

# Kentucky Legislators Retirement Plan

Annual Actuarial Valuation - Funding  
As of July 1, 2025





October 24, 2025

Board of Trustees  
Kentucky Judicial Form Retirement System  
The Whitaker Bank Building  
305 Ann Street, Suite 302  
Frankfort, KY 40601

**Re: Actuarial Valuation for Funding Purposes as of July 1, 2025**

Members of the Board:

This report describes the current actuarial condition of the Kentucky Legislators Retirement Plan (LRP) and provides the actuarially determined employer contribution for fiscal years ending June 30, 2027 and June 30, 2028. In addition, the report provides an analysis of the change in LRP’s financial condition, various summaries of the data, sensitivities of the actuarial valuation results, and a projection of the future funded status of LRP.

Separate reports are issued with regard to valuation results determined in accordance with Governmental Accounting Standards Board (GASB) Statements 67, 68, 74 and 75. Results of this report should not be used for any other purpose without consultation with the undersigned. Valuations are prepared every other year as of July 1, the first day of the plan year for LRP. This report was prepared at the request of the Board of Trustees of the Kentucky Judicial Form Retirement System (Board) and is intended for use by the KJFRS staff and those designated or approved by the Board.

**Financing Objectives and Funding Policy**

The employer contribution is determined in accordance with Section 21.525 of Kentucky Statute. As specified by the Statute, the employer contribution is comprised of a normal cost contribution and an actuarial accrued liability contribution. The actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of July 1, 2023 over a closed 20-year amortization period. Gains and losses incurring in years after 2023 are amortized as separate closed 20-year amortization bases.

However, both the pension and retiree medical fund are currently over 100% funded; therefore, any prior bases are eliminated and all surplus assets as of the valuation date are amortized over a 20-year period. The required contributions as calculated in this actuarial valuation are provided in the table below.

<b>Fiscal Year Ending</b>	<b>June 30, 2027</b>	<b>June 30, 2028</b>
Required Contribution	\$0	\$0

The ADC under the funding policy can be considered a “Reasonable Actuarially Determined Contribution” as required by the Actuarial Standards of Practice.

### Actuarial Assumptions and Methods

The Board of Trustees, in consultation with the actuary, sets the actuarial assumptions and methods used in the actuarial valuation. Except where noted in this report, the assumptions used in this actuarial valuation are based on an experience study conducted with experience through June 30, 2023, adopted by the Board of Trustees on August 1, 2025, and first used with this actuarial valuation as of July 1, 2025.

The results of the actuarial valuation are dependent on the actuarial assumptions used. Actual results can, and almost certainly will, differ as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rate, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

### Plan Provisions

The benefit provisions reflected in this valuation are those which were in effect on July 1, 2025. There were no material benefit provision changes since the prior valuation. Member data for retired, active and inactive members, as well as financial data, was supplied as of July 1, 2025, by KJFRS staff. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. GRS is not responsible for the accuracy or completeness of the information provided to us by KJFRS.

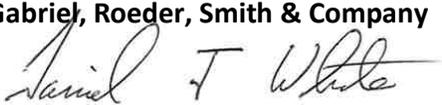
### Certification

We certify that the information presented herein is accurate and fairly portrays the actuarial position of LRP as of July 1, 2025. All of our work conforms with generally accepted actuarial principles and practices, and is in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Kentucky Code of Laws and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board.

All three of the undersigned are members of the American Academy of Actuaries and meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. In addition, all three are independent of KJFRS and are experienced in performing valuations for large public retirement systems. This communication shall not be construed to provide tax advice, legal advice or investment advice.

Respectfully submitted,

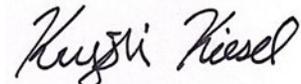
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# Table of Contents

**Page**

<b>Section 1</b>	Executive Summary.....	2
<b>Section 2</b>	Actuarial Tables.....	8
<b>Section 3</b>	Membership Information.....	17
<b>Section 4</b>	Assessment and Disclosure of Risk .....	21
<b>Appendix A</b>	Actuarial Assumptions and Methods.....	25
<b>Appendix B</b>	Benefit Provisions .....	32
<b>Appendix C</b>	Cost of 1.5% Cost of Living Adjustment .....	39
<b>Appendix D</b>	Sensitivity Analysis .....	41
<b>Appendix E</b>	Projections .....	46
<b>Appendix F</b>	Glossary.....	50



## **SECTION 1**

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### **EXECUTIVE SUMMARY**

## Executive Summary

Valuation Date	July 1, 2025	July 1, 2023	July 1, 2021	July 1, 2019
<b>Annual Required Contribution</b>				
Pension	\$0	\$0	\$27,008	\$338,739
Retiree Medical	0	0	0	23,952
Total	<u>\$0</u>	<u>\$0</u>	<u>\$27,008</u>	<u>\$362,691</u>
as a Percent of Payroll	0.00%	0.00%	0.64%	8.39%
<b>Fiscal Year Ending</b>				
Required Contribution with Interest	June 30, 2027 \$0	June 30, 2025 \$0	June 30, 2023 \$28,764	June 30, 2021 \$665,790 <sup>1</sup>
<b>Fiscal Year Ending</b>				
Required Contribution with Interest	June 30, 2028 \$0	June 30, 2026 \$0	June 30, 2024 \$30,634	June 30, 2022 \$702,783 <sup>1</sup>
<b>Funded Status - Pension</b>				
• Actuarial accrued liability	\$67,480,113	\$68,059,010	\$72,568,155	\$71,941,174
• Actuarial value of assets (AVA)	<u>100,312,613</u>	<u>86,304,769</u>	<u>79,019,547</u>	<u>71,432,381</u>
• Unfunded liability / (Surplus Assets) - AVA basis	(\$32,832,500)	(\$18,245,759)	(\$6,451,392)	\$508,793
• Funded Ratio - AVA basis	148.7%	126.8%	108.9%	99.3%
• Market value of assets (MVA)	<u>117,806,891</u>	<u>91,267,801</u>	<u>98,291,597</u>	<u>76,918,144</u>
• Unfunded liability / (Surplus Assets) - MVA basis	(\$50,326,778)	(\$23,208,791)	(\$25,723,442)	(\$4,976,970)
• Funded Ratio - MVA basis	174.6%	134.1%	135.4%	106.9%
<b>Funded Status - Retiree Medical</b>				
• Actuarial accrued liability	\$25,315,315	\$18,115,490	\$15,667,998	\$19,664,861
• Actuarial value of assets (AVA)	<u>85,687,728</u>	<u>67,838,824</u>	<u>56,806,280</u>	<u>46,525,674</u>
• Unfunded liability / (Surplus Assets) - AVA basis	(\$60,372,413)	(\$49,723,334)	(\$41,138,282)	(\$26,860,813)
• Funded Ratio - AVA basis	338.5%	374.5%	362.6%	236.6%
• Market value of assets (MVA)	<u>100,631,462</u>	<u>71,739,956</u>	<u>70,660,745</u>	<u>50,100,231</u>
• Unfunded liability / (Surplus Assets) - MVA basis	(\$75,316,147)	(\$53,624,466)	(\$54,992,747)	(\$30,435,370)
• Funded Ratio - MVA basis	397.5%	396.0%	451.0%	254.8%
<b>Membership:</b>				
• Number of				
- Active Members	92	96	101	103
- Retirees and Beneficiaries	262	259	245	238
- Inactive Members	<u>57</u>	<u>45</u>	<u>47</u>	<u>43</u>
- Total	411	400	393	384
• Projected payroll of active members	\$4,139,890	\$4,117,781	\$4,201,280	\$4,325,106
• Average salary of active members	\$44,999	\$42,894	\$41,597	\$41,991
• Average age of active members	56.1	55.6	56.3	56.7
• Average service of active members	7.6	8.3	9.9	10.5

<sup>1</sup> Required contribution for fiscal years ending June 30, 2021 and June 30, 2022 included both an interest adjustment and an adjustment for anticipated expenses.



# Discussion

## Introduction

This report presents the results of the July 1, 2025 actuarial valuation of the Kentucky Legislators Retirement Plan (LRP). The primary purposes of this actuarial valuation report are to provide the actuarially determined employer contribution for fiscal years ending June 30, 2027 and June 30, 2028, describe the current financial condition of LRP, and analyze the changes in the condition of LRP. Additionally, this report provides various summaries of the data, sensitivities of the actuarial valuation results, and a projection of the future funded status of LRP.

LRP is a defined benefit pension plan that provides coverage for members of the General Assembly, who have acquired membership in the plan in accordance with the provisions of KRS 6.505. This report presents the results for the pension fund and the retiree medical fund.

Beginning with the July 1, 2021 valuation report, the traditional and hybrid tiers of LRP have been treated as one plan for all actuarial calculations. Results for both tiers prior to July 1, 2021 that are presented in this report have been combined for comparison purposes.

## Data

This valuation was based upon information as of July 1, 2025, furnished by KJFRS staff, concerning system benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by KYJFRS staff.

The tables in Section 3 show key census statistics for the various groups included in the valuation.

## Plan Provisions

There have not been any material changes to the plan provisions since the prior valuation. The current plan provisions are outlined in Appendix B of this report.



## Actuarial Assumptions and Methods

The Board of Trustees adopted new actuarial assumptions on August 1, 2025 based on the 2025 actuarial experience study prepared as of June 30, 2023. Updates to the assumptions are summarized below. Additional information can be found in the Experience Study report dated August 1, 2025. The current actuarial assumptions and methods are outlined in Appendix A of this report.

- Updated the cash balance interest crediting rate to 6.6% per annum
- Updated the individual salary increase assumption to 3.5% per annum for all future years
- Updated the base mortality tables to the newly released public retirement plans mortality tables (Pub-2016 for General Employees with Above-Median Income)
- Updated the mortality improvement assumption to the ultimate rates of the most recently published mortality projection scale (U-MP2021)
- Decreased the retirement rates when a member is five years away from their normal retirement age and at ages above normal retirement age
- Updated termination rates to a rate of 5.5% per year

Additionally, in conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on a biannual basis. The trend assumption was updated as a result of our review. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

We believe the assumptions are internally consistent and are reasonable, based on the actual experience of LRP. Furthermore, the assumptions and methods used in this valuation follow the guidance in the applicable Actuarial Standards of Practice and are expected to have no significant bias.

The results of the actuarial valuation are dependent upon the actuarial assumptions used. Actual results can and almost certainly will differ, as actual experience deviates from the assumptions. Even seemingly minor changes in the assumptions can materially change the liabilities, calculated contribution rates and funding periods. A full review of the impact of a different set of assumptions on the funded status of LRP is outside the scope of this actuarial valuation. However, a sensitivity of the actuarial valuation results to changes in the economic assumptions has been provided in Appendix D of this report.

## System Assets

The actuarial value of assets increased from \$154 million as of July 1, 2023 to \$186 million as of July 1, 2025. The rates of return on the market value of assets on a dollar-weighted basis for the prior fiscal years were 19.4% for 2024 and 20.5% for 2025, which is more than the 6.50% expected annual return. The returns on an actuarial (smoothed) asset value were 12.6% in 2024 and 15.9% in 2025, which resulted in a \$25 million gain for the fiscal year. The market value of assets is \$33 million more than the actuarial value of assets, which signifies that the retirement fund is in a position of net deferred investment gains to be realized in future years.



## Actuarial (Gains)/Losses

The actuarial valuation is a snapshot analysis of the liabilities, assets and funded position of the funds as of the first day of the plan year. In any one fiscal year, the experience can be better or worse from that which is assumed or expected. The actuarial assumptions do not necessarily attempt to model what the experience will be for any one given fiscal year, but instead try to model the overall experience over many years. Therefore, as long as the actual experience of a retirement system is reasonably close to the current assumptions, the long-term funding requirements of the system will remain relatively consistent. The table on the following page separately shows a reconciliation of the unfunded liability/(surplus assets) since the prior actuarial valuation for the pension and retiree medical funds, which include the effect of asset and liability experience, changes in assumptions, and changes in plan provisions.

### Pension Fund

The surplus assets increased from \$18 million as of July 1, 2023 to \$33 million as of July 1, 2025 for the pension fund. They were expected to increase to \$20 million (an increase of \$2 million). The additional \$13 million increase in surplus assets is primarily attributable to favorable investment experience in fiscal years 2024 and 2025. The gains due to favorable investment experience were partially offset by an increase in the liability due to assumption changes.

### Retiree Medical Fund

The surplus assets increased from \$50 million as of July 1, 2023 to \$60 million as of July 1, 2025 for the retiree medical fund. They were expected to increase to \$56 million (an increase of \$6 million). The additional \$4 million increase in surplus assets is primarily attributable to favorable investment experience in fiscal years 2024 and 2025. The gains due to favorable investment experience were offset by an increase in the liability due to Medicare insurance premiums increasing more than expected. Medicare premiums increased from \$367.51 in 2024 to \$558.47 in 2026, a 52% increase, compared to the expected increase of 12% over the same period.

## Actuarial (Gains)/Losses

	Pension	Retiree Medical
A. Calculation of total actuarial gain or loss		
1. Unfunded/Overfunded actuarial accrued liability (U/OAAL), as of July 1, 2023	\$ (18,245,759)	\$ (49,723,334)
2. Normal cost and administrative expenses	537,110	248,987
3. Less: contributions for the year	(224,654)	(30,529)
4. Interest accrual	(1,175,820)	(3,224,917)
5. Expected OAAL as of July 1, 2024 (Sum of Items 1 - 4)	\$ (19,109,123)	\$ (52,729,793)
6. Normal cost and administrative expenses	515,675	234,750
7. Less: contributions for the year	(299,885)	(29,913)
8. Interest accrual	(1,235,080)	(3,420,779)
9. Expected OAAL as of July 1, 2025 (Sum of Items 5 - 8)	\$ (20,128,413)	\$ (55,945,735)
10. Actual OAAL as of July 1, 2025	(\$32,832,500)	(\$60,372,413)
11. Total unexpected (decrease)/increase in OAAL (Item 10 - Item 9)	(\$12,704,087)	(\$4,426,678)
B. Source of (decrease)/increase		
1. Investment (gain)/loss	\$ (13,884,727)	\$ (11,316,964)
2. Liability experience (gain)/loss*	23,108	6,240,209
3. Plan Changes	—	—
4. Assumption changes	1,157,532	650,077
5. Total	\$ (12,704,087)	\$ (4,426,678)

\* Liability experience for the retiree medical fund includes the impact of the updated trend assumption. The trend assumption, or the assumed increase in future healthcare costs, is reviewed in conjunction with the review of the healthcare per capita claims cost. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.



## SECTION 2

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### ACTUARIAL TABLES

## Table 1

### Development of Actuarially Determined Contribution

	Pension	Retiree Medical	Pension + Retiree Medical
1 Annual Covered Payroll	\$ 4,139,890	\$ 4,139,890	\$ 4,139,890
2 Actuarial Accrued Liability for Active Members			
a. Present value of future benefits	\$ 10,738,238	\$ 4,103,759	\$ 14,841,997
b. Less: present value of future normal costs	2,334,441	775,103	3,109,544
c. Actuarial accrued liability	\$ 8,403,797	\$ 3,328,656	\$ 11,732,453
3 Total Actuarial Accrued Liability for:			
a. Retirees and beneficiaries	\$ 52,902,966	\$ 18,534,974	\$ 71,437,940
b. Inactive members	6,173,350	3,451,685	9,625,035
c. Active members (Item 2c)	8,403,797	3,328,656	11,732,453
d. Total	\$ 67,480,113	\$ 25,315,315	\$ 92,795,428
4 Actuarial Value of Assets	\$ 100,312,613	\$ 85,687,728	\$ 186,000,341
5 Unfunded Accrued Liability / (Surplus Assets) UAAL/(OAAL) (Item 3d - Item 4)	\$ (32,832,500)	\$ (60,372,413)	\$ (93,204,913)
6 Funded Ratio (Item 3 / Item 2d)	148.7%	338.5%	200.4%
7 Actuarially Determined Contribution (ADC)			
a. Net Normal Cost	\$ 221,899	\$ 141,584	\$ 363,483
b. Administrative expenses	124,300	101,700	226,000
c. 20-Year Amortization of UAAL/(OAAL)	(2,797,896)	(5,144,772)	(7,942,668)
d. Total ADC (Items 7a + 7b + 7c, NLT \$0)	\$ 0	\$ 0	\$ 0
e. Total ADC as a Percentage of Payroll	0.00%	0.00%	0.00%
8 Required Contributions with Interest			
a. For Fiscal Year Ending June 30, 2027	\$ 0	\$ 0	\$ 0
b. For Fiscal Year Ending June 30, 2028	\$ 0	\$ 0	\$ 0
9 Actuarially Determined Contribution by Tier			
a. Traditional Tier	\$ 0	\$ 0	\$ 0
b. Hybrid Tier	0	0	0
c. Actuarially Determined Contribution	\$ 0	\$ 0	\$ 0

**Table 2**  
**Actuarial Present Value of Future Benefits and  
Determination of Actuarial Accrued Liability**

	Pension	Retiree Medical	Pension + Retiree Medical
1 Active Members			
a. Service Benefits	\$ 9,364,463	\$ 3,733,108	\$ 13,097,571
b. Disability Benefits	0	0	0
c. Death before Retirement	15,505	10,874	26,379
d. Termination	1,358,270	359,777	1,718,047
e. Total Present Value of Future Benefits	<u>\$ 10,738,238</u>	<u>\$ 4,103,759</u>	<u>\$ 14,841,997</u>
2 Inactive Members			
a. Vested Terminations	\$ 5,982,740	\$ 3,451,685	\$ 9,434,425
b. Non-Vested Terminations	190,610	0	190,610
c. Total Present Value of Future Benefits	<u>\$ 6,173,350</u>	<u>\$ 3,451,685</u>	<u>\$ 9,625,035</u>
3 Annuitants			
a. Service Retirements	\$ 46,410,023	\$ 16,371,273	\$ 62,781,296
b. Beneficiaries	6,492,943	2,163,701	8,656,644
c. Disability Retirements	0	0	0
d. Total Present Value of Future Benefits	<u>\$ 52,902,966</u>	<u>\$ 18,534,974</u>	<u>\$ 71,437,940</u>
4 Determination of Actuarial Accrued Liability			
a. Present Value of Future Benefits [items 1e + 2c + 3d]	\$ 69,814,554	\$ 26,090,418	\$ 95,904,972
b. Less: present value of future normal costs	2,334,441	775,103	3,109,544
c. Actuarial Accrued Liability [item 4a - 4b]	<u>\$ 67,480,113</u>	<u>\$ 25,315,315</u>	<u>\$ 92,795,428</u>
5 Actuarial Accrued Liability by Tier			
a. Traditional Tier	\$ 65,551,798	\$ 25,107,756	\$ 90,659,554
b. Hybrid Tier	1,928,315	207,559	2,135,874
c. Actuarial Accrued Liability [item 5a + 5b]	<u>\$ 67,480,113</u>	<u>\$ 25,315,315</u>	<u>\$ 92,795,428</u>

### Table 3 Analysis of Normal Cost

	Pension	Retiree Medical	Pension + Retiree Medical
1 Annual Covered Payroll	\$ 4,139,890	\$ 4,139,890	\$ 4,139,890
2 Gross Normal Cost as a Percentage of Pay			
a. Traditional Tier	18.73%	18.47%	37.20%
b. Hybrid Tier	8.57%	1.03%	9.60%
c. Gross Normal Cost Rate	10.44%	4.24%	14.68%
3 Gross Normal Cost			
a. Traditional Tier	\$ 154,324	\$ 142,133	\$ 296,457
b. Hybrid Tier	277,881	33,398	311,279
c. Gross Normal Cost [item 1 x 2c]	\$ 432,205	\$ 175,531	\$ 607,736
4 Net Employer Normal Cost			
a. Gross Normal Cost	\$ 432,205	\$ 175,531	\$ 607,736
b. Estimated Employee Contributions	210,306	33,947	244,253
c. Net Employer Normal Cost [item 4a - 4b]	\$ 221,899	\$ 141,584	\$ 363,483

## Table 4

### Reconciliation of Market Value of Assets and Allocation of Actuarial Value of Assets

	Year Ending			
	June 30, 2025 (1)	June 30, 2025 (2)	June 30, 2025 (3)	June 30, 2024 (4)
	Pension	Retiree Medical	Pension + Retiree Medical	Pension + Retiree Medical
1. Market Value of assets at beginning of year	\$ 102,884,003	\$ 84,604,481	\$ 187,488,484	\$ 163,007,757
2. Revenue for the year				
a. Contributions				
i. Member contributions	\$ 299,885	\$ 29,913	\$ 329,798	\$ 255,183
ii. Employer contributions	0	0	0	0
iii. Other contributions	0	0	0	0
iv. Total	<u>\$ 299,885</u>	<u>\$ 29,913</u>	<u>\$ 329,798</u>	<u>\$ 255,183</u>
b. Transfer In Payments	\$ 0	\$ 0	\$ 0	\$ 0
c. Investment Income	\$ 20,311,452	\$ 17,350,183	\$ 37,661,635	\$ 30,942,065
d. Total revenue	\$ 20,611,337	\$ 17,380,096	\$ 37,991,433	\$ 31,197,248
3. Expenditures for the year				
a. Disbursements				
i. Benefit Payments / Refunds	\$ 5,582,102	\$ 1,262,273	\$ 6,844,375	\$ 6,483,660
ii. Administrative Expenses	106,347	90,842	197,189	232,861
iii. Other	0	0	0	0
v. Total	<u>\$ 5,688,449</u>	<u>\$ 1,353,115</u>	<u>\$ 7,041,564</u>	<u>\$ 6,716,521</u>
4. Increase in net assets (Item 2. - Item 3.)	\$ 14,922,888	\$ 16,026,981	\$ 30,949,869	\$ 24,480,727
<b>5. Market Value of assets at end of year (Item 1. + Item 4.)</b>	<b>\$ 117,806,891</b>	<b>\$ 100,631,462</b>	<b>\$ 218,438,353</b>	<b>\$ 187,488,484</b>
6. Estimated annual return on net assets			20.5%	19.4%
7. Net external cash flow				
a. Dollar amount	\$ (5,388,564)	\$ (1,323,202)	\$ (6,711,766)	\$ (6,461,338)
b. Percentage of market value	-4.9%	-1.4%	-3.3%	-3.7%
<b>8. Actuarial Value of assets at end of year</b>				
<b>a. Dollar amount</b>	<b>\$ 100,312,613</b>	<b>\$ 85,687,728</b>	<b>\$ 186,000,341</b>	<b>\$ 166,754,923</b>
<b>b. Annual Return</b>			<b>15.9%</b>	<b>12.6%</b>





## Table 5b

### Development of Actuarial Value of Assets as of July 1, 2024

Year Ending	<u>June 30, 2024</u>																																								
1. Actuarial value of assets at beginning of year	\$ 154,143,593																																								
2. Market value of assets at beginning of year	\$ 163,007,757																																								
3. Net new investments																																									
a. Contributions	\$ 255,183																																								
b. Benefit payments	(6,483,660)																																								
c. Administrative expenses	(232,861)																																								
d. Subtotal	<u>\$ (6,461,338)</u>																																								
4. Market value of assets at end of year	\$ 187,488,484																																								
5. Net earnings (Item 4. - Item 2. - Item 3.d.)	\$ 30,942,065																																								
6. Assumed investment return rate for fiscal year	6.50%																																								
7. Expected return for immediate recognition	\$ 10,385,511																																								
8. Excess return for phased recognition	\$ 20,556,554																																								
9. Phased-in recognition, 20% of excess return on assets for prior years:																																									
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Fiscal Year</th> <th style="text-align: left;"><u>Ending June 30,</u></th> <th style="text-align: left;"><u>Excess</u></th> <th style="text-align: left;"><u>Return</u></th> <th style="text-align: left;"><u>Deferred</u></th> </tr> <tr> <th style="text-align: left;"></th> <th style="text-align: left;"></th> <th style="text-align: left;"></th> <th style="text-align: left;"></th> <th style="text-align: left;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">a.</td> <td>2024</td> <td style="text-align: right;">\$ 20,556,554</td> <td style="text-align: right;">80%</td> <td style="text-align: right;">\$ 16,445,243</td> </tr> <tr> <td style="padding-left: 20px;">b.</td> <td>2023</td> <td style="text-align: right;">11,859,686</td> <td style="text-align: right;">60%</td> <td style="text-align: right;">7,115,812</td> </tr> <tr> <td style="padding-left: 20px;">c.</td> <td>2022</td> <td style="text-align: right;">(25,971,037)</td> <td style="text-align: right;">40%</td> <td style="text-align: right;">(10,388,415)</td> </tr> <tr> <td style="padding-left: 20px;">d.</td> <td>2021</td> <td style="text-align: right;">37,804,606</td> <td style="text-align: right;">20%</td> <td style="text-align: right;">7,560,921</td> </tr> <tr> <td style="padding-left: 20px;">e.</td> <td>2020</td> <td style="text-align: right;">(814,026)</td> <td style="text-align: right;">0%</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">f.</td> <td>Total</td> <td></td> <td></td> <td style="text-align: right;"><u>\$ 20,733,561</u></td> </tr> </tbody> </table>	Fiscal Year	<u>Ending June 30,</u>	<u>Excess</u>	<u>Return</u>	<u>Deferred</u>					<u>Amount</u>	a.	2024	\$ 20,556,554	80%	\$ 16,445,243	b.	2023	11,859,686	60%	7,115,812	c.	2022	(25,971,037)	40%	(10,388,415)	d.	2021	37,804,606	20%	7,560,921	e.	2020	(814,026)	0%	0	f.	Total			<u>\$ 20,733,561</u>
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f.	Total			<u>\$ 20,733,561</u>																																					
10. Actuarial value of assets as of June 30, 2024 (Item 4.- Item 9.f.)	\$ 166,754,923																																								
11. Ratio of actuarial value to market value	88.9%																																								
12. Estimated annual return on actuarial value of assets	12.6%																																								

## Table 6 History of Investment Return Rates

Year Ending June 30 of	Market	Actuarial
2016	3.4%	11.7%
2017	13.1%	11.7%
2018	9.3%	9.9%
2019	12.5%	9.6%
2020	5.8%	9.0%
2021	36.5%	15.6%
2022	-9.1%	11.3%
2023	14.7%	10.8%
2024	19.4%	12.6%
2025	20.5%	15.9%
 Average Returns		
Last Five Years:	15.4%	13.2%
Last Ten Years:	12.0%	11.8%

**Table 7**  
**Schedule of Funding Progress**

July 1, (1)	Actuarial Value of Assets (AVA) (2)	Actuarial Accrued Liability (AAL) (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2)/(3) (5)	Annual Covered Payroll (6)	UAAL as % of Payroll (4)/(6) (7)
<b>Pension Fund</b>						
2017	65,063,724	73,238,809	8,175,085	88.8%	4,403,681	185.6%
2019	71,432,381	71,941,174	508,793	99.3%	4,325,106	11.8%
2021	79,019,547	72,568,155	(6,451,392)	108.9%	4,201,280	-153.6%
2023	86,304,769	68,059,010	(18,245,759)	126.8%	4,117,781	-443.1%
2025	100,312,613	67,480,113	(32,832,500)	148.7%	4,139,890	-793.1%
<b>Retiree Medical Fund</b>						
2017	39,995,862	22,084,782	(17,911,080)	181.1%	4,403,681	-406.7%
2019	46,525,674	19,664,861	(26,860,813)	236.6%	4,325,106	-621.0%
2021	56,806,280	15,667,998	(41,138,282)	362.6%	4,201,280	-979.2%
2023	67,838,824	18,115,490	(49,723,334)	374.5%	4,117,781	-1207.5%
2025	85,687,728	25,315,315	(60,372,413)	338.5%	4,139,890	-1458.3%

## **SECTION 3**

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### **MEMBERSHIP INFORMATION**

## Table 8 Summary of Membership Data

	July 1, 2025	July 1, 2023
1. Active members		
a. Number	92	96
b. Total covered pay	\$ 4,139,890	\$ 4,117,781
c. Average salary	\$ 44,999	\$ 42,894
d. Average age	56.1	55.6
e. Average service	7.6	8.3
f. Member contributions with interest	\$ 1,764,089	\$ 1,627,382
g. Average contributions with interest	\$ 19,175	\$ 16,952
2. Vested inactive members		
a. Number	35	33
b. Total annual deferred benefits	\$ 456,095	\$ 475,068
c. Average annual deferred benefit	\$ 13,031	\$ 14,396
d. Average age at the valuation date	55.5	55.4
3. Inactive members due a refund		
a. Number	22	12
b. Total member contributions with interest	\$ 190,610	\$ 155,556
c. Average contributions with interest	\$ 8,664	\$ 12,963
4. Service retirees <sup>1</sup>		
a. Number	200	202
b. Total annual benefits	\$ 4,585,139	\$ 4,604,909
c. Average annual benefit	\$ 22,926	\$ 22,797
d. Average age at the valuation date	75.8	75.3
5. Disabled retirees		
a. Number	0	0
b. Total annual benefits	\$ 0	\$ 0
c. Average annual benefit	\$ 0	\$ 0
d. Average age at the valuation date	0.0	0.0
6. Beneficiaries		
a. Number	62	57
b. Total annual benefits	\$ 969,929	\$ 967,617
c. Average annual benefit	\$ 15,644	\$ 16,976
d. Average age at the valuation date	81.6	80.8

<sup>1</sup> Service retiree information includes 7 alternate payee records

**Table 9**  
**Distribution of Active Members by Age and Years of Service**

Attained Age	Years of Credited Service												Total
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.	Count & Avg. Comp.
Under 40	2 \$44,313	1 \$38,650	1 \$39,572	0 \$0	2 \$36,689	2 \$41,644	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8 \$40,439
40-44	1 \$49,948	0 \$0	1 \$46,799	0 \$0	0 \$0	1 \$47,928	1 \$44,829	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	4 \$47,376
45-49	4 \$47,420	0 \$0	3 \$42,741	1 \$47,951	1 \$43,432	4 \$40,196	2 \$44,282	0 \$0	1 \$60,510	0 \$0	0 \$0	0 \$0	16 \$44,947
50-54	1 \$47,191	0 \$0	2 \$43,824	0 \$0	4 \$43,800	0 \$0	1 \$47,055	0 \$0	0 \$0	0 \$0	0 \$0	0 \$0	8 \$44,637
55-59	0 \$0	0 \$0	7 \$44,199	1 \$46,132	1 \$41,917	4 \$44,253	2 \$45,365	1 \$45,170	2 \$44,341	1 \$39,090	0 \$0	0 \$0	19 \$44,112
60-64	1 \$49,029	0 \$0	0 \$0	0 \$0	2 \$44,763	8 \$45,336	2 \$43,634	1 \$48,085	1 \$56,868	0 \$0	0 \$0	0 \$0	15 \$46,231
65 & Over	1 \$45,000	0 \$0	3 \$43,124	1 \$50,481	3 \$46,508	6 \$44,263	3 \$47,779	1 \$49,635	1 \$50,269	1 \$44,168	1 \$49,254	1 \$52,417	22 \$46,320
Total	10 \$46,947	1 \$38,650	17 \$43,589	3 \$48,188	13 \$43,306	25 \$43,891	11 \$45,617	3 \$47,630	5 \$51,266	2 \$41,629	1 \$49,254	1 \$52,417	92 \$44,999



**Table 10**  
**Distribution of Inactive Members by Status and Age**

Current Age (1)	Annuitants in Payment		Vested Inactive Members		Inactive Member due Refund	
	Number of Annuitants (2)	Average Annual Benefit Amount (3)	Number of Annuitants (4)	Average Annual Deferred Benefit Amount (5)	Number of Annuitants (6)	Average Refund Due Amount (7)
Under 50	0	\$ 0	9	\$ 8,717	4	\$ 4,915
50 - 54	1	25,104	5	9,947	3	11,604
55 - 59	7	13,220	9	13,958	2	14,019
60 - 64	13	19,199	9	14,293	3	10,668
65 - 69	32	25,963	3	24,549	4	10,215
70 - 74	51	25,177	0	0	6	5,872
75 - 79	64	18,703	0	0	0	0
80 - 84	46	18,221	0	0	0	0
85 - 89	28	22,554	0	0	0	0
90 And Over	20	20,316	0	0	0	0
<b>Total</b>	<b>262</b>	<b>\$ 21,203</b>	<b>35</b>	<b>\$ 13,031</b>	<b>22</b>	<b>\$ 8,664</b>

## **SECTION 4**

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### **ASSESSMENT AND DISCLOSURE OF RISK**

## Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of LRP's accrued liability and actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. The risk measures illustrated in this section are intended to aid stakeholders in understanding the effects of future experience differing from the assumptions used in performing an actuarial valuation. These risk measures may also help with illustrating the potential volatility in the funded status and actuarially determined contributions that result from differences between actual experience and the expected experience based on the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience (economic and demographic) differing from the assumptions, changes in assumptions due to changing conditions, changes in contribution requirements due to modifications to the funding policy, and changes in the liability and cost due to changes in plan provisions or applicable law. The scope of this actuarial valuation does not include any analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the System's future financial condition include:

- Investment risk – actual investment returns may differ from expected returns;
- Longevity risk – members may live longer or shorter than expected and receive pensions for a time period different than assumed;
- Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future contributions differing from expected;
- Salary and payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liabilities or contributions differing from expected;
- Asset/Liability mismatch – changes in assets may be inconsistent with changes in liabilities, thereby altering the relative difference between the assets and liabilities which may alter the funded status and contribution requirements;
- Contribution risk – actual contributions may differ from expected future contributions

Effects of certain experience can generally be anticipated. For example, if investment returns since the most recent actuarial valuation are less (or more) than the assumed rate of return, then the funded status of the plan can be expected to decrease (or increase) more than anticipated.

The ADC developed on Table 1 may be considered as a minimum contribution that complies with the with applicable Statutes and assumptions adopted by the Board. The timely receipt of the ADC, when applicable, is critical to support the financial health of the retirement system. Users of this report should be aware that contributions made consistent with the ADC do not necessarily guarantee benefit security.



## Plan Specific Risk Measures

Risks faced by a pension plan evolve over time. A relatively new plan with virtually no assets and paying few benefits will experience lower investment risk than a mature plan with a significant amount of assets and large number of members receiving benefits. Generally accepted plan maturity measures are provided in the following table.

	July 1,				
	2025	2024	2023	2022	2021
Ratio of net cash flow to market value of assets	-3.3%	-3.7%	-4.0%	-3.7%	-3.8%
Percentage of Expected Contribution Actually Received	N/A	0%	0%	0%	0%
Ratio of actives to retirees and beneficiaries	0.35		0.37		0.41

### Ratio of net cash flow to market value of assets

A positive net cash flow means contributions exceed benefits and expenses. A negative cash flow means existing funds are being used to make payments. A certain amount of negative net cash flow is generally expected to occur when benefits are prefunded through a qualified trust. Large negative net cash flows as a percent of assets may indicate a super-mature plan or a need for additional management of anticipated cash flow to have sufficient cash to provide benefits.

### Percentage of Expected Contributions Actually Received

This measure identifies the percentage difference between the contributions the fund expects to receive during the fiscal year to and actual contributions received by the fund during the fiscal year. A percentage that is less than 100% means that actual contributions the fund received were less than the expected contributions determined by a prior actuarial valuation. On the other hand, a percentage that is greater than 100% means that actual contributions the fund received were more than the expected contributions.

### Ratio of active to retired members

A relatively mature open plan is likely to have close to the same number of actives to retirees resulting in a ratio that is around 1.0. On the other hand, a super-mature plan, or a plan that is closed to new entrants will have more retirees than active members resulting in a ratio below 1.0. As this ratio declines, a larger portion of the total actuarial accrued liability in the System is attributable to retirees. This metric provides an indication of potential contribution volatility.

# Risks Measures – Low Default Risk Obligation Measure

## Introduction

In December 2021, the Actuarial Standards Board (ASB) adopted a revision to Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions. The revised ASOP No. 4 requires the calculation and disclosure of a liability referred to by the ASOP as the “Low-Default-Risk Obligation Measure” (LDROM). The rationale that the ASB cited for the calculation and disclosure of the LDROM was included in the Transmittal Memorandum of ASOP No. 4 and is presented below (emphasis added):

“The ASB believes that the calculation and disclosure of this measure provides **appropriate, useful information for the intended user regarding the funded status of a pension plan**. The calculation and disclosure of this additional measure is **not intended to suggest that this is the “right” liability measure** for a pension plan. However, the ASB does believe that **this additional disclosure provides a more complete assessment of a plan’s funded status and provides additional information regarding the security of benefits that members have earned as of the measurement date.**”

## Comparing the Accrued Liabilities and the LDROM

One of the fundamental financial objectives of the Kentucky Legislators Retirement Plan (LRP) is to finance each member’s retirement benefits over the period from the member’s date of hire until the member’s projected date of retirement (entry age actuarial cost method) as a level percentage of payroll. To fulfill this objective, the discount rate that is used to value the accrued liabilities of LRP is set equal to the **expected return** on each fund’s diversified portfolio of assets (referred to sometimes as the investment return assumption). The investment return assumption is 6.50%.

The LDROM is meant to approximately represent the lump sum cost to a plan to purchase low-default-risk fixed income securities whose resulting cash flows essentially replicate in timing and amount the benefits earned (or the costs accrued) as of the measurement date. The LDROM is very dependent upon market interest rates at the time of the LDROM measurement and can vary greatly from year to year. The lower the market interest rates, the higher the LDROM, and vice versa. The LDROM results presented in this report are based on the entry age actuarial cost method and discount rates based upon the intermediate rate from the FTSE Pension Discount Curve and Liability Index published by the Society of Actuaries. This rate is 5.46% as of June 30, 2025. This measure may not be appropriate for assessing the need for or amount of future contributions. This measure may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligation.

In normal economic conditions, the difference between the two measures (Valuation and LDROM) is one illustration of the savings the sponsor anticipates by taking on risk in a diversified portfolio.

Pension Fund	
Valuation Accrued Liabilities	LDROM
\$67,480,113	\$73,775,024



## **APPENDIX A**

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### **ACTUARIAL ASSUMPTIONS AND METHODS**

## Summary of Actuarial Assumptions and Methods

The following presents a summary of the actuarial assumptions and methods used in the valuation of the Legislators Retirement System. In general, the assumptions and methods used in the valuation are based on the actuarial experience study as of June 30, 2023 and adopted by the Board in August 2025.

*Investment return rate:*

Assumed annual rate of 6.50%, net of investment expenses

*Price Inflation:*

Assumed annual rate of 2.50%

*Rates of Annual Salary Increase:*

3.5% per year

*Disability rates:*

None assumed

*Withdrawal rates (for causes other than disability and retirement):*

5.5% per year

*Mortality Assumption (pre and post retirement):*

Pub-2016 Mortality Table for General Employees (above median), projected with ultimate rates from the Scale MP-2021 using a base year of 2016. No pre-retirement mortality is assumed for the hybrid tier. Pub-2016 Mortality Table for Disabled Retirees, projected with ultimate rates from the Scale MP-2021 using a base year of 2016, assumed for disabled retirees. The amount weighted version of these tables are used for the pension plan, while the headcount weighted versions are used for the insurance plans.

The following table provides the life expectancy for a healthy retiree in future years based on the assumption with full generational projection:

Life Expectancy for an Age 65 Retiree in Years					
Gender	Year of Retirement				
	2025	2030	2035	2040	2045
Male	22.5	22.8	23.2	23.5	23.8
Female	24.3	24.7	25.0	25.3	25.6



*Retirement rates:*

Assumed annual rates of retirement are shown below.

Age	Rate
Under NRA-5	0.0%
NRA-5	7.5%
NRA-4	7.5%
NRA-3	7.5%
NRA-2	15.0%
NRA-1	20.0%
NRA	20.0%
Above NRA	25.0%
Age 70	100.0%

Normal Retirement Age (NRA) is defined as age 65, except that it shall be reduced by one year, but no more than five years total, for each five years of service credit in the Plan.

In addition to these rates, for members of the traditional tier, an extra 20% is added to the retirement rate at the age a member reaches 27 years of service credit. For members with 27 years of service but under NRA-5, the retirement rate is assumed to be 20%.

*Vested Termination:* Vested terminated members are assumed to commence their retirement benefits at their normal retirement date. Members are assumed to elect a refund of member contributions if the value of their account balance exceeds the present value of the deferred benefit. Hybrid members are assumed to elect to receive a lump sum.

*Pre-retirement death:* Beneficiaries of current active members that die while active are assumed to commence their survivor benefits at the member's normal retirement date. No pre-retirement death assumed for hybrid members.

*Marital status:*

70% of active members are assumed to be married, with the female spouse 3 years younger than the male spouse, for the purposes of both pre- and post- retirement death benefits.

*Dependent Children:*

No dependent children assumed for the purposes of death benefits.

*Form of Payment:*

Members are assumed to elect a 50% joint survivor benefit if married. For hybrid members, members are assumed to elect to receive a lump sum equal to their account balance.

*Cash Balance Interest Crediting Rate*

Assumed annual rate of 6.60%

*Other Assumptions*

1. Individual salaries used to project benefits: For salary amounts prior to the valuation date, the salary from the last fiscal year is projected backward with the valuation salary scale assumption. For future salaries, the salary from the last fiscal year is projected forward with one year's salary scale.
2. Pay increase timing: Beginning of (fiscal) year. This is equivalent to assuming that reported salaries represent amounts paid to members during the year ending on the valuation date.
3. Decrement timing: Decrements of all types are assumed to occur mid-year. Decrement rates are used as described in this report, without adjustment for multiple decrement table effects.
4. Service: All members are assumed to accrue 1 year of benefit and eligibility service each year.
5. Eligibility testing: Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur
6. Incidence of Contributions: Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
7. Administrative Expenses: Average of last three years of administrative expenses

*Health Care Participation Assumptions:*

- 100% of future eligible retirees are assumed to elect coverage at retirement
- 70% of future retirees are assumed to elect spouse coverage.
- Future retirees are assumed to have a similar distribution by plan type as the current retirees, which is an election percentage of 66% for the LivingWell PPO and 34% for the LivingWell CDHP.



*Health Care Age Related Morbidity/Claims Utilization:*

To model the impact of aging on the underlying health care costs for Medicare retirees, the valuation relied on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death". Table 4 (Development of Plan Specific Medicare Age Curve) was used to model the impact of aging for ages 65 and over.

*Health Care Cost Trend Rates:*

Year	Non-Medicare Plans <sup>1</sup>	Medicare Plans <sup>1</sup>	Dollar Contribution <sup>2</sup>
2026	7.35%	8.00%	1.50%
2027	7.20%	8.00%	1.50%
2028	7.05%	8.00%	1.50%
2029	6.90%	7.50%	1.50%
2030	6.75%	7.00%	1.50%
2031	6.50%	6.50%	1.50%
2032	6.25%	6.00%	1.50%
2033	6.00%	5.50%	1.50%
2034	5.75%	5.00%	1.50%
2035	5.50%	4.50%	1.50%
2036	5.25%	4.25%	1.50%
2037	4.00%	4.25%	1.50%
2038	4.75%	4.25%	1.50%
2039	4.50%	4.25%	1.50%
2040 & Beyond	4.25%	4.25%	1.50%

<sup>1</sup>All increases are assumed to occur on January 1. The 2026 premiums were known at the time of the valuation and were incorporated into the liability measurement

<sup>2</sup>Applies to members participating on or after July 1, 2003. All increases are assumed to occur on July 1.

The healthcare trend assumption is based on the framework developed in the Society of Actuaries' Getzen Model. The ultimate trend assumption of 4.25% is based on a 2.50% inflation assumption plus 1.75% long-term real GDP growth.

### *Actuarial Model*

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

### *Actuarial Cost Method:*

Entry Age Normal, Level Percentage of Pay. The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of pay necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

### *Participant Data*

Participant data was supplied in electronic text files.

The data for active and terminated members included date of birth, date of participation, benefit tier indicator, service, salary, employee contribution account balances, and employer pay credits for hybrid members. For retired members and beneficiaries, the data included date of birth, spouse's date of birth (where applicable), amount of monthly benefit, date of retirement, and form of payment.

Assumptions were made to correct for missing, bad, or inconsistent data. These had no material impact on the results presented.

## Development of Baseline Claims Cost

For non-Medicare retirees, the initial per capita costs were developed using retiree claims experience for calendar years 2022 through 2024. The claims were projected on an incurred claim basis. The per capita costs shown in the table below also include HRA contributions for retirees on the CDHP plans. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The fully-insured premiums paid to the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees.

For Medicare retirees, the initial per capita costs were estimated based on the premium effective January 1, 2026, and are used for both current and future retirees. Age graded and sex distinct premiums are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

2026 MONTHLY COSTS FOR THOSE NOT ELIGIBLE FOR MEDICARE		
AGE	MALE	FEMALE
40	\$ 419.69	\$ 681.97
50	680.31	838.09
60	1,156.23	1,138.49
64	1,406.00	1,326.89

2026 MONTHLY COSTS FOR THOSE ELIGIBLE FOR MEDICARE		
AGE	MALE	FEMALE
65	\$ 487.58	\$ 459.88
75	570.47	556.65
85	603.23	610.34

Appendix B of the report provides a full schedule of premiums.

Blake Orth is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Blake Orth, FSA, EA, MAAA

## **APPENDIX B**

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### **SUMMARY OF PLAN PROVISIONS**

# Summary of Benefit Provisions

## Pension – Traditional Tier

### (Participation prior to January 1, 2014)

#### Retirement Benefit

Vesting Requirement	Five (5) years of legislative service or eight (8) years of state government service credit (including Judicial Retirement Plan, the Kentucky Employees Retirement System, County Employees Retirement System, State Police Retirement System, or Teachers' Retirement System)
Normal Retirement Eligibility	Age 65, except that it shall be reduced by one year, but no more than five years total, for each five years of service credit in the Plan; or 27 years of service
Benefit Amount	Final compensation, which is the average member's three highest years of legislative creditable compensation, times the member's service credit rate, times the years of service credited to the member's account. Members of the Plan contributing on or after June 20, 2005, are eligible for reciprocity for service in the Kentucky Retirement System, the Kentucky Teachers Retirement System and the Judicial Retirement Plan in determining the high three salary years, provided there is a simultaneous commencement of benefits from the systems or plans included in the reciprocity.

Participation Date	Service Credit Rate
Prior to June 30, 1978	5.00%
Between July 1, 1978 and June 30, 1980	4.15%
Between July 1, 1980 and June 30, 1982	3.50%
After June 30, 1982	2.75%

Early Retirement Eligibility	Any age with vesting requirement
Early Retirement Reduction	Normal Retirement benefit reduced benefit five percent per year for the lesser of the number of years between (a) the retiree's normal retirement age and the retiree's actual age at the time benefits commence, or (b) 27 years of service and the retiree's years of total governmental service.
Normal Form of Benefit	50% Joint Survivor Benefit. Member may elect to take an optional retirement allowance that shall be actuarially equivalent to the normal form. The options shall include 100% joint survivor benefit, or 66-2/3% joint survivor benefit.



Post-Retirement Benefit Increases	Effective July 1, 2009, an increase will only be granted if the General Assembly authorizes the use of any surplus actuarial assets to provide for the increase; or if the General Assembly appropriates sufficient funds to fully pre-fund the increase (if the Plan is less than 100% funded).
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*Vested Deferred Benefit*

Vesting Requirement	Five (5) years of legislative service or eight (8) years of state government service credit (including Legislators' Retirement Plan, the Kentucky Employees Retirement System, County Employees Retirement System, State Police Retirement System, or Teachers' Retirement System)
Non-Vested Benefit	Refund of member's accumulated contributions
Vested Benefit	Accrued benefit payable once member is eligible for retirement

*Disability Retirement*

Eligibility	None
Disability Benefit	Amount equal to one-half (1/2) of the monthly service retirement allowance member would have received commencing at their normal retirement date if the member had continued in service until that date and had then retired, computed however on the basis of his final compensation at time of disability.

*Pre-Retirement Death Benefit*

Eligibility	None
Spouse Benefit	Surviving spouse is entitled to receive a monthly benefit equal to one-half (1/2) of the monthly allowance the member would have received commencing at the member's normal retirement date if the member had continued in service until that date and had then retired, computed however on the basis of his final compensation at time of death.
Child Benefit	If a member or retiree dies leaving no surviving spouse eligible for benefits, or leaves such a spouse who later dies, a benefit equal to the spouse's benefit will be payable to the child (or children, collectively) of the member or retiree. The benefits will be payable until the child's 21st birthday, unless the child is disabled. Benefits to a disabled child will continue for his/her life.

*Member Contributions*

Participation before 9/1/2008	5% of official salary. Member will not be required to contribute to the Plan once the member is vested in a service retirement allowance equal to one hundred percent (100%) of final compensation
Participation on or after 9/1/2008 but before 1/1/2014	6% of official salary. Member will not be required to contribute to the Plan once the member is vested in a service retirement allowance equal to one hundred percent (100%) of final compensation



# Summary of Benefit Provisions

## Pension – Hybrid Tier

(Participation on or after January 1, 2014)

### *Retirement Benefit*

Vesting Requirement	Five (5) years of state government service credit (including Legislators' Retirement Plan, the Kentucky Employees Retirement System, County Employees Retirement System, State Police Retirement System, or Teachers' Retirement System)
Normal Retirement Eligibility	Age 65, or Rule of 87 (Age 57 or older if age plus service equals 87)
Benefit Amount	<p>Each year that the member is active, a 4.00% state pay credit and the employee's 5.00% contribution will be credited to each member's hypothetical cash balance account. Annual interest will be credited on June 30 to the member's account. The interest shall include 4% of the member's accumulated account balance based on the preceding year-end balance, plus 75% of the Plan's geometric average net 5-year investment return in excess of a four percent rate of return.</p> <p>At retirement, the member's hypothetical account balance may be converted into an annuity based on an actuarial factor.</p>
Early Retirement Eligibility	None
Normal Form of Benefit	Single Life Annuity. Member may elect to take an optional retirement allowance that shall be actuarially equivalent to the normal form. The options shall include 100% joint survivor benefit, 66-2/3% joint survivor benefit, or 50% joint survivor benefit.
Post-Retirement Benefit Increases	Effective July 1, 2009, an increase will only be granted if the General Assembly authorizes the use of any surplus actuarial assets to provide for the increase; or if the General Assembly appropriates sufficient funds to fully pre-fund the increase (if the Plan is less than 100% funded).



### *Vested Deferred Benefit*

Vesting Requirement	Five (5) years of state government service credit (including Legislators' Retirement Plan, the Kentucky Employees Retirement System, County Employees Retirement System, State Police Retirement System, or Teachers' Retirement System)
Non-Vested Benefit	Refund of member's accumulated contributions
Vested Benefit	Accrued benefit payable once member is eligible for retirement. Alternatively, the member may refund their accumulated account balance, including state pay credits.

### *Disability Retirement*

Eligibility	Five (5) years of Legislators service
Disability Benefit	The higher of 20% of the member's monthly final rate of pay or the monthly retirement allowance payable for life by having his or her accumulated account balance annuitized.

### *Pre-Retirement Death Benefit*

Eligibility	Five (5) years of Legislators service
Spouse Benefit	Refund of member's accumulated account balance or the spouse may elect to receive a monthly benefit for life based on the member's accumulated account balance using the 100% survivorship option as if the member retired immediately prior to his/her date of death.

### *Member Contributions*

Participation on or after 1/1/2014	6% of official salary, of which 5% represents the member's retirement benefit contribution. The remaining 1% represents a medical insurance contribution and is not a part of the member's accumulated account balance.
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## Summary of Benefit Provisions Insurance – Traditional Tier (Participation prior to January 1, 2014)

*Benefit Eligibility*

Recipient of a retirement allowance

*Benefit Amount*

Service Credit at Retirement	Percentage of Member Premium Paid by Retirement System
Less than 4 years	0%
4 – 9 years	25%
10 years	50%
11 years	55%
12 years	60%
13 years	65%
14 years	70%
15 years	75%
16 years	80%
17 years	85%
18 years	90%
19 years	95%
20 or more years	100%

The insurance fund will pay the same percentage of the premium for the spouse and dependents of a recipient, or the beneficiary of the recipient.

# Summary of Benefit Provisions Insurance – Hybrid Tier

**(Participation on or after January 1, 2014)**

<i>Benefit Eligibility</i>	Recipient of a retirement allowance with at least 15 years of service in the Plan at retirement.
<i>Benefit Amount</i>	Monthly contribution of \$10 for each year of earned service. The monthly contribution is increased by 1.5% each July 1. As of July 1, 2025, the monthly contribution was \$11.96/year of service. Upon the retiree’s death, the surviving spouse may continue coverage (if in receipt of a retirement allowance) but will be 100% responsible for the premiums.
<i>Duty Disability Retirement</i>	If disability was a result of injuries sustained while in the line of duty, the member receives a benefit based on at least 20 years of service.
<i>Duty Death in Service</i>	If an active employee’s death was a result of injuries sustained while in the line of duty, the member’s spouse and children receive a monthly benefit a benefit based on at least 20 years of service.

## Monthly Health Plan Premiums – Effective January 1, 2026

Non-Medicare Plan Options				
Plan Option	Single	Parent Plus	Couple	Family
LivingWell PPO	\$1,105.54	\$1,514.46	\$2,238.22	\$2,453.16
LivingWell CDHP	\$1,090.42	\$1,475.34	\$2,144.14	\$2,383.68
LivingWell Basic CDHP	\$1,059.88	\$1,447.24	\$2,150.90	\$2,385.14
LivingWell HDHP	\$983.66	\$1,343.02	\$1,996.16	\$2,213.58

Medicare Plan Options	
Humana Group Medicare Advantage PPO Plan	\$558.47



## **APPENDIX C**

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### **COST OF 1.5% COST OF LIVING ADJUSTMENT**

## Cost of a 1.5% Cost of Living Adjustment

Per Kentucky State Statute 21.405, this section of the report provides the financial cost if the General Assembly enacts an increase in monthly retirement allowances as permitted. Statute specifies:

*The board of trustees of the Kentucky Judicial Form Retirement System shall, at least thirty (30) days prior to the beginning of regular sessions of the General Assembly held in even-numbered years, advise the General Assembly of the following:*

*1. Whether the plan has a funding level greater than one hundred percent (100%) and if the plan can support an increase in recipients' retirement allowances as provided by paragraph (a) of this subsection over the next budget biennium without reducing the funding level of the plan below one hundred percent (100%); and*

*2. If no surplus actuarial assets are available, the level of funds needed to fully prefund an increase for plan recipients over the next budget biennium if a one and one-half percent (1.5%) increase is provided annually over the biennium.*

The cost analyzed in this section of the report is in relation to a 1.5% benefit increase applied annually over the next biennium. In other words, all members receiving a pension benefit in LRP would receive two 1.5% benefit increases (i.e. on one on July 1, 2026 and one on July 1, 2027).

As of this June 30, 2025 actuarial valuation, the LRP pension fund has a funding level greater than 100%. If the benefit increases were paid annually over the next biennium, the LRP pension fund funding level would remain over 100% and the required contribution would remain at \$0 for the biennium.

Alternatively, if the General Assembly fully pre-funds the benefit increases, the required appropriation is provided below. This appropriation is sufficient and appropriate to fund the described benefit increases and therefore, the benefit increase would not impact the on-going employer contribution requirement for the pension fund.

	Appropriation Necessary to Fully Pre-Fund
1.5% Benefit Increase payable July 1, 2026	\$845,000
1.5% Benefit Increase payable July 1, 2027	\$914,000
Total Cost of Two Benefit Increases over Biennium	\$1,759,000

## **APPENDIX D**

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### **SENSITIVITY ANALYSIS**

# Sensitivity Analysis

Per Kentucky State Statute 21.440, this section of the report provides information regarding the sensitivity of the valuation results to changes in some of the economic assumptions. Specifically, the following tables show the impact due to changes in the investment return assumption, the individual salary scale assumption, and the healthcare trend assumption.

## Investment Assumption

The investment return assumption is used to discount future expected benefit payments to the valuation date in order to determine the liabilities of the plans. The lower the investment return assumption, the less the benefit payments are discounted and the higher the valuation liability. The current investment return assumption is 6.50%. The sensitivity analysis shows the financial impact of a 1.00% increase and a 1.00% decrease in the investment return assumption. For the purposes of this analysis, no other changes in assumptions are assumed.

## Individual Salary Scale Assumption

The individual salary scale assumption is used to project future expected salary for active members in order to estimate future pension benefits. Generally, this assumption will have the greatest impact on the normal cost rate of the retirement system (i.e. the cost of future projected benefits). The higher the salary increase assumption, the higher projected future pension costs and the higher the normal cost of the plan. The current individual salary increase assumption is 3.50%. The sensitivity analysis shows the financial impact of a 1.00% increase and a 1.00% decrease in the assumption.

## Healthcare Trend Assumption

The healthcare trend assumption is used to project future healthcare costs in order to estimate future retiree medical benefits. The higher the trend assumption, the higher projected future retiree medical costs and the higher the actuarial liabilities. The current healthcare trend assumption varies by non-Medicare and Medicare benefits and is disclosed in Appendix A of this report. The assumption includes an assumed 7.35% increase in non-Medicare premiums as of January 1, 2027 and an assumed 8.00% increase in Medicare premiums as of January 1, 2027, decreasing to 4.25% over 14 years and 10 years respectively. The sensitivity analysis shows the financial impact of a 1.00% increase and a 1.00% decrease in the trend assumption for all years.

## Sensitivity Analysis - Investment Return Assumption

(1)	Decrease Discount Rate (2)	Valuation Results (3)	Increase Discount Rate (4)
Investment Return Assumption	5.50%	6.50%	7.50%
<b>Pension</b>			
Actuarial Accrued Liability	\$ 73,513,209	\$ 67,480,113	\$ 62,304,646
Actuarial Value of Assets	<u>100,312,613</u>	<u>100,312,613</u>	<u>100,312,613</u>
Unfunded Actuarial Accrued Liability	(26,799,404)	(32,832,500)	(38,007,967)
Funded Ratio	136.5%	148.7%	161.0%
Required Contribution	\$ -	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Retiree Medical</b>			
Actuarial Accrued Liability	\$ 28,317,386	\$ 25,315,315	\$ 22,817,769
Actuarial Value of Assets	<u>85,687,728</u>	<u>85,687,728</u>	<u>85,687,728</u>
Unfunded Actuarial Accrued Liability	(57,370,342)	(60,372,413)	(62,869,959)
Funded Ratio	302.6%	338.5%	375.5%
Required Contribution	\$ 0	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Combined</b>			
Actuarial Accrued Liability	\$ 101,830,595	\$ 92,795,428	\$ 85,122,415
Actuarial Value of Assets	<u>186,000,341</u>	<u>186,000,341</u>	<u>186,000,341</u>
Unfunded Actuarial Accrued Liability	(84,169,746)	(93,204,913)	(100,877,926)
Funded Ratio	182.7%	200.4%	218.5%
Required Contribution	\$ -	\$ 0	\$ -
Contribution as a Percent of Pay	0.00%	0.00%	0.00%

## Sensitivity Analysis - Individual Salary Scale Assumption

(1)	Decrease Salary Rate (2)	Valuation Results (3)	Increase Salary Rate (4)
Individual Salary Scale Assumption	2.50%	3.50%	4.50%
<b>Pension</b>			
Actuarial Accrued Liability	\$ 67,361,481	\$ 67,480,113	\$ 67,604,015
Actuarial Value of Assets	<u>100,312,613</u>	<u>100,312,613</u>	<u>100,312,613</u>
Unfunded Actuarial Accrued Liability	(32,951,132)	(32,832,500)	(32,708,598)
Funded Ratio	148.9%	148.7%	148.4%
Required Contribution	\$ 0	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Retiree Medical</b>			
Actuarial Accrued Liability	\$ 25,315,315	\$ 25,315,315	\$ 25,315,315
Actuarial Value of Assets	<u>85,687,728</u>	<u>85,687,728</u>	<u>85,687,728</u>
Unfunded Actuarial Accrued Liability	(60,372,413)	(60,372,413)	(60,372,413)
Funded Ratio	338.5%	338.5%	338.5%
Required Contribution	\$ 0	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Combined</b>			
Actuarial Accrued Liability	\$ 92,676,796	\$ 92,795,428	\$ 92,919,330
Actuarial Value of Assets	<u>186,000,341</u>	<u>186,000,341</u>	<u>186,000,341</u>
Unfunded Actuarial Accrued Liability	(93,323,545)	(93,204,913)	(93,081,011)
Funded Ratio	200.7%	200.4%	200.2%
Required Contribution	\$ 0	\$ 0	\$ -
Contribution as a Percent of Pay	0.00%	0.00%	0.00%

## Sensitivity Analysis - Healthcare Trend Assumption

(1)	Decrease Trend by 1% (2)	Valuation Results (3)	Increase Trend by 1% (4)
Ultimate Healthcare Trend Assumption	3.25%	4.25%	5.25%
<b>Pension</b>			
Actuarial Accrued Liability	\$ 67,480,113	\$ 67,480,113	\$ 67,480,113
Actuarial Value of Assets	<u>100,312,613</u>	<u>100,312,613</u>	<u>100,312,613</u>
Unfunded Actuarial Accrued Liability	(32,832,500)	(32,832,500)	(32,832,500)
Funded Ratio	148.7%	148.7%	148.7%
Required Contribution	\$ 0	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Retiree Medical</b>			
Actuarial Accrued Liability	\$ 22,924,224	\$ 25,315,315	\$ 28,150,210
Actuarial Value of Assets	<u>85,687,728</u>	<u>85,687,728</u>	<u>85,687,728</u>
Unfunded Actuarial Accrued Liability	(62,763,504)	(60,372,413)	(57,537,518)
Funded Ratio	373.8%	338.5%	304.4%
Required Contribution	\$ 0	\$ 0	\$ 0
Contribution as a Percent of Pay	0.00%	0.00%	0.00%
<b>Combined</b>			
Actuarial Accrued Liability	\$ 90,404,337	\$ 92,795,428	\$ 95,630,323
Actuarial Value of Assets	<u>186,000,341</u>	<u>186,000,341</u>	<u>186,000,341</u>
Unfunded Actuarial Accrued Liability	(95,596,004)	(93,204,913)	(90,370,018)
Funded Ratio	205.7%	200.4%	194.5%
Required Contribution	\$ 0	\$ 0	\$ -
Contribution as a Percent of Pay	0.00%	0.00%	0.00%



# APPENDIX E

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## PROJECTIONS

## Projection Assumptions

Per Kentucky State Statute 21.440, this section of the report provides a thirty (30) year projection of the funding levels, unfunded liabilities, and actuarially recommended contributions for both the pension fund and retiree medical fund.

The projections are based upon the results of the June 30, 2025 actuarial valuation that are contained in this report. They assume that all actuarial assumptions are realized, including the 6.50% investment return assumption. Further, new active members are assumed to be hired as current active members are assumed to leave active employment. The total active population is assumed to remain constant in future years. Finally, the full actuarially determined contribution is assumed to be paid by the Commonwealth in all future years.

## Projection of Funded Status and Contributions – Pension Fund

Fiscal Year Beginning July 1,	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio (3) / (2)	Employer Contribution	Member Contribution	Covered Payroll	Employer Contribution as % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2025	\$ 67.5	\$ 100.3	\$ (32.8)	149%	\$ -	\$ 0.2	\$ 4.1	0.00%
2026	66.0	105.3	(39.3)	160%	-	0.2	4.2	0.00%
2027	64.4	113.0	(48.6)	175%	-	0.2	4.4	0.00%
2028	62.8	119.8	(57.0)	191%	-	0.2	4.5	0.00%
2029	61.1	124.3	(63.2)	203%	-	0.2	4.6	0.00%
2030	59.4	126.4	(67.0)	213%	-	0.2	4.8	0.00%
2031	57.6	128.7	(71.1)	223%	-	0.2	4.9	0.00%
2032	55.7	131.1	(75.4)	235%	-	0.3	5.1	0.00%
2033	53.9	133.9	(80.0)	248%	-	0.3	5.2	0.00%
2034	51.9	136.8	(84.9)	264%	-	0.3	5.3	0.00%
2035	50.0	140.0	(90.0)	280%	-	0.3	5.5	0.00%
2036	48.1	143.6	(95.5)	299%	-	0.3	5.6	0.00%
2037	46.2	147.6	(101.4)	319%	-	0.3	5.8	0.00%
2038	44.3	152.0	(107.7)	343%	-	0.3	6.0	0.00%
2039	42.4	156.7	(114.3)	370%	-	0.3	6.1	0.00%
2040	40.5	161.9	(121.4)	400%	-	0.3	6.3	0.00%
2041	38.7	167.6	(128.9)	433%	-	0.3	6.4	0.00%
2042	36.9	173.8	(136.9)	471%	-	0.3	6.6	0.00%
2043	35.2	180.6	(145.4)	513%	-	0.3	6.8	0.00%
2044	33.5	188.0	(154.5)	561%	-	0.3	6.9	0.00%
2045	32.0	196.1	(164.1)	613%	-	0.4	7.1	0.00%
2046	30.4	204.8	(174.4)	674%	-	0.4	7.3	0.00%
2047	28.9	214.3	(185.4)	742%	-	0.4	7.5	0.00%
2048	27.5	224.5	(197.0)	816%	-	0.4	7.7	0.00%
2049	26.2	235.6	(209.4)	899%	-	0.4	7.8	0.00%
2050	25.0	247.6	(222.6)	990%	-	0.4	8.0	0.00%
2051	23.9	260.5	(236.6)	1090%	-	0.4	8.2	0.00%
2052	22.9	274.4	(251.5)	1198%	-	0.4	8.4	0.00%
2053	22.0	289.4	(267.4)	1315%	-	0.4	8.7	0.00%
2054	21.1	305.5	(284.4)	1448%	-	0.4	8.9	0.00%



## Projection of Funded Status and Contributions – Retiree Medical Fund

Fiscal Year Beginning July 1,	Actuarial Accrued Liability	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio (3) / (2)	Employer Contribution	Member Contribution	Covered Payroll	Employer Contribution as % of Covered Payroll
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2025	\$ 25.3	\$ 85.7	\$ (60.4)	339%	\$ -	\$ -	\$ 4.1	0.00%
2026	25.6	93.6	(68.0)	366%	-	-	4.2	0.00%
2027	25.7	104.1	(78.4)	405%	-	-	4.4	0.00%
2028	25.8	113.7	(87.9)	441%	-	-	4.5	0.00%
2029	25.7	121.7	(96.0)	474%	-	-	4.6	0.00%
2030	25.6	127.7	(102.1)	499%	-	-	4.8	0.00%
2031	25.4	133.9	(108.5)	527%	-	-	4.9	0.00%
2032	25.1	140.5	(115.4)	560%	-	-	5.1	0.00%
2033	24.8	147.6	(122.8)	595%	-	0.1	5.2	0.00%
2034	24.4	155.0	(130.6)	635%	-	0.1	5.3	0.00%
2035	24.0	163.0	(139.0)	679%	-	0.1	5.5	0.00%
2036	23.6	171.5	(147.9)	727%	-	0.1	5.6	0.00%
2037	23.2	180.5	(157.3)	778%	-	0.1	5.8	0.00%
2038	22.7	190.2	(167.5)	838%	-	0.1	6.0	0.00%
2039	22.3	200.5	(178.2)	899%	-	0.1	6.1	0.00%
2040	21.8	211.5	(189.7)	970%	-	0.1	6.3	0.00%
2041	21.3	223.1	(201.8)	1047%	-	0.1	6.4	0.00%
2042	20.7	235.6	(214.9)	1138%	-	0.1	6.6	0.00%
2043	20.2	248.9	(228.7)	1232%	-	0.1	6.8	0.00%
2044	19.6	263.1	(243.5)	1342%	-	0.1	6.9	0.00%
2045	19.1	278.2	(259.1)	1457%	-	0.1	7.1	0.00%
2046	18.5	294.5	(276.0)	1592%	-	0.1	7.3	0.00%
2047	18.0	311.7	(293.7)	1732%	-	0.1	7.5	0.00%
2048	17.4	330.1	(312.7)	1897%	-	0.1	7.7	0.00%
2049	16.9	349.8	(332.9)	2070%	-	0.1	7.8	0.00%
2050	16.3	370.8	(354.5)	2275%	-	0.1	8.0	0.00%
2051	15.8	393.1	(377.3)	2488%	-	0.1	8.2	0.00%
2052	15.2	417.0	(401.8)	2743%	-	0.1	8.4	0.00%
2053	14.8	442.5	(427.7)	2990%	-	0.1	8.7	0.00%
2054	14.3	469.8	(455.5)	3285%	-	0.1	8.9	0.00%



## **APPENDIX F**

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### **GLOSSARY**

## Glossary

**Actuarial Accrued Liability (AAL):** That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Plan Benefits which is not provided for by future Normal Costs. It is equal to the Actuarial Present Value of Future Plan Benefits minus the actuarial present value of future Normal Costs.

**Actuarial Assumptions:** Assumptions as to future experience under the Fund. These include assumptions about the occurrence of future events affecting costs or liabilities, such as:

- mortality, withdrawal, disablement, and retirement;
- future increases in salary;
- future rates of investment earnings and future investment and administrative expenses;
- characteristics of members not specified in the data, such as marital status;
- characteristics of future members;
- future elections made by members; and
- other relevant items.

**Actuarial Cost Method or Funding Method:** A procedure for allocating the Actuarial Present Value of Future Benefits to various time periods; a method used to determine the Normal Cost and the Actuarial Accrued Liability. These items are used to determine the ADC.

**Actuarial Gain or Actuarial Loss:** A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates. Through the actuarial assumptions, rates of decrements, rates of salary increases, and rates of fund earnings have been forecasted. To the extent that actual experience differs from that assumed, Actuarial Accrued Liabilities emerge which may be the same as forecasted, or may be larger or smaller than projected. Actuarial gains are due to favorable experience, e.g., the Fund's assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. On the other hand, actuarial losses are the result of unfavorable experience, i.e., actual results that produce actuarial liabilities which are larger than projected. Actuarial gains will shorten the time required for funding of the actuarial balance sheet deficiency while actuarial losses will lengthen the funding period.

**Actuarially Equivalent:** Of equal actuarial present value, determined as of a given date and based on a given set of Actuarial Assumptions.

**Actuarial Present Value (APV):** The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:

- a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, marital status, etc.),
- b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
- c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

**Actuarial Present Value of Future Plan Benefits:** The Actuarial Present Value of those benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits. The Actuarial Present Value of Future Plan Benefits includes the liabilities for active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members either entitled to a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would be provide sufficient assets to pay all projected benefits and expenses when due.

**Actuarial Valuation:** The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB.

**Actuarial Value of Assets or Valuation Assets:** The value of the Fund's assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets, but commonly actuaries use a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the ADC.

**Actuarially Determined:** Values which have been determined utilizing the principles of actuarial science. An actuarially determined value is derived by application of the appropriate actuarial assumptions to specified values determined by provisions of the law.

**Amortization Method:** A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the assumed rate at which total covered payroll of all active members will increase.

**Amortization Payment:** That portion of the pension plan contribution or ADC which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.

**Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC):** A calculated contribution for a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the calculated contribution has a normal cost payment and an amortization payment.

**Closed Amortization Period:** A specific number of years that is counted down by one each year and therefore declines to zero with the passage of time. For example, if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc. See Funding Period and Open Amortization Period.

**Decrements:** Those causes/events due to which a member's status (active-inactive-retiree-beneficiary) changes, that is: death, retirement, disability, or termination.

**Defined Benefit Plan:** An employer-sponsored retirement benefit that provides workers, upon attainment of designated age and service thresholds, with a monthly benefit based on the employee's salary and length of service. The value of a benefit from a defined benefit plan is generally not affected by the return on the assets that are invested to fund the benefit.



**Defined Contribution Plan:** A retirement plan, such as a 401(k) plan, a 403(b) plan, or a 457 plan, in which the contributions to the plan are assigned to an account for each member, and the plan's earnings are allocated to each account, and each member's benefits are a direct function of the account balance.

**Employer Normal Cost:** The portion of the Normal Cost to be paid by the employers. This is equal to the Normal Cost less expected member contributions.

**Experience Study:** A periodic review and analysis of the actual experience of the Fund which may lead to a revision of one or more actuarial assumptions. Actual rates of decrement and salary increases are compared to the actuarially assumed values and modified as deemed appropriate by the Actuary.

**Funded Ratio:** The ratio of the actuarial value of assets (AVA) to the actuarial accrued liability (AAL). Plans sometimes calculate a market funded ratio, using the market value of assets (MVA), rather than the AVA.

**Funding Period or Amortization Period:** The term "Funding Period" is used in two ways. In the first sense, it is the period used in calculating the Amortization Payment as a component of the ADC. This funding period is chosen by the Board of Trustees. In the second sense, it is a calculated item: the number of years in the future that will theoretically be required to amortize (i.e., pay off or eliminate) the Unfunded Actuarial Accrued Liability, based on the statutory employer contribution rate, and assuming no future actuarial gains or losses.

**GASB:** The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

**Normal Cost:** That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. Any payment in respect of an Unfunded Actuarial Accrued Liability is not part of Normal Cost (see Amortization Payment). For pension plan benefits which are provided in part by employee contributions, Normal Cost refers to the total of employee contributions and employer Normal Cost unless otherwise specifically stated. Under the entry age normal cost method, the Normal Cost is intended to be the level cost (when expressed as a percentage of pay) needed to fund the benefits of a member from hire until ultimate termination, death, disability or retirement.

**Open Amortization Period:** An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

**Unfunded Actuarial Accrued Liability:** The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. This value may be negative in which case it may be expressed as a negative Unfunded Actuarial Accrued Liability, also called the Funding Surplus.

**Valuation Date or Actuarial Valuation Date:** The date as of which the value of assets is determined and as of which the Actuarial Present Value of Future Plan Benefits is determined. The expected benefits to be paid in the future are discounted to this date

