: Above statements are partially based on information furnished by the prior actuary.

Summary of Participant Data

Distribution of Active Participants with Average Compensation

	Years of Credited Service										
Attained Age	Under 1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	Over 39	Total
Under 25											
25 – 29											
30 – 34											
35 – 39		1	5								6
		$113,795	$113,795								$113,795
40 – 44		2	5	5							12
		$128,605	$118,623	$116,209							$119,281
45 – 49		1	10	14	6						31
		$113,795	$117,416	$121,084	$115,807						$118,644
50 – 54			6	15	15	7	2				45
			$117,819	$120,300	$121,739	$119,256	$113,795				$119,997
55 – 59		2	10	13	12	8	3				48
		$125,866	$120,479	$123,926	$121,544	$122,276	$125,842				$122,538
60 – 64	1	2	4	11	13	9	4	1			45
	$125,866	$125,866	$122,848	$125,765	$121,223	$123,287	$126,966	$125,866			$123,814
65 – 69			5	8	6	10		2	1		32
			$121,918	$126,551	$119,998	$122,133		$133,890	$125,866		$123,655
Over 69			2	2	2	1	1				8
			$113,795	$128,605	$119,830	$126,872	$136,859				$123,524
Total	1	8	47	68	54	35	10	3	1		227
	$125,866	$123,533	$118,649	$122,717	$120,648	$122,022	$124,984	$131,215	$125,866		$121,544

Distribution of Inactive Participants with Average Annual Benefit

Attained Age	Retired and Beneficiaries	Terminated	Total
Under 50	1	1	2
	$73,710	$27,702	$50,706
50 – 54	9	2	11
	$58,157	$41,711	$55,167
55 – 59	11	8	19
	$68,809	$20,920	$48,645
60 – 64	52	5	57
	$85,944	$36,412	$81,599
65 – 69	87	1	88
	$74,327	$133,134	$74,995
70 – 74	76		76
	$71,355		$71,355
75 – 79	35		35
	$61,527		$61,527
80 – 84	22		22
	$63,484		$63,484
85 – 89	22		22
	$52,838		$52,838
90 – 94	13		13
	$40,368		$40,368
Over 94	4		4
	$30,422		$30,422
Total	332	17	349
	$69,493	$34,923	$67,809

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.

Total Pension Liability – The Entry Age Normal Accrued Liability.

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

Kentucky Judicial Retirement Plan - Hybrid Tier

Actuarial Valuation and Report

as of July 1, 2017

Table of Contents

Introduction

An actuarial valuation of the Kentucky Judicial Retirement Plan - Hybrid Tier ("KJRP-HT") has been performed as of July 1, 2017. 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.

This report provides details on the actuarial valuation underlying the recommended contribution to the KJRP-HT for plan years commencing in 2018 and 2019. This determination was performed pursuant to Kentucky Revised Statute ("KRS") §21.525 for the retirement system defined in KRS §21.350 to §21.580, specifically §21.402.

Governmental Accounting Standards Board Statement 67 ("GASB 67"), Statement 43 ("GASB 43"), 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"), Statement 45 ("GASB 45"), 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 2017. Actuarial computations under Statements 67, 68, 43, 45, 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.

Statement 45 sets forth a methodology to determine annual adjustments to the Annual Required Contribution (ARC), which is the contribution recommended pursuant to the appropriate actuarial valuation, to account for differences between amounts expensed and contributions actually made. Under GASB 45, the resulting adjusted amount is referred to as the Annual OPEB Cost (AOC) and the accumulated difference between the AOC and the actual contribution is referred to as the Net OPEB Obligation (NOO).

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

BPS&M 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. However, we are aware that studies have been prepared suggesting substantial changes to state-wide retirement systems, including KJRP-HT; this report does not consider any such changes.

We are not aware of any relationship between the plan or plan sponsor and BPS&M, LLC 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.

Summary of Report

An actuarial valuation of the Kentucky Judicial Retirement Plan - Hybrid Tier ("KJRP-HT") was conducted as of July 1, 2017. The purpose of the valuation is to determine the cost implications of the plan including a determination of annual funding levels for the fiscal years beginning July 1, 2018 and July 1, 2019.

In 2013 the applicable state statutes were amended to close participation in the traditional defined benefit tier, with all individuals first electing to participate in Kentucky Judicial Retirement Plan ("KJRP") on or after January 1, 2014 being covered under a new hybrid cash balance tier. **This report covers only the hybrid cash balance/OPEB tier of KJRP.**

It is our understanding that this plan is a "governmental plan" as defined in Internal Revenue Code Section 414(d) and this report has been prepared on that basis.

On the basis of the valuation, it has been determined that the annual funding requirements for the State for the fiscal year beginning in 2018 for the plan, prior to adjusting with interest, as described in the Summary of Benefits section of this report, are as follows:

	Total Amount	Percent of Payroll
Annual Required Contribution	94,749	3.51%
Recommended Contribution	107,865	4.00%

The Annual Required Contribution is determined based on assumptions and methods set forth in the statute and established by the Board of Trustees. The Recommended Contribution is determined as the greater of the Annual Required Contribution and 4.00% of payroll.

The Annual Required Contribution and Recommended Contribution shown above are calculated using asset and liability values as of July 1, 2017. These amounts are used to determine contributions for the fiscal years beginning July 1, 2018 and July 1, 2019.

Due to the lag period between the calculated date and the actual contributions, we have adjusted the Annual Required Contributions and Recommended Contributions for the plan years 2018-2019 and 2019-2020 with one and two years of interest, respectively, at the interest rate assumption of 4.00%.

	2018-2019 (1 year of interest)	2019-2020 (2 years of interest)
Annual Required Contribution (with interest)	98,539	102,481
Recommended Contribution (with interest)	112,180	116,667

Summary of Selected Plan Information

	Plan Year Beginning	
	7/1/2017	7/1/2015
Number of Participants		
Active	22	16
Terminated Vested	0	0
Retired	0	0
Beneficiaries	0	0
Total	22	16
Average Age (for actives)	49.3	50.5
Average Service (for actives)	2.0	0.5
Annual Covered Payroll	$ 2,696,626	$ 1,935,756
Average Salary	122,574	120,985
Accrued Liability	554,050	93,974
Actuarial Asset Value	526,406	102,489
Market Asset Value	542,775	101,127
Unfunded Accrued Liability (UAL)	27,644	(8,515)
Funded Ratio (AVA/AL)	95.01%	109.06%
Annual Funding Level [1]		
State Portion of Normal Cost	$ 87,192	$ 65,813
Expected Employee Contributions	161,797	116,146
Total Normal Cost	248,989	181,959
Annual Required Contribution	94,749	69,281
Percent of Covered Payroll	3.51%	3.58%

[1]In accordance with KRS 21.525 (legally prescribed funding method).

Legislative Background

As stated previously, state statues 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.

Statement No.43 of the Governmental Accounting Standards Board was amended by Statement No. 74 of the Governmental Accounting Standards Board. Statement No. 74 became effective for the plan's financial statements for the fiscal year beginning after June 15, 2016. Statement No. 74 establishes financial reporting standards for state and local government OPEB plans that are administered through trusts or equivalent arrangements. The objective of this statement is to improve the usefulness of the information included in pension plan reports.

The Governmental Accounting Standards Board amended Statement No. 45 with Statement No. 75; the effective date for Statement No. 75 is for the fiscal year beginning after June 15, 2017. Statement No. 45 continues to apply to the financial reporting requirement for KJRP-HT for the year ending June 30, 2017. Statement No. 45 provides standards for reporting pension expenditures and expense, and related pension liabilities and assets, for such plans.

Statement No. 75 of the Governmental Accounting Standards Board requires the determination of the OPEB expense for the fiscal year beginning July 1, 2017. Statement No. 75 provides a new approach to calculating the pension expense which differs significantly from Statement No. 45 methodology.

Actuarial Soundness

A plan that has adopted a reasonable funding method, that adopts reasonable assumptions and which 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 option 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), is inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming all actuarial assumptions are realized.

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 20% overfunded and, without any changes, is expected to be increasingly overfunded going forward.

Changes in Actuarial Assumptions

The following changes were made to the actuarial assumptions effective June 30, 2017:

	Previous	**Current**
Salary Scale	1% for the next five years beginning July 1, 2015 and 3.5% thereafter	1% for the next five years beginning July 1, 2017 and 3.5% thereafter

The salary scale change described had a negligible effect on liabilities and the annual recommended contribution.

	Previous	**Current**
Retirement Rates	Included an extra 20% rate at the age a member reaches 27 years of service credit	Removed extra 20% rate at the age a member reaches 27 years of service credit

The retirement rates change described above resulted in a decrease in liabilities and and had no effect on the annual recommended contribution.

	Previous	**Current**
Medical Trend Rates	11.00% decreasing to 5.00% over 6 years beginning July 1, 2015	8.00% decreasing to 5.00% over 12 years beginning July 1, 2017

The medical trend rates change described above resulted in an increase in liabilities and had no effect on the annual recommended contribution.

Summaries of the plan provisions, actuarial assumptions and methods can be found in the Basis of Valuation section of this report.

Other Signficant Changes

1. It is our understanding that recent legislation effective for this 2017 actuarial valuation requires the preparation of additional information to be part of the biennial actuarial valuation report. This includes a 20-year projection of liability and cost, as well as disclosure of sensitivity of results to changes in significant assumptions. We have been instructed by the Board of Trustees to not prepare this information until the cost of preparation of such additional information can be appropriately budgeted.

Actuarial Certification

The information contained in this document (including any attachments) is not intended by BPS&M 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. Employee census data as of July 1, 2017, 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.
2. Financial data as of June 30, 2017, 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 as 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 43, 45, 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. It is my opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for BPS&M, LLC, 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:

Alan C. Pennington, F.S.A.

Alan C. Pennington, F.S.A., E.A., M.A.A.A.	October 9, 2017
Consulting Actuary/Principal	Date

David L. Shaub

David L. Shaub, F.S.A., M.A.A.A.	October 9, 2017
Managing Consultant	Date

Bryan, Pendleton, Swats & McAllister, LLC
5301 Virginia Way, Suite 400
Brentwood, TN 37027
(615) 665-1640

Annual Required Contribution

Determination of Annual Required Contribution as of July 1, 2017

1. Accrued Liability	Pension	OPEB	Total
Actives			
Actives	506,939	-	506,939
Medical Premium Supplement	-	47,111	47,111
Total Active Liability	506,939	47,111	554,050
Inactives			
Retired	-	-	-
Deferred Vested	-	-	-
Beneficiaries	-	-	-
Medical Premium Supplement	-	-	-
Total Inactive Liability	-	-	-
Total Accrued Liability	506,939	47,111	554,050
2. Valuation Assets	469,285	57,121	526,406
3. Unfunded Past Service Liability	37,654	(10,010)	27,644
4. Gross Normal Cost			
a) Retirement Related	227,697	-	227,697
b) Medical Premium Supplement Related	-	21,292	21,292
c) Total Normal Cost	227,697	21,292	248,989
5. Annual Covered Payroll	2,696,626	2,696,626	2,696,626
6. Estimated Employee Contributions for the Next 12 Months			
a) Retirement Related	134,831	-	134,831
b) Medical Premium Supplement Related	-	26,966	26,966
c) Total Estimated Employee Contributions	134,831	26,966	161,797
7. Net Normal Cost			
a) Retirement Related (4a - 6a)	92,866	-	92,866
b) Medical Premium Supplement Related (4b - 6b)	-	(5,674)	(5,674)
c) Total Net Normal Cost (4c - 6c)	92,866	(5,674)	87,192
d) Net Normal Cost as Percent of Pay (7c / 5)	3.44%	(0.21%)	3.23%
8. Interest plus 1% of Unfunded Past Service Liability	1,883	(501)	n/a
9. Total Annual Required Contribution (max (0, 7c + 8))	94,749	-	94,749
10. Payment as a Percentage of Covered Payroll (9 / 5)	3.51%	0.00%	3.51%

Actuarial Asset Value

Determination of Actuarial Asset Value as of July 1, 2017

	2016-17 Plan Year	2015-16 Plan Year	2014-15 Plan Year	2013-14 Plan Year
Interest Return Assumption	4.00%	4.00%	4.00%	4.00%
Market Value at Beginning of Year				
Amount	$ 295,943	$ 101,127	$ -	$ -
Interest to End of Year	11,838	4,045	-	-
Employer Contributions				
Amount	69,311	71,356	42,320	-
Interest to End of Year	1,386	1,427	846	-
Member Contributions				
Amount	142,183	118,876	58,494	-
Interest to End of Year	2,844	2,378	1,170	-
Transfers from KERS				
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Benefits Paid				
Amount	4,404	-	-	-
Interest to End of Year	88	-	-	-
Expected End of Year Assets	519,013	299,209	102,830	-
Market Value at End of Year	542,775	295,943	101,127	-
Investment Gain (Loss)	23,762	(3,266)	(1,703)	-
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	(19,010)	1,960	681	-
Actuarial Asset Value (Market Value plus Adjustment)	$ 526,406			

	Retirement	Medical Supplement
Market Value at Beginning of Year	265,040	30,903
State Contributions	69,311	-
Member Contributions	118,486	23,697
Transfers In Payments	-	-
Distributions	-	-
Refund of Contributions	4,404	-
Allocated Investment Return	35,445	4,297
Market Value at End of Year	483,878	58,897
Allocation of Actuarial Asset Value	469,285	57,121

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, 2017. This report covers only the hybrid cash balance/OPEB tier of KJRP.

Source

Sections 21.345-21.580 of the Kentucky Revised Statutes and 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 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	$1,738.40
Single coverage	721.14
Parent Plus coverage	1,023.04
Member and Spouse	1,564.20
Age 65 or older	
Medicare Advantage PPO	312.79

Premium rates are approved by the Board.

Actuarial Assumptions

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.

Interest

4% per annum – this rate was selected by the Board of Trustees and BPS&M 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 and claim costs will increase for each year beyond the valuation date at the following rates:

Year 1	8.00%
Year 2	7.75%
Year 3	7.50%
Year 4	7.25%
Year 5	7.00%
Year 6	6.75%
Year 7	6.50%
Year 8	6.25%
Year 9	6.00%
Year 10	5.75%
Year 11	5.50%
Year 12	5.25%
Years 13+	5.00%

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	49%	N/A
Single	17%	N/A
Parent Plus	24%	N/A
Member and Spouse	10%	N/A
Medicare Coverage		
Medicare Advantage PPO	100%	75%

The assumed annual claims costs per subscriber as of July 1, 2017 are:

Pre-65 Cost	Post-65 Cost
$ 15,152	$ 6,569

Claims were adjusted downward 3% for each year of age reduction from age 65 to age 55.

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

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 both the determination of funding levels as well as for disclosure purposes under GASB Statement Nos. 43 and 45. 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. 43, 45, 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.

GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	June 30, 2017
Additions	
Contributions:	
Employer	$69,311
Employee	118,486
Total Contributions	187,797
Transfer In Payments	0
Investment Income	35,445
Other	0
Total Additions	223,242
Deductions	
Benefit Payments / Refunds	4,404
Administrative Expenses	0
Other	0
Total Deductions	4,404
Net Increase in Net Position	218,838
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	265,040
End of Year Market Value of Assets	$483,878

Net Pension Liability

Determination of Net Pension Liability

	June 30, 2017
Total Pension Liability (4.00%)	506,939
Plan Fiduciary Net Position (Market Value of Assets)	(483,878)
Net Pension Liability	$23,061
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.45%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease	**Current Rate**	**1% Increase**
	(3.00%)	(4.00%)	(5.00%)
Net Pension Liability	$54,779	$23,061	($6,479)

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
Total Pension Liability										
Service cost	$0.0	$166.6	$166.6							
Interest	0.0	10.1	17.1							
Changes of benefit terms	85.0	0.0	0.0							
Differences between expected and actual experience	0.0	0.0	76.8							
Changes of assumptions	0.0	0.0	(10.9)							
Benefit Payments / Refunds	0.0	0.0	(4.4)							
Net Change in Total Pension Liability	$85.0	$176.7	$245.2							
Total Pension Liability - beginning	0.0	85.0	261.7							
Total Pension Liability - ending (a)	$85.0	$261.7	$506.9							
Plan Fiduciary Net Position (Market Value of Assets)										
Contributions - employer	$42.3	$71.3	$69.3							
Contributions - employee	47.9	99.1	118.5							
Transfer In Payments	0.0	0.0	0.0							
Net investment income	0.3	4.1	35.5							
Benefit Payments / Refunds	0.0	0.0	(4.4)							
Administrative expenses	0.0	0.0	0.0							
Other	0.0	0.0	0.0							
Net Change in Plan Fiduciary Net Position	$90.5	$174.5	$218.9							
Plan Fiduciary Net Position - beginning	0.0	90.5	265.0							
Plan Fiduciary Net Position - ending (b)	$90.5	$265.0	$483.9							
Net Pension Liability - ending (a) - (b)	($5.5)	($3.3)	$23.0							
Plan Fiduciary Net Position as a % of the Total Pension Liability	106.5%	101.3%	95.5%							
Covered-employee payroll	$1,936	$1,936	$2,697							
Net Pension Liability as a % of covered-employee payroll	-0.3%	-0.2%	0.9%							
Discount Rate	4.00%	4.00%	4.00%							

Schedule of Contributions

(Dollar amounts in thousands)

	fiscal year ending June 30									
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially determined contribution	$42.3	$71.3	$69.3							
Contributions in relation to the actuarially determined contribution	42.3	71.3	69.3							
Contribution deficiency (excess)	$0.0	$0.0	$0.0							
Covered-employee payroll	$1,936	$1,936	$2,697							
Contributions as a percentage of covered-employee payroll	2.2%	3.7%	2.6%							

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. BPS&M 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 06/30/16	$ 261,651	$ 265,040	$ (3,389)	$ 72,536	$ -	
Changes for the Year:						
Service cost	166,609		166,609			166,609
Interest expense	17,130		17,130			17,130
Benefit changes	-		-			-
Experience losses (gains)	76,877		76,877	71,523	-	5,354
Changes of assumptions	(10,924)		(10,924)	-	10,163	(761)
Contributions--State		69,311	(69,311)			
Contributions--Members		118,486	(118,486)			(118,486)
Transfer In Payments		-	-			
Net investment income		35,445	(35,445)			
Expected return on plan investments						(14,246)
Current expense of asset gain/loss						(3,350)
Non expensed asset gain/loss				-	16,959	
Refunds of contributions	(4,404)	(4,404)	-			
Benefits paid	-	-	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(69,281)		
Post-measurement Contribution				69,281		
Other changes						
Amortization of or change in beginning balances				(890)	-	
Net Changes	245,288	218,838	26,450	70,633	27,122	52,250
Balances--at 06/30/17	$ 506,939	$ 483,878	$ 23,061	$ 143,170	$ 27,122	$ 52,250

Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the recognized pension expense will be $52,250. At June 30, 2018, 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, 2017			As of June 30, 2018		
	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	76,877	-	5,354	71,523	-	13.360 years
subtotal	76,877	-	5,354	71,523	-	
Change of assumptions						
- 6/30/2017	-	10,924	(761)	-	10,163	13.360 years
subtotal	-	10,924	(761)	-	10,163	
Net difference between projected and actual earnings on investments						
- 6/30/2015	914	-	305	609	-	2.000 years
- 6/30/2016	2,341	-	585	1,756	-	3.000 years
- 6/30/2017	-	21,199	(4,240)	-	16,959	4.000 years
subtotal	3,255	21,199	(3,350)	2,365	16,959	
Total	$ 80,132	$ 32,123	$ 1,243	$ 73,889	$ 27,122	

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:	
2019	1,243
2020	1,243
2021	938
2022	353
2023	4,593
Thereafter	38,396

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2017) and the disclosure date (June 30, 2018) for GASB 68 be reported as a deferred outflow of resources.

GASB Statement No. 43/45

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
7/1/2015	$ 10,754	$ 8,995	$ (1,759)	119.6%	$ 1,935,756	-0.1%
7/1/2016	$ 31,282	$ 25,319	$ (5,963)	123.6%	$ 1,935,756	-0.3%
7/1/2017	$ 57,121	$ 47,111	$ (10,010)	121.2%	$ 2,696,626	-0.4%

Schedule of Employer Contributions

Year Ended June 30	**Net OPEB Cost**	**Percentage Contributed**	**Net OPEB Obligation**
2015	$ -	100%	$ 0
2016	$ -	100%	$ 0
2017	$ -	100%	$ 0

Determination of Annual OPEB Cost

Fiscal Yr Ending	Applicable Valuation Report Used	ARC	Interest on OPEB Obligation	ARC Adjustment	Amort. Factor	Net OPEB Cost	Contribution	Change in Net OPEB Obligation	Net OPEB Obligation
6/30/2015		$ -	$ -	$ -	17.292033	$ -	$ -	$ -	$ -
6/30/2016		$ -	$ -	$ -	17.292033	$ -	$ -	$ -	$ -
6/30/2017	7/1/2015	$ -	$ -	$ -	17.292033	$ -	$ -	$ -	$ -

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	June 30, 2017
Additions	
Contributions	
Employer	0
Employee	23,697
Total Contributions	23,697
Transfer In Payments	0
Investment Income	4,297
Other	0
Total Additions	27,994
Deductions	
Benefit Payments / Refunds	0
Administrative Expenses	0
Other	0
Total Deductions	0
Net Increase in Net Position	27,994
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	30,903
End of Year Market Value of Assets	$58,897

Net OPEB Liability

Determination of Net OPEB Liability

Total OPEB Liability	47,111
Plan Fiduciary Net Position (Market Value of Assets)	(58,897)
Net OPEB Liability	($11,786)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	125.02%

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

	1% Decrease	**Current**	**1% Increase**
	7% decreasing to 4% over 12 years	8% decreasing to 5% over 12 years	9% decreasing to 6% over 12 years
Net OPEB Liability	($12,071)	($11,786)	($11,428)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease	**Current Rate**	**1% Increase**
	3.00%	4.00%	5.00%
Net OPEB Liability	($2,049)	($11,786)	($19,638)

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									
Interest	1.6									
Changes of benefit terms	0.0									
Differences between expected and actual experience	4.8									
Changes of assumptions	0.0									
Benefit Payments / Refunds	0.0									
Net Change in Total OPEB Liability	$21.8									
Total OPEB Liability - beginning	25.3									
Total OPEB Liability - ending (a)	$47.1									
Plan Fiduciary Net Position (Assets)										
Contributions - employer	$0.0									
Contributions - employee	23.7									
Transfer In Payments	0.0									
Net investment income	4.3									
Benefit Payments / Refunds	0.0									
Administrative expenses	0.0									
Other	0.0									
Net Change in Plan Fiduciary Net Position	$28.0									
Plan Fiduciary Net Position - beginning	30.9									
Plan Fiduciary Net Position - ending (b)	$58.9									
Net OPEB Liability - ending (a) - (b)	($11.8)									
Plan Fiduciary Net Position as a % of the Total OPEB Liability	125.1%									
Covered-employee payroll	$2,697									
Net OPEB Liability as a % of covered-employee payroll	(0.4%)									
Discount Rate	4.00%									

Schedule of Contributions

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

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. BPS&M is prepared to assist the system as needed.

GASB Statement No. 75

Statement of Changes in Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Net Position (Assets) (b)**	**Net OPEB Liability (a) - (b)**
Balances--at 06/30/2017	$25,319	$30,903	($5,584)
Changes for the Year:			
Service cost	15,350		15,350
Interest	1,627		1,627
Benefit changes	0		0
Difference between expected and actual experience	4,815		4,815
Changes of assumptions	0		0
Contributions--Employer		0	0
Contributions--Employee		23,697	(23,697)
Transfer In Payments		0	0
Net investment income		4,297	(4,297)
Refunds of contributions		0	0
Benefits paid	0	0	0
Administrative expenses		0	0
Other changes		0	0
Net Changes	21,792	27,994	(6,202)
Balances--at 06/30/2018	$47,111	$58,897	($11,786)

OPEB Expense

	Fiscal Year Ending June 30, 2018
Service cost	$15,350
Interest	1,627
Benefit changes	0
Contributions--Employee	(23,697)
Expected investment return	(1,734)
Recognition of Deferred Inflows/Outflows of Resources	
Recognition of economic/demographic gains or losses	335
Recognition of investment gains or losses	(513)
Recognition of assumption changes or inputs	0
Plan administrative expenses	0
OPEB Expense	($8,632)

Deferred Outflows/Inflows of Resources

For the year ended June 30, 2018, the recognized OPEB expense will be -$8,632. At June 30, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources relation to benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)			
- June 30, 2017	4,480	0	13.36 years
subtotal	4,480	0	
Asset losses (gains)			
- June 30, 2017	0	2,050	4.000 years
subtotal	0	2,050	
Changes of assumptions			
- June 30, 2017	0	0	13.36 years
subtotal	0	0	
Total	$4,480	$2,050	

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs as of June 30, 2018 will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(178)
2020	(178)
2021	(178)
2022	(176)
2023	335
Thereafter	2,805

GASB Statement No. 71 requires contributions between the measurement date (June 30, 2017) and the disclosure date (June 30, 2018) for Statement No. 75 to be reported as a deferred outflow of resources.

Schedule of Changes in Deferred Outflows/Inflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balances--at 06/30/2017	$0	$0
Changes for the Year:		
Contribution (prior year expected)	0	0
Contribution (current year expected)	0	0
Experience gains/losses	4,480	0
Asset gains/losses	0	2,050
Amortization of gains/losses	0	0
Net Changes	4,480	2,050
Balances--at 06/30/2018 *	$4,480	$2,050

* Deferred OPEB Outflows includes deferred losses of $4,480 plus expected contributions of $0.
* Deferred OPEB Inflows includes deferred gains of $2,050.

GASB Notes

Notes to GASB 43, 45, 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 43, 45, 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 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. Covered payroll reflects payroll for all current plan members.
7. Interest on OPEB Obligation is based on assumed valuation interest assumption for the prior year, 4% beginning with 2015 valuation.
8. GASB 67 replaces GASB 25 effective for the fiscal year ending June 30, 2014. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
9. GASB 68 replaces GASB 27 effective for the fiscal year ending June 30, 2015. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2018, the measurement date is July 1, 2017 (the valuation date).

Summary of Participant Data

Distribution of Active Participants with Average Compensation

	Years of Credited Service										
Attained Age	Under 1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	Over 39	Total
Under 25											
25 – 29	1										1
	$113,795										$113,795
30 – 34											
35 – 39	2	1									3
	$125,866	$125,866									$125,866
40 – 44	2	3									5
	$119,831	$117,819									$118,623
45 – 49		2									2
		$119,831									$119,831
50 – 54		3									3
		$125,866									$125,866
55 – 59	1	3									4
	$125,866	$125,866									$125,866
60 – 64		3									3
		$121,842									$121,842
65 – 69		1									1
		$125,866									$125,866
Over 69											
Total	6	16									22
	$121,842	$122,848									$122,574

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.

Total Pension Liability – The Entry Age Normal Accrued Liability.

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