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**LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT**
Lexington, Kentucky

**Policemen's & Firefighters'
Retirement Fund**



Report on the Valuation of the Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Fund

Prepared as of July 1, 2014





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October 8, 2014

Board of Trustees

Lexington-Fayette Urban County Government Policemen's and Firefighters' Pension Plan

Lexington-Fayette Urban County Government

200 East Main Street

Lexington, KY 40507

Dear Members of the Board:

We are pleased to submit herewith the results of the actuarial valuation of the Lexington-Fayette Urban County Government Policemen's and Firefighters' Pension Plan prepared as of July 1, 2014. The purpose of this report is to provide a summary of the funded status of the Plan as of July 1, 2014, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). A separate report will be issued for reporting accounting information under GASB 67. The Lexington-Fayette County Government is solely responsible for the accuracy and comprehensiveness of the data.

The promised benefits of the Plan reflecting the changes in HB 430 are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Actuarial value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized over a closed period on a level dollar basis. The annual required employer contribution rate is 33.78% of payroll for the plan year ending June 30, 2015. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

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We trust that the report will meet the approval of the Board and will furnish the desired information concerning the financial condition of the Plan. The undersigned are members of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Thomas J. Cavanaugh', with a long horizontal flourish extending to the right.

Thomas J. Cavanaugh, FSA, FCA, MAAA, EA
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Todd B. Green', with a long horizontal flourish extending to the right.

Todd B. Green ASA, FCA, MAAA
Principal and Senior Actuary

TJC/TBG:jmy



TABLE OF CONTENTS

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Summary of Principal Results	1
II	Membership Data	3
III	Assets	3
IV	Comments on Valuation	4
V	Contributions Payable	5
VI	Accounting Information	6
VII	Experience	9
 <u>Schedule</u>		
A	Development of the Unfunded Actuarial Accrued Liability	10
B	Valuation Balance Sheet	11
C	Development of the Actuarial Value of Assets	12
D	Summary of Receipts and Disbursements	13
E	Outline of Actuarial Assumptions and Methods	14
F	Actuarial Cost Method	17
G	Summary of Main Plan Provisions as Interpreted for Valuation Purposes	18
H	Tables of Membership Data	24



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
POLICEMEN'S AND FIREFIGHTERS' RETIREMENT FUND
REPORT OF ACTUARY
ON THE VALUATION
PREPARED AS OF JULY 1, 2014**

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the current and preceding valuations are summarized below.

Valuation Date	July 1, 2014	July 1, 2013
Active members:		
Number	1,097	1,064
Annualized compensation	\$ 63,248,485	\$ 62,455,725
Retired members and beneficiaries:		
Number	1,070	1,047
Annual benefits	\$ 47,747,052	\$ 45,884,178
Assets:		
Market Value	\$ 636,280,881	\$ 556,723,810
Actuarial Value	579,749,633	533,892,554
Unfunded actuarial accrued liability	\$ 180,634,396	\$ 204,450,771
Amortization Period	29	30
Fiscal Years Ending	2015	2014
Government annual required contribution rate (ARC):		
Normal	11.07%	10.75%
Accrued liability	<u>22.71</u>	<u>25.78</u>
Total	33.78%	36.53%
Member contribution rate	12.00%	12.00%



2. The major benefit and contribution provisions of the Plan as reflected in the valuation are summarized in Schedule G. The actual cost-of-living allowances granted through July 1, 2014 were reflected in the valuation.
3. The development of the actuarial value of assets is shown in Schedule C. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation.
4. The entry age normal actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method. The cost method produces a contribution rate equal to the sum of the normal contribution rate and the actuarially accrued liability contribution rate which is sufficient to amortize the unfunded actuarially accrued liability over 30 years beginning July 1, 2013 on a level dollar basis. Effective July 1, 2013, and for each fiscal year thereafter, the Government contribution shall not be less than \$20 million unless the Plan is 100% funded.
5. Comments on the valuation results as of July 1, 2014 are given in Section IV and further discussion of the contributions is set out in Section V.



SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the Plan for use as a basis of the valuation were furnished by the Government. The valuation included 1,097 active members with annualized compensation totaling \$63,248,485.
2. The following table shows the number of retired members and beneficiaries as of July 1, 2014 together with the amount of their annual retirement benefits payable under the Plan as of that date.

**THE NUMBER AND ANNUAL BENEFITS OF
RETIRED MEMBERS AND BENEFICIARIES
AS OF JULY 1, 2014**

GROUP	NUMBER	ANNUAL RETIREMENT BENEFITS
Service Retirements	549	\$ 27,967,929
Disability Retirements	374	15,852,837
Beneficiaries of Deceased Members	<u>147</u>	<u>3,926,286</u>
Total	1,070	\$ 47,747,052

3. Table 1 of Schedule H shows the distribution by age and years of membership service of the number of active members included in the valuation, while Table 2 shows the number and annual benefits of retired members and beneficiaries included in the valuation, distributed by age.

SECTION III – ASSETS

As of July 1, 2014, the total market value of assets amounted to \$636,280,881. The actuarial value of assets used for the current valuation was \$579,749,633. Schedule C shows the development of the actuarial value of assets as of July 1, 2014. Schedule D shows the Summary of Receipts and Disbursements.



SECTION IV – COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the Plan as of July 1, 2014. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.
2. The valuation balance sheet shows that the Plan has total prospective liabilities of \$915,182,319 of which \$568,739,745 is for the prospective benefits payable on account of present retired members and beneficiaries of deceased members, and \$346,442,574 is for the prospective benefits payable on account of present active members. Against these liabilities, the Plan has a total present actuarial value of assets of \$579,749,633 as of July 1, 2014. The difference of \$335,432,686 between the total liabilities and the total present assets represents the present value of future contributions.
3. The contributions to the Plan consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 23.07% of payroll are required under the entry age normal method. Of this amount, 12.00% is paid by the members and the remaining 11.07% is required by the Government.
4. Prospective normal contributions at the rate of 23.07% have a present value of \$154,798,290. When this amount is subtracted from \$335,432,686, which is the present value of the total future contributions to be made, there remains \$180,634,396 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.



SECTION V – CONTRIBUTIONS PAYABLE

1. Under Section 67A.520 of the law governing the Fund, the Government shall make current contributions to the Fund on an actuarially funded basis equal to the sum of the normal contribution rate and the actuarially accrued contribution rate that will be sufficient to amortize the total unfunded actuarial accrued liability over a period of thirty years beginning July 1, 2013 using the level-dollar amortization method.
2. The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. On the basis of the valuation, the normal contribution rate was determined to be 23.07%.
3. Each member shall contribute an amount equal to 12.00% of current salary.
4. The Government's normal contribution rate is equal to the difference between the normal contribution rate of 23.07% and the member contribution rate of 12.00%, or 11.07% of payroll.
5. The annual accrued liability contribution rate is determined to be 22.71% of payroll. Contributions at this level would be sufficient to amortize the unfunded accrued liability over a 29 year period on a level dollar basis.
6. The required employer contribution rate for the plan years ending June 30, 2015 is, therefore, 33.78% of payroll.
7. The following table on the following page summarizes the employer contributions which were determined by the July 1, 2014 valuation and are recommended for use.



**ANNUAL REQUIRED CONTRIBUTION RATE
FOR PLAN YEARS ENDING JUNE 30, 2015**

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal	11.07%
Accrued Liability	<u>22.71</u>
Total	33.78%

SECTION VI – ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF JULY 1, 2014**

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	1,070
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	0
Active Participants	<u>1,097</u>
Total	2,167



2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/01/2009	\$441,772,820	\$699,851,128	\$258,078,308	63.1%	\$65,765,448	392.4%
7/01/2010	502,259,967	724,140,738	221,880,771	69.4	60,512,412	366.7
7/01/2011	501,069,884	758,851,546	257,781,662	66.0	64,258,162	401.2
7/01/2012	525,849,582	687,673,831	161,824,250	76.5	54,595,799	296.4
7/01/2013	533,892,554	738,343,325	204,450,771	72.3	62,455,725	327.4
7/01/2014	579,749,633	760,384,029	180,634,396	76.2	63,248,485	285.6

3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending June 30, 2014.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending June 30, 2014		
(a)	Employer annual required contribution	\$ 23,217,413
(b)	Interest on net pension obligation	(4,074,374)
(c)	Adjustment to annual required contribution	<u>(4,278,850)</u>
(d)	Annual pension cost (a) + (b) - (c)	\$ 23,421,889
(e)	Employer contributions made for fiscal year ending June 30, 2014	<u>23,217,413</u>
(f)	Increase (decrease) in net pension obligation (d) - (e)	\$ 204,476
(g)	Net pension obligation beginning of fiscal year	<u>(54,324,982)</u>
(h)	Net pension obligation end of fiscal year (f) + (g)	\$ (54,120,506)



TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
June 30, 2012	28,668,786	166.0%	(54,530,231)
June 30, 2013	22,527,317	99.1%	(54,324,982)
June 30, 2014	23,421,889	99.1%	(54,120,506)

4. The annual required contribution (ARC) as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below.

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	FISCAL YEARS ENDING JUNE 30, 2015
Normal (including expenses)	11.07%
Accrued liability	<u>22.71</u>
Total	33.78%

5. Additional information as of July 1, 2014 follows:

Valuation date	July 1, 2014
Actuarial cost method	Entry age normal
Amortization period	Level dollar, closed
Remaining amortization period	29 years
Asset valuation method	Actuarial Related Value
Actuarial assumptions:	
Investment rate of return (includes inflation)	7.50%
Projected salary increases (includes inflation)	10.50% to 4.00%
Inflation	3.00%
Cost-of-living adjustments	Refer to Schedule G



SECTION VII – EXPERIENCE

1. The following table shows the change in the unfunded accrued liability from various factors that resulted in a decrease of \$23,816,375 in the unfunded accrued liability from \$204,450,771 as of July 1, 2013 to \$180,634,396 as of July 1, 2014 .

**ANALYSIS OF FINANCIAL EXPERIENCE
CHANGE IN UNFUNDED ACCRUED LIABILITY**

ITEM	AMOUNT OF INCREASE/(DECREASE)
Interest (7.50%) added to previous unfunded accrued liability	\$ 15,182,034
Accrued Liability Contributions	(18,852,799)
Recognized Asset (Gain)/Loss	(22,643,477)
Assumption and Method Changes	0
Plan Changes	0
Salary (Gain)/Loss	(8,631,273)
Liability (Gain)/Loss	<u>11,129,140</u>
Decrease in Unfunded Accrued Liability	\$ (23,816,375)



SCHEDULE A

DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

		July 1, 2014
(1)	Present value of prospective benefits:	
(a)	Present active members	\$ 346,442,574
(b)	Present retired members, beneficiaries and former members entitled to deferred vested benefits	<u>568,739,745</u>
(c)	Total	\$ 915,182,319
(2)	Present value of future Government and member normal contributions before expenses	<u>154,798,290</u>
(3)	Actuarial accrued liabilities 1(c) – (2)	\$ 760,384,029
(4)	Actuarial value of assets	<u>579,749,633</u>
(5)	Unfunded actuarial accrued liability (3) – (4)	\$ 180,634,396



SCHEDULE B
VALUATION BALANCE SHEET

<u>ACTUARIAL LIABILITIES</u>		
Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits		\$ 568,739,745
Present value of prospective benefits payable on account of present active members		<u>\$ 346,442,574</u>
Total liabilities		<u>\$ 915,182,319</u>
 <u>PRESENT AND PROSPECTIVE ASSETS</u> 		
Actuarial value of assets		\$ 579,749,633
Present value of future contributions		
Government and member normal contributions	154,798,290	
Unfunded accrued liability contributions	<u>180,634,396</u>	
Total prospective contributions		\$ 335,432,686
Total assets		<u>\$ 915,182,319</u>



SCHEDULE C
Development of Actuarial Value of Assets

Valuation date June 30:	2013	2014	2015	2016	2017	2018
A. Actuarial Value Beginning of Year	\$ 525,849,582	\$ 533,892,554				
B. Market Value End of Year	556,723,810	636,280,881				
C. Market Value Beginning of Year	509,409,641	556,723,810				
D. Cash Flow						
D1. Contributions	\$ 33,721,166	\$ 37,242,307				
D2. Other Revenue	81,122	124,281				
D3. Beginning of Year Market Value Adjustment	0	0				
D4. Benefit Payments	(49,296,681)	(53,597,352)				
D5. Administrative Expenses	(596,907)	(598,923)				
D6. Investment Expenses	(2,801,925)	(3,315,350)				
D7. Net	\$ (18,893,225)	\$ (20,145,037)				
E. Investment Income						
E1. Market Total: B.-C.-D7.	\$ 66,207,394	\$ 99,702,108				
E2. Assumed Rate (Net of Expenses)	7.50%	7.50%				
E3. Amount for Immediate Recognition	41,023,515	45,059,905				
E4. Amount for Phased-In Recognition	25,183,879	54,642,203				
F. Phased-In Recognition of Investment Income						
F1. Current Year: 0.20 * E4.	\$ 5,036,776	\$ 10,928,441	\$ -	\$ -	\$ -	\$ -
F2. First Prior Year	(6,612,941)	5,036,776	10,928,441	-	-	-
F3. Second Prior Year	10,933,042	(6,612,941)	5,036,776	10,928,441	-	-
F4. Third Prior Year	656,893	10,933,042	(6,612,941)	5,036,776	10,928,441	-
F5. Fourth Prior Year	(24,101,088)	656,893	10,933,042	(6,612,941)	5,036,776	10,928,441
F6. Total Recognized Investment Gain	\$ (14,087,318)	\$ 20,942,211	\$ 20,285,318	\$ 9,352,276	\$ 15,965,217	\$ 10,928,441
G. Preliminary Actuarial Value End of Year A.+D7.+E3.+F6.	\$ 533,892,554	\$ 579,749,633				
H. Corridor						
H1. 80% of Market Value	\$ 445,379,048	\$ 509,024,705				
H2. 120% of Market Value	\$ 668,068,572	\$ 763,537,057				
I. Actuarial Value End of Year H. Not Less than H1. or Greater than H2	\$ 533,892,554	\$ 579,749,633				
J. Difference Between Market & Actuarial Values	\$ 22,831,256	\$ 56,531,248	\$ 36,245,931	\$ 26,893,655	\$ 10,928,438	\$ 3

The Actuarial Valuation of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 5 consecutive years, actuarial value will become equal to market value.



SCHEDULE D

SUMMARY OF RECEIPTS AND DISBURSEMENTS

<u>Receipts for the Period</u>	
Contributions:	
Members	\$ 9,730,115
Employer /Other	<u>27,636,473</u>
Total	37,366,588
Investment Income	<u>96,386,758</u>
TOTAL	\$ 133,753,346
<u>Disbursements for the Period</u>	
Benefit Payments	53,597,352
Refunds to Members	0
Administrative Expense	<u>598,923</u>
TOTAL	\$ 54,196,275
<u>Excess of Receipts over Disbursements</u>	\$ 79,557,071
<u>Reconciliation of Asset Balances</u>	
Market Value of Assets as of July 1, 2013	\$ 556,723,810
Excess of Receipts over Disbursements	<u>79,557,071</u>
Market Value of Assets as of July 1, 2014	\$ 636,280,881
Beginning of Year Market Value Adjustment	0
Market Value of Assets as of July 1, 2014 including Adjustment	\$ 636,280,881
 Rate of Return on Market Value of Assets	 17.46%



SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INVESTMENT RATE OF RETURN: 7.50% per year, compounded annually.

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

<u>Service</u>	<u>Wage Inflation</u>	<u>Merit Component</u>	<u>Total Rate</u>
0	4.00%	6.50%	10.50%
1	4.00	5.50	9.50
2	4.00	3.50	7.50
3-5	4.00	3.00	7.00
6-8	4.00	2.50	6.50
9-12	4.00	2.00	6.00
13-16	4.00	1.50	5.50
16-19	4.00	1.00	5.00
20 or more	4.00	0.00	4.00

SEPARATIONS FROM ACTIVE SERVICE: For death rates, the RP-2000 Combined Table projected to 2015 with scale AA was used. Representative values of the assumed annual rates of separation from active service are as follows:

<u>Age</u>	<u>Annual Rate of</u>		
	<u>Disability</u>	<u>Male</u>	<u>Female</u>
20	0.30%	0.03%	0.02%
25	0.30	0.03	0.02
30	0.30	0.04	0.02
35	0.60	0.07	0.04
40	1.00	0.10	0.06
45	2.00	0.12	0.09
50	4.00	0.16	0.13
55	5.00	0.27	0.24



Annual Rate of Termination			
<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
0	1.91%	10	1.29%
1	1.85	11	1.23
2	1.79	12	1.17
3	1.73	13	1.08
4	1.67	14	1.00
5	1.61	15	0.94
6	1.55	16	0.88
7	1.47	17	0.82
8	1.41	18	0.76
9	1.35	19	0.70

SERVICE RETIREMENT: Representative annual rates of assumed service retirement are as follows:

Hired Prior to July 1, 2013		Hired on or after July 1, 2013	
<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
20	5.0%		
21	6.0		
22	7.0		
23	8.0		
24	9.0		
25	10.0	25	25.0%
26	12.0	26	12.0
27	14.0	27	14.0
28	15.0	28	15.0
29	20.0	29	20.0
30	100.0	30	100.0



DEATHS AFTER RETIREMENT: The RP-2000 Combined Mortality Table projected to 2015 using scale AA, with male mortality set forward 0 years and female mortality set forward 3 years is used for the period following service retirement and for beneficiaries of deceased members. For disabled lives, male mortality was assumed to be the RP-2000 table not projected with male mortality set forward 4 years. Female mortality was assumed to be consistent with rates issued by the IRS in Revenue Ruling 96-7 for use in determining current liability for disabled lives prior to January 1, 1995. The assumed rates of mortality provide a margin for future mortality improvements.

OCCUPATIONAL VS. NON OCCUPATIONAL DEATH: 20% of all deaths are assumed to be due to occupational causes.

OCCUPATIONAL VS. NON OCCUPATIONAL DISABILITY: 75% of disabilities are assumed to be due to occupational causes. For occupational disabilities the average benefit percentage is assumed to be 50.0%.

PERCENT MARRIED: 75% of employees who die before retirement are assumed to be married with the husband 3 years older than the wife. 85% of employees who die after retirement are assumed to be married with the husband 3 years older than the wife.

ASSETS: Actuarial value, as developed in Schedule C. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of assets cannot be more than 120% or less than 80% of the market value of assets.

VALUATION METHOD: Entry age normal actuarial cost method. See Schedule F for a brief description of this method.

AVERAGE DISABILITY IMPAIRMENT PERCENTAGE: 12.50%



SCHEDULE F

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.50%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age normal actuarial cost method. Under this method, a calculation is made to determine the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the Plan.



SCHEDULE G

**SUMMARY OF MAIN PLAN PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES**

Member	Sworn members of the Lexington-Fayette Urban County Government Division of Police and Division of Fire and Emergency Services.
Membership Service	Service rendered on or after the date of establishment of the fund or the fund of a city existing within the boundaries of the government immediately prior to the establishment of the urban-county government.
Total Service	Prior service, membership service, and service credit purchased by a member as provided in KRS 67A.402.
Average Salary	The highest average salary of the member for any three consecutive years of service.
Retirement Annuity	
Hired prior to July 1, 2013 and for retirements commencing prior to July 1, 2013	

Eligibility	Anytime after completion of 20 years of Total Service (including service purchased up to 4 years).
-------------	--

Benefit	Annuity is 2½% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is \$1,250.
---------	--

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Hired prior to July 1, 2013 and for retirements commencing on or after July 1, 2013

Eligibility	Anytime after obtaining age 41 and the completion of 20 years of Total Service (including service purchased up to 4 years).
-------------	---

Benefit	Annuity is 2½% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is \$1,250.
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Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired



member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Hired on or after July 1, 2013

Eligibility

Anytime after obtaining age 50 and the completion of 25 years of Total Service.

Benefit

Annuity is 2.25% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is \$1,250.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Occupational Disability Benefit

Eligibility

No requirements.

Occur Prior to July 1, 2013

Benefit

Annuity equal to a minimum of 60% of member's last rate of salary, increased above the 60% minimum by $\frac{1}{2}$ the amount by which the member's percentage of disability exceeds 20%, but not greater than 75%. The member's percentage of disability shall be the average of the impairment rating determined by two physicians selected by the Board using the American Medical Association "Guide to the Evaluation of Permanent Impairment". If a member is eligible for a service retirement annuity and the amount of the service retirement annuity exceeds the amount of the disability benefit, then the member may elect to receive an additional service retirement annuity equal to this difference.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.



In addition, any minor children will receive benefits as provided under the occupational death benefit provisions.

Occur on or after July 1, 2013

Benefit

Annuity equal to a minimum of 50% of member's last rate of salary. If the member's percentage of disability exceeds 20% then the amount is equal to 60% of the member's last rate of salary plus $\frac{1}{2}$ the amount by which the member's percentage of disability exceeds 20%, but not greater than 75%. The member's percentage of disability shall be the average of the impairment rating determined by two physicians selected by the Board using the American Medical Association "Guide to the Evaluation of Permanent Impairment". If a member is eligible for a service retirement annuity and the amount of the service retirement annuity exceeds the amount of the disability benefit, then the member may elect to receive an additional service retirement annuity equal to this difference.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits as provided under the occupational death benefit provisions.

Non-Occupational Disability Benefit

Hired prior to July 1, 2013

Eligibility

5 years of Total Service.

Benefit

$2\frac{1}{2}\%$ of Average Salary times years of Total Service subject to a minimum payment of 25% of Average Salary and a maximum payment of 75% of Average Salary.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.



In addition, any minor children will receive benefits provided under the non-occupational death benefit provisions.

Hired on or after July 1, 2013

Eligibility

5 years of Total Service.

Benefit

2.25% of Average Salary times years of Total Service subject to a minimum payment of 22.5% of Average Salary and a maximum payment of 67.5% of Average Salary.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits provided under the non-occupational death benefit provisions.

Termination Benefit

If a member is terminated with less than 20 years of total service credit, he is entitled to a return of his accumulated contributions, without interest.

Occupational Death Benefit

Eligibility

No requirements.

Benefit

Surviving Spouse receives immediate annuity equal to 75% of the member's last rate of salary until death or remarriage.

In addition, 10% of the member's last rate of salary is payable for each minor child until each child attains age 18 (age 23 if involved in educational activities). Maximum total income is 100% of final rate of salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary



Non-Occupational Death Benefit

Eligibility 5 Years of Total Service, married 6 months prior to death.

Benefit Surviving spouse received immediate annuity equal to 1½% of the Average Salary multiplied by years of Total Service, until death or remarriage. The minimum benefit is 15% of Average Salary. In addition, this annuity is increased by ½ for the first minor child and by ¼ for each additional child. Maximum total income is 75% of Average Salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary

Member Contributions

Prior to July 1, 2013, active members contribute 11% of current salary. Effective July 1, 2013 active member contributions will increase from 11% to 12%.

Employer Contributions

The government shall make current contributions to the fund on an actuarially funded basis. Such contributions shall be equal to the sum of:

- (1) An amount resulting from the application of a rate percent of salaries of active members determined under the entry age normal cost funding method, and
- (2) An amount sufficient to amortize the total unfunded liability actuarial accrued liability for the fund over a period of thirty years, using the level dollar amortization method, for a period beginning July 1, 2013 and ending June 30, 2043.

The total contribution of the government shall be at least \$20,000,000 until the actuarial funding level is at least 100%.



Post Retirement Cost-of-Living Increases

COLAs will be granted on the following schedule for both current and future retirees commencing upon the earlier of a member turning age 50 or being retired for five years until the Plan, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of not less than 2.00% nor more than 5.00% compounded annually. In addition, those receiving a pension over \$100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2016.

Above \$100,000	1.0%
\$75,000 to \$99,000	1.0%
\$50,000 to \$74,999	1.5%
\$40,000 to \$49,999	1.5%
\$35,000 to \$39,999	2.0%
\$30,000 to \$34,999	2.0%
Under \$30,000	2.0%



SCHEDULE H

TABLE 1

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE GROUPS

AS OF JULY 1, 2014

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	> 40	
Under 25 Avg. Pay	14 33,100	11 39,572									25 35,948
25 to 29 Avg. Pay	46 33,341	75 40,684	10 47,585								131 38,632
30 to 34 Avg. Pay	20 32,673	78 41,581	101 51,967	21 55,202							220 46,840
35 to 39 Avg. Pay	2 37,322	37 41,418	67 52,241	110 60,957	15 69,882						231 55,674
40 to 44 Avg. Pay		10 44,378	37 51,387	99 61,772	102 72,531	7 71,230					255 64,146
45 to 49 Avg. Pay		1 43,267	17 52,777	35 61,994	43 71,772	48 87,663	8 104,284				152 73,938
50 to 54 Avg. Pay			1 49,575	12 63,457	18 72,910	16 82,503	12 96,812	1 124,477			60 78,828
55 to 59 Avg. Pay					3 64,228	5 83,535	6 104,487	1 61,819	1 61,819		16 85,057
60 to 64 Avg. Pay				4 52,322	2 72,600						6 59,081
65 to 69 Avg. Pay									1 82,564		1 82,564
70 & up Avg. Pay											
Total Avg. Pay	82 33,234	212 41,271	233 51,815	281 60,927	183 72,037	76 84,792	26 100,882	2 93,148	2 72,192		1,097 57,656



TABLE 2
NUMBER OF RETIRED MEMBERS AND BENEFICIARIES
AND THEIR BENEFITS BY AGE

<u>Attained Age</u>	<u>Number of Members</u>	<u>Total Annual Benefits</u>	<u>Average Annual Benefit</u>
50 & Under	155	\$ 5,968,100	\$ 38,504
51 – 55	139	6,944,968	49,964
56 – 60	134	7,399,774	55,222
61 – 65	168	8,041,712	47,867
66 – 70	188	8,322,036	44,266
71 – 75	125	5,260,350	42,083
76 – 80	87	3,443,569	39,581
Over 80	<u>74</u>	<u>2,366,543</u>	<u>31,980</u>
Total	1,070	\$ 47,747,052	\$ 44,623