



# Lexington Fayette Urban County Government City Employees' Pension Fund

## Financial Impact with an increase in Retirees' Benefits

**November 4, 2021**

---

PFM Asset Management  
LLC

---

213 Market Street  
Harrisburg, PA 17101

---

717.232.2723  
pfm.com



## Financial Impact with an increase in Retirees' Benefits

- The analysis below shows the impact on the amount of projected payments, the AAL, and Funded Ratio if the base level of retiree benefits is increased from 3% to 6%.

	Current Scenario	Base Adjustment Increase 3.0%	Base Adjustment Increase 4.0%	Base Adjustment Increase 5.0%	Base Adjustment Increase 6.0%
<b>Nominal Dollars of Projected Payments<sup>2</sup></b>	\$ 9,115,389	\$ 9,388,851	\$ 9,480,005	\$ 9,571,158	\$ 9,662,312
<b>Actuarial Accrued Liability<sup>1</sup></b>	\$ 6,115,683	\$ 6,291,870	\$ 6,352,957	\$ 6,414,043	\$ 6,475,130
<b>Funded Ratio<sup>1</sup></b>	592.9%	576.3%	570.8%	565.3%	560.0%
<b>Liability Defeasing Portfolio<sup>3</sup></b>	\$ 8,369,817	\$ 8,620,913	\$ 8,704,612	\$ 8,788,311	\$ 8,872,010

- (1) Actuarial Accrued Liability and Funded Ratio is provided within the "Report on the Valuation of the Lexington Fayette Retirement System for Employees of the Urban County Government prepared by Cavanaugh Macdonald Consulting, LLC prepared as of July 1, 2021, under Current Scenario.
- (2) Provided by Todd Green of Cavanaugh Macdonald Consulting in an excel spreadsheet.
- (3) Amount required for the Liability Defeasing Portfolio is discounted at a rate of 1.27%.



## Financial Impact with an increase in Retirees' Benefits

- The Funded Ratio continues to improve.
- Any proposed base adjustment is anticipated to keep the Funded Ratio significantly higher than Funded Ratio as of July 1, 2020.

