USI CONSULTING GROUP

Kentucky Judicial Retirement Plan

GASB Disclosure Report as of July 1, 2022

Contents

Introduction

An actuarial valuation of the Kentucky Judicial Retirement Plan ("KJRP") was last performed as of July 1, 2021. The results shown in this report as of July 1, 2022 were developed using a "roll-forward" method that employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2021 Actuarial Valuation Report.

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

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

Governmental Accounting Standards Board Statement 67 ("GASB 67") and Statement 74 ("GASB 74") establish financial reporting standards for defined benefit pension plans and other postemployment benefit (OPEB) plans sponsored by employers that are subject to governmental accounting standards. Governmental Accounting Standards Board Statement 68 ("GASB 68") and Statement 75 ("GASB 75") provide standards for reporting pension and OPEB expenditures and expense, and related liabilities and assets for such plans. The purpose of this report is to provide pertinent financial statement disclosure information for the fiscal year ending in 2022. Actuarial computations under Statements 67, 68, 74, and 75 are for purposes of fulfilling plan and employer governmental accounting requirements and may not be appropriate for other purposes. This report has been prepared on a basis consistent with our understanding of the statements and does not constitute legal, accounting, tax or investment advice.

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

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

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

We are not aware of any relationship between the plan or plan sponsor and USI Consulting Group 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.

Consolidation of Traditional and Hybrid Tier Reports

Beginning with the July 1, 2021 valuation report, the traditional and hybrid tiers of KJRP have been treated as one plan for all calculations. All results prior to July 1, 2021 contained in this report have been combined from the results reported in the separate traditional and hybrid tier reports prepared in prior years. Effective July 1, 2021, separate valuation reports will not be prepared and all results contained will be calculated based on the full plan containing both tiers of benefits.

Legislative and Regulatory Background

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

Actuarial Standard of Practice No. 51 (ASOP 51) is effective for actuarial valuations on or after November 1, 2018. This standard calls for explicit disclosure of risks associated with the pension plan and any recommended actions for better understanding the nature and impact of those risks. We have provided this information on page 32 of this report. Please let us know if any additional analysis or information is desired.

Reliance on Outside Software

The actuarial liabilities shown in this report are determined using software purchased from an outside vendor which was developed for this purpose. Certain information is entered into this model in order to generate the liabilities. These inputs include economic and non-economic assumptions, plan provisions, and census information. We rely on the coding within the software to value the liabilities using the actuarial methods and assumptions selected. Both the input to and the output from the model is checked for accuracy and reviewed for reasonableness.

Programming Update Note

In a review of our valuation programming, we determined that a portion of the liability, currently being calculated using Pre-Commencement mortality, would be more accurately valued using Post-Commencement mortality. This change is related to the update in the mortality assumption effective in the July 1, 2021 valuation and results in a decrease in liability that offsets a portion of the increase due to the assumption change, as stated in the prior valuation.

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

In addition, the total cost of the Medical Premium Supplement for the Hybrid Tier 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 significantly overfunded and, without any changes, is expected to be increasingly overfunded going forward.

Senate Bill 32 was recently passed and made updates to the amortization period under KRS 21.525. This update establishes the use of a close amortization period effective July 1, 2023.

Summary of Benefits (Pension - Traditional Tier)

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, 2021.

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

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 between January 1, 2003 and 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.

Excess Benefit

Certain members of this plan have benefits that exceed the 415(b) dollar limit. These members have an excess benefit for the amount that exceeds this dollar limit. This excess benefit is included in this plan's liabilities and is paid out of this plan's assets.

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.

Summary of Benefits (Pension - Hybrid Tier)

Source

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

Eligibility for Membership

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

Hypothetical Member Accounts

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

Employee Contributions

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

State Contributions

The state contributes actuarially determined amounts to finance benefits.

Creditable Compensation

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

Interest on Hypothetical Member Accounts

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

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

Normal Retirement

Condition

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

Benefit

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

Early Retirement

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

Termination Benefit

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

Death Benefit

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

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

Summary of Benefits (OPEB Plan)

Eligibility

For those hired prior to January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KJRP Traditional Tier. For those hired on or after January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KJRP Hybrid Tier.

Benefits

Retirees and their covered spouses are provided access to the State of KY group medical plan. Benefits for eligible retirees and their covered spouses are provided for life.

Contributions

Traditional Tier

Retiree and their covered spouses are required to pay a portion of the medical insurance premiums to receive coverage under the group medical plan. The percentage will vary based on the number 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%

Hybrid Tier

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. All members contribute 1% of creditable compensation during active service. In addition, during retirement members must contribute the difference between the premium rates in effect that year and their monthly medical insurance stipend.

Actuarial Assumptions

Interest

6.5% per annum – this rate was selected by the KJRP Investment Committee and USI Consulting Group 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. Therefore, 6.5% was used for the discount rate/long-term rate of return assumption for GASB calculations.

Mortality

PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcounted weighted version of this table was used. No pre-retirement mortality is assumed for the Hybrid Plan.

Terminations

None assumed

Salary Increases

1% for the next 3 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	15.00%
NRA-4	7.50%
NRA-3	7.50%
NRA-2	15.00%
NRA-1	20.00%
NRA	20.00%
Above NRA	33.33%*
Age 70	100.00%

NRA = Normal Retirement Age

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

Post-Retirement Death Benefit

Assumption is that 70% 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 70% 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.

Benefit Commencement Age

Terminated participants who have not yet begun receiving their benefits are assumed to retire at their Normal Retirement Date.

Cost-of-Living Adjustment

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted.

Expenses

Estimated administrative expenses (assumed to be $410,200 effective for the 2021-22 plan year).

Medical Insurance Premium Supplement

Plan Participation

100% of future eligible retirees are assumed to elect coverage at retirement.

Marital Status

Current elections are assumed to persist each year in the future. For pre-Medicare 2021 data, we expect approximately 42% of those covered also cover a spouse. For post-Medicare participants, we expect 70% will cover a spouse.

Medical Claims Cost for 2021-22

The per contract medical claims cost for 2021-2022 is determined based on the group premium rates, weighted by tier of coverage, and applied on a per contract basis based on the member's life. Weighted premiums are aged from the average age of the covered group. The premiums for 2021-22 and the current tier elections are shown in the table below:

	Monthly Premium Rates	Current Tier Elections
Pre-Medicare Coverage		
Family	$1,841.08	21.67%
Single	$753.76	46.67%
Parent Plus	$1,075.44	11.67%
Member and Spouse	$1,653.10	20.00%
Medicare Coverage		
Medicare Advantage PPO	$274.91	100.00%

Based on these weightings, the assumed annual claims cost per contract for a male, age 65 are:

Pre-65 Cost	Post-65 Cost
$ 17,486	$ 5,608

Age Variance

Claims were adjusted downward using the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013 for attained ages 55 to 65. No aging was applied to the Medicare Advantage premium rates.

Health Care Cost Trend Rate

6.25% grading to 5.75% over 2 years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075.

Administrative Expenses

Administrative expenses are assumed to be included in the per capita claims cost.

Retiree Contributions

Traditional Tier

Retirees are required to pay a percentage of the premium rate in effect at retirement based on years of service, as described in the plan provisions section of the report.

Hybrid Tier

Retirees are required to contribute 1% of creditable compensation during active service. Upon retirement, retirees must contribution the difference between the premium rates in effect each year and their monthly stipend. Monthly stipends are $10 per year of service.

Coordination with Medicare

Benefits for retirees are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. It is assumed to pay benefits secondary to Medicare after attaining age 65.

Non-members

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

Actuarial Methods

Funding Method

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

Asset Valuation Method

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

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

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

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

1. State and member contributions, 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.

Actuarial Certification

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

1. The liabilities used in this report are based on a roll forward of liabilities from the July 1, 2021 Actuarial Valuation Report.
2. Financial data as of June 30, 2022, submitted by the Kentucky Judicial Form Retirement System. This data was not audited by us but appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions and methods are established either by statute or the Board. The actuarial assumptions currently adopted by the Board appear to be reasonable, both individually and in aggregate. 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, including GASB disclosure information, do not fully reflect the potential liability for future retiree cost-of-living adjustments.
4. For purposes of GASB 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. The actuarial valuation is based on actuarial assumptions used in the July 1, 2021 report. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for USI Consulting Group, member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Certified by:

Matthew Widick

Mathew Widick, F.S.A., E.A., C.E.R.A., M.A.A.A.	October 7, 2022
Senior Actuarial Consultant	Date

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GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	June 30, 2022
Additions	
Contributions:	
Employer	$7,063,402
Employee	2,395,236
Total Contributions	9,458,638
Transfer In Payments	0
Investment Income	(42,019,008)
Other	0
Total Additions	(32,560,370)
Deductions	
Benefit Payments / Refunds	24,990,167
Administrative Expenses	0
Other	0
Total Deductions	24,990,167
Net Increase in Net Position	(57,550,537)
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	448,440,179
End of Year Market Value of Assets	$390,889,642

Net Pension Liability

Determination of Net Pension Liability

	June 30, 2022
Total Pension Liability (6.5%)	376,657,581
Plan Fiduciary Net Position (Market Value of Assets)	(390,889,642)
Net Pension Liability	($14,232,061)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.78%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease	**Current Rate**	**1% Increase**
	(5.5%)	(6.5%)	(7.5%)
Net Pension Liability	$20,981,416	($14,232,061)	($44,455,835)

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	2021	2021	2022	2023
Total Pension Liability										
Service cost	$5.0	$5.0	$5.0	$4.9	$4.1	$4.1	$3.5	$3.6	$4.3	
Interest	21.9	22.2	23.4	23.8	22.7	22.9	23.4	23.7	23.8	
Changes of benefit terms	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Differences between expected and actual experience	0.0	4.4	0.0	(8.8)	0.0	(0.1)	0.0	(5.3)	0.0	
Changes of assumptions	29.1	(4.4)	0.0	(2.1)	0.0	(7.7)	0.0	9.1	(5.9)	
Benefit Payments / Refunds	(21.8)	(22.3)	(22.9)	(23.0)	(23.2)	(24.2)	(24.4)	(24.4)	(25.0)	
Net Change in Total Pension Liability	$34.2	$5.0	$5.5	($5.3)	$3.7	($4.9)	$2.5	$6.7	($2.8)	
Total Pension Liability - beginning	332.1	366.3	371.3	376.8	371.5	375.2	370.3	372.7	379.5	
Total Pension Liability - ending (a)	$366.3	$371.3	$376.8	$371.5	$375.2	$370.3	$372.7	$379.5	$376.7	
Plan Fiduciary Net Position (Market Value of Assets)										
Contributions - employer	$10.8	$15.1	$15.2	$12.0	$12.0	$8.7	$8.7	$6.8	$7.1	
Contributions - employee	2.8	1.9	1.8	1.6	2.0	1.5	1.7	1.9	2.4	
Transfer In Payments	1.6	0.2	0.1	0.0	0.6	0.0	0.0	0.0	0.0	
Net investment income	33.2	25.6	8.7	34.6	27.1	38.6	19.5	122.8	(42.0)	
Benefit Payments / Refunds	(21.8)	(22.2)	(22.9)	(23.0)	(23.2)	(24.2)	(24.4)	(24.4)	(25.0)	
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Change in Plan Fiduciary Net Position	$26.6	$20.7	$2.9	$25.2	$18.4	$24.6	$5.6	$107.1	($57.5)	
Plan Fiduciary Net Position - beginning	217.3	243.9	264.6	267.5	292.7	311.1	335.7	341.3	448.4	
Plan Fiduciary Net Position - ending (b)	$243.9	$264.6	$267.5	$292.7	$311.1	$335.7	$341.3	$448.4	$390.9	
Net Pension Liability - ending (a) - (b)	$122.4	$106.7	$109.3	$78.8	$64.1	$34.6	$31.4	($68.9)	($14.2)	
Plan Fiduciary Net Position as a % of the Total Pension Liability	66.6%	71.3%	71.0%	78.8%	82.9%	90.7%	91.6%	118.2%	103.8%	
Covered-employee payroll	$32.9	$31.9	$31.9	$30.3	$30.6	$30.6	$30.9	$29.5	$29.8	
Net Pension Liability as a % of covered-employee payroll	371.7%	334.5%	342.6%	260.1%	209.5%	113.1%	101.6%	(233.6%)	(47.7%)	
Discount Rate (traditional)	6.15%	6.41%	6.41%	6.24%	6.24%	6.47%	6.47%	6.50%	6.50%	
Discount Rate (hybrid)	n/a	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%	

Schedule of Contributions

(Dollar amounts in millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution [1]	$15.2	$15.1	$15.2	$12.0	$12.0	$9.3	$9.9	$6.7	$7.9	
Contributions in relation to the actuarially determined contribution	10.8	15.1	15.2	12.0	12.0	8.7	8.7	6.8	7.1	
Contribution deficiency (excess)	$4.4	$0.0	$0.0	$0.0	$0.0	$0.6	$1.2	($0.1)	$0.8	
Covered-employee payroll	$32.9	$31.9	$31.9	$30.3	$30.6	$30.6	$30.9	$29.5	$29.8	
Contributions as a percentage of covered-employee payroll	32.8%	47.3%	47.6%	39.6%	39.2%	28.4%	28.2%	23.1%	23.8%	

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

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. USI Consulting Group 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 06/30/21	$379,534,564	$448,440,179	$ (68,905,615)	$ 14,138,945	$ 93,496,987	
Changes for the Year:						
Service cost	4,270,153		4,270,153			4,270,153
Interest expense	23,751,102		23,751,102			23,751,102
Benefit changes						
Experience losses (gains)	-		-	-	-	(1,972,037)
Changes of assumptions	(5,908,071)		(5,908,071)	-	2,305,589	(144,932)
Contributions--State		7,063,402	(7,063,402)			
Contributions--Members		2,395,236	(2,395,236)			(2,395,236)
Transfer In Payments		-	-			
Net investment income		(42,019,008)	42,019,008			
Expected return on plan investments						(28,569,402)
Current expense of asset gain/loss						(11,233,011)
Non expensed asset gain/loss				56,470,728	-	
Refunds of contributions	-	-	-			
Benefits paid	(24,990,167)	(24,990,167)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(7,177,846)		
Post-measurement Contribution				4,981,770		
Other changes						
Amortization of or change in beginning balances				(3,833,377)	(27,698,557)	
Net Changes	(2,876,983)	(57,550,537)	54,673,554	50,441,275	(25,392,968)	(16,293,363)
Balances–at 06/30/22	$376,657,581	$390,889,642	$ (14,232,061)	$ 64,580,220	$ 68,104,019	$ (16,293,363)

Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized pension expense/(income) will be ($16,293,363). At June 30, 2023, 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, 2022			As of June 30, 2023		
	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	50,109		5,354	44,756		8.360 years
- 6/30/2019	177,994		15,924	162,071		10.178 years
- 6/30/2021	-	3,269,036	(1,993,314)	-	1,275,722	0.640 years
subtotal	228,103	3,269,036	(1,972,037)	206,826	1,275,722	
Change of assumptions						
- 6/30/2017	-	7,120	(761)	-	6,360	8.360 years
- 6/30/2021	5,671,629	-	3,458,311	2,213,318	-	0.640 years
- 6/30/2022	-	5,908,071	(3,602,482)	-	2,305,589	0.640 years
subtotal	5,671,629	5,915,191	(144,932)	2,213,318	2,311,949	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	1,678,685	(1,678,685)	-	-	0.000 years
- 6/30/2019	-	7,561,040	(3,780,520)	-	3,780,520	1.000 year
- 6/30/2020	1,061,367	-	353,789	707,578	-	2.000 years
- 6/30/2021	-	80,981,106	(20,245,277)	-	60,735,829	3.000 years
- 6/30/2022	70,588,410	-	14,117,682	56,470,728	-	4.000 years
subtotal	71,649,777	90,220,831	(11,233,011)	57,178,306	64,516,349	
Total	$ 77,549,509	$ 99,405,058	$ (13,349,980)	$ 59,598,450	$ 68,104,020	

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).

OPEB Expense & Deferred Outflows/Inflows of Resources (continued)

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:	
2024	(10,901,803)
2025	(5,753,290)
2026	(6,107,076)
2027	14,138,198
2028	20,516
Thereafter	97,884

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 68 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	$ -
Change of Assumptions Losses (gains)*	(5,908,071)
Asset Losses (gains)	70,588,410
Total	$ 64,680,339

* This new base is due to the issue discussed in the "Programming Update Note" on page 2.

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	June 30, 2022
Additions	
Contributions	
Employer	84,098
Employee	63,650
Total Contributions	147,748
Transfer In Payments	0
Investment Income	(12,828,042)
Other	0
Total Additions	(12,680,294)
Deductions	
Benefit Payments / Refunds	1,899,846
Administrative Expenses	0
Other	0
Total Deductions	1,899,846
Net Increase in Net Position	(14,580,140)
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	133,915,389
End of Year Market Value of Assets	$119,335,249

Net OPEB Liability

Determination of Net OPEB Liability

Total OPEB Liability	40,619,947
Plan Fiduciary Net Position (Market Value of Assets)	(119,335,249)
Net OPEB Liability	($78,715,302)
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	293.78%

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

	1% Decrease on Trend Assumption	**Current** Trend Assumption	**1% Increase** on Trend Assumption
Net OPEB Liability	($83,241,866)	($78,715,302)	($73,301,371)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 5.50%	**Current Rate** 6.50%	**1% Increase** 7.50%
Net OPEB Liability	($73,852,418)	($78,715,302)	($82,786,987)

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	$0.9	$0.9	$0.7	$0.7	$0.7				
Interest	4.6	3.3	3.6	3.0	3.2	2.5				
Changes of benefit terms	0.0	0.0	0.0	0.0	0.0	0.0				
Differences between expected and actual experience	(22.1)	0.0	(9.7)	0.0	(9.3)	0.0				
Changes of assumptions	5.6	0.0	0.1	0.0	(2.3)	0.0				
Benefit Payments / Refunds	(1.9)	(2.0)	(2.0)	(2.0)	(1.8)	(1.9)				
Net Change in Total OPEB Liability	($12.6)	$2.2	($7.1)	$1.8	($9.6)	$1.3				
Total OPEB Liability - beginning	64.7	52.1	54.4	47.3	49.0	39.4				
Total OPEB Liability - ending (a)	$52.1	$54.4	$47.3	$49.0	$39.4	$40.6				
Plan Fiduciary Net Position (Assets)										
Contributions - employer	$1.2	$1.2	$0.0	$0.0	$0.0	$0.1				
Contributions - employee	0.1	0.2	0.0	0.0	0.1	0.1				
Transfer In Payments	0.0	0.1	0.0	0.0	0.0	0.0				
Net investment income	9.4	7.6	11.0	5.6	36.7	(12.8)				
Benefit Payments / Refunds	(1.9)	(2.0)	(2.0)	(2.0)	(1.8)	(1.9)				
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0				
Other	0.0	0.0	0.0	0.0	0.0	0.0				
Net Change in Plan Fiduciary Net Position	$8.8	$7.1	$9.1	$3.7	$35.0	($14.5)				
Plan Fiduciary Net Position - beginning	70.3	79.2	86.3	95.4	99.0	133.9				
Plan Fiduciary Net Position - ending (b)	$79.2	$86.3	$95.4	$99.0	$133.9	$119.3				
Net OPEB Liability - ending (a) - (b)	($27.0)	($31.9)	($48.0)	($50.1)	($94.5)	($78.7)				
Plan Fiduciary Net Position as a % of the Total OPEB Liability	152.0%	158.6%	201.7%	202.0%	339.8%	293.8%				
Covered-employee payroll	$30.3	$30.6	$30.6	$30.9	$29.5	$29.8				
Net OPEB Liability as a % of covered-employee payroll	(89.1%)	(104.2%)	(156.9%)	(162.1%)	(320.3%)	(264.1%)				
Discount Rate (traditional)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%				
Discount Rate (hybrid)	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%				

Schedule of Contributions

(Dollar amounts in millions)

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Actuarially determined contribution [1]	$1.2	$1.2	$0.0	$0.0	$0.0	$0.0				
Contributions in relation to the actuarially determined contribution	1.2	1.2	0.0	0.0	0.0	0.1				
Contribution deficiency (excess)	$0.0	$0.0	$0.0	$0.0	$0.0	($0.1)				
Covered-employee payroll	$30.3	$30.6	$30.6	$30.9	$29.5	$29.8				
Contributions as a percentage of covered-employee payroll	4.0%	3.9%	0.0%	0.0%	0.0%	0.3%				

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

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. USI Consulting Group is prepared to assist the system as needed.

GASB Statement No. 75

Schedule of Changes in NOL, Deferrals, & OPEB Expense

	Increase (Decrease)					
	Total OPEB Liability (a)	Plan Net Position (Assets) (b)	Net OPEB Liability (a) - (b)	Deferred OPEB Outflows of Resources	Deferred OPEB Inflows of Resources	OPEB Expense
Balances--at 06/30/21	$ 39,389,897	$ 133,915,389	$(94,525,492)	$ 332,485	$ 34,037,282	
Changes for the Year:						
Service cost	650,744		650,744			650,744
Interest expense	2,479,152		2,479,152			2,479,152
Benefit changes						
Experience losses (gains)	-		-	-	-	(3,514,917)
Changes of assumptions	-		-	-	-	(886,765)
Contributions--State		84,098	(84,098)			
Contributions--Members		63,650	(63,650)			(63,650)
Transfer In Payments		-	-			
Net investment income		(12,828,042)	12,828,042			
Expected return on plan investments						(8,721,993)
Current expense of asset gain/loss						(3,189,705)
Non expensed asset gain/loss				17,240,028	-	
Refunds of contributions	-	-	-			
Benefits paid	(1,899,846)	(1,899,846)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				-		
Post-measurement Contribution				-		
Other changes						
Amortization of or change in beginning balances				(106,830)	(12,008,224)	
Net Changes	1,230,050	(14,580,140)	15,810,190	17,133,198	(12,008,224)	(13,247,134)
Balances--at 06/30/22	$ 40,619,947	$ 119,335,249	$(78,715,302)	$ 17,465,682	$ 22,029,058	$(13,247,134)

OPEB Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized OPEB expense will be ($13,247,134). At June 30, 2023, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to OPEBs from the following sources:

	As of June 30, 2022			As of June 30, 2023		
	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	3,140	-	335	2,805		8.360 years
- 6/30/2011	12,179	-	1,090	11,089		10.178 years
- 6/30/2021	-	5,766,802	(3,516,342)	-	2,250,460	0.640 years
subtotal	15,319	5,766,802	(3,514,917)	13,894	2,250,460	
Change of assumptions						
- 6/30/2018	1,302	-	117	1,185	-	12.178 years
- 6/30/2021	-	1,454,486	(886,882)	-	567,604	0.640 years
subtotal	1,302	1,454,486	(886,765)	1,185	567,604	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	485,494	(485,494)	-	-	0.000 years
- 6/30/2019	-	2,147,528	(1,073,763)	-	1,073,765	1.000 years
- 6/30/2020	315,864	-	105,288	210,576	-	2.000 years
- 6/30/2021	-	24,182,972	(6,045,743)	-	18,137,229	3.000 years
- 6/30/2022	21,550,035	-	4,310,007	17,240,028	-	4.000 years
subtotal	21,865,899	26,815,994	(3,189,705)	17,450,604	19,210,994	
Total	$ 21,882,520	$ 34,037,282	$ (7,591,387)	$ 17,465,683	$ 22,029,058	

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).

OPEB Expense & Deferred Outflows/Inflows of Resources (continued)

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

Year ended June 30:	
2024	(5,520,735)
2025	(1,628,906)
2026	(1,734,194)
2027	4,311,549
2028	1,542
Thereafter	7,369

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 75 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	$ -
Change of Assumptions Losses (gains)	-
Asset Losses (gains)	21,550,035
Total	$ 21,550,035

Actuarial Asset Value

Determination of Actuarial Asset Value

	2021-22 Plan Year	2020-21 Plan Year	2019-20 Plan Year	2018-19 Plan Year
Interest Return Assumption	6.50%	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)
Market Value at Beginning of Year				
Amount	$ 582,355,568	$ 440,345,549	$ 431,034,410	$ 397,381,006
Interest to End of Year	37,853,112	28,576,747	27,984,359	25,808,153
Employer Contributions				
Amount	7,147,500	6,770,812	8,732,300	8,732,300
Interest to End of Year	232,294	217,514	282,615	282,615
Member Contributions				
Amount	2,458,886	1,995,925	1,799,040	1,592,479
Interest to End of Year	79,914	60,941	55,048	48,561
Transfers from KERS				
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Benefits Paid				
Amount	26,890,013	26,215,094	26,389,189	26,229,715
Interest to End of Year	873,925	851,924	857,649	852,406
Expected End of Year Assets	602,363,336	450,900,470	442,640,934	406,762,993
Market Value at End of Year	510,224,891	582,355,568	440,345,549	431,034,410
Investment Gain (Loss)	(92,138,445)	131,455,098	(2,295,385)	24,271,417
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	73,710,756	(78,873,059)	918,154	(4,854,283)
Actuarial Asset Value (Market Value plus Adjustment)	**$ 501,126,459**			

	Retirement	Medical Supplement
Market Value at Beginning of Year	$448,440,179	$133,915,389
State Contributions	7,063,402	84,098
Member Contributions	2,395,236	63,650
Transfers In Payments	-	-
Distributions	24,990,167	1,899,846
Allocated Investment Return	(42,019,008)	(12,828,042)
Market Value at End of Year	$390,889,642	$119,335,249
Allocation of Actuarial Asset Value	$383,919,220	$117,207,239

Risk Assessment

Risk Factor	Initial Risk Assessment Language
Investment	Due to the plan's substantial equity exposure, investment returns will likely be much more volatile than the measurements of plan liabilities. Therefore, there is a risk that the funded status of the plan, as well as required plan contributions, could be volatile.
Assumed Rate of Return	Due to the plan's estimated duration of 9 to 11, a 1% decrease in the assumed rate of investment return would increase the measurement of the liability by 9% to 11%.
Longevity	Since nearly all of the plan liability is projected to be paid as annuities, the plan is sensitive to changes in overall population longevity. As a result, the liabilities will fluctuate with changes in longevity. The ratio of retired life liability to total liability is 68%, suggesting there is less sensitivity to long-term changes in overall mortality improvement than a less mature plan.
Other demographic factors	Due to the eligibility for unreduced and subsidized retirement benefits, employees continuing in service for longer than expected will accrue additional benefits which may or may not result in larger liabilities. Conversely, employees retiring sooner than anticipated will accrue smaller benefits which may or may not result in smaller liabilities.
Lump sums	No significant known risks. However, as the Hybrid Tier becomes a larger percentage of the total liability, this risk will become more significant. Since lump sum benefits are equal to the cash balance for the Hybrid Tier, lump sum payments have a comparable effect on both assets and liabilities.
Inflation	Inflation is a component of future interest rates and investment returns over a long period. As a result, changes to inflation can affect funded percentages.
Other Factors	Due to recent and ongoing attempts to pass pension reform legislation at a state level, the plan could be modified in the future. Future legislation may affect benefit levels or future contribution levels and could result in increases or decreases in the plan liabilities or funding status.

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

GASB Notes

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

1. Actuarial accrued liability is based on the entry age normal funding method.
2. 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.
3. Actuarial value of assets uses a 5-year asset smoothing method.
4. Information used in preparing these exhibits has been extracted from past valuation reports.

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

5. Covered payroll reflects payroll for all current plan members.
6. ADC based on full actuarial report (odd numbered years) immediately prior to each biennium. ADC amount shown is for basic valuation, without any future COLA reflected but with interest adjustment as appropriate.
7. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
8. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).
9. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 74.
10. It is assumed the measurement date for GASB 75 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).

Glossary of Terms

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

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

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

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

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

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

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

Total Pension Liability – The Entry Age Normal Accrued Liability.