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October 16, 2023

Ms. Susan Combs
Pension Administrator
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Subject: COLA Study for Lexington-Fayette Retirement System for the Employees of the Urban County Government

Dear Susan:

As requested, we have determined the impact of a 5% ad-hoc COLA for the members of the Lexington-Fayette Retirement System for the Employees of the Urban County Government.

Plan remains over 100% funded.

The results on the following page are based on the preliminary valuation results as of July 1, 2023. The table below details the number of members by retirement type as of July 1, 2023 for which the calculation is based.

Retirees	
Number	8
Annual Benefits	\$214,108
Beneficiaries	
Number	21
Annual Benefits	\$540,167



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 Page 2

The table below outlines the impact on the unfunded liability. The System has sufficient assets so that contributions are not necessary to fund the promised benefits of the System.

	Preliminary July 1, 2023 Valuation Results	Ad-Hoc COLA (5% COLA)
Actuarial Accrued Liability		
Retirees	\$ 1,489,176	\$ 1,563,635
Beneficiaries	3,726,126	3,912,432
Death Benefit	<u>25,986</u>	<u>25,986</u>
Total	\$ 5,241,288	\$ 5,502,053
Assets	\$ 31,991,555	\$ 31,991,555
Unfunded Actuarial Accrued Liability	\$(26,750,267)	\$(26,489,502)
Funded Ratio	610%	581%

Please be advised that by increasing the COLA, the funded ratio declines. A funded ratio that is greater than 100% indicates a surplus the System can rely on to absorb adverse actuarial experience that may occur in the future in the form of less than anticipated investment returns or members living longer than expected.

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

I certify that I am a member of the American Academy of Actuaries and that I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you have any questions, please give me a call.

Sincerely,

Todd B. Green, ASA, EA, FCA, MAAA
 President