

## University of Kentucky

### Comparison of GASB Exposure Draft to FAS 106 for Select Funding Methods<sup>1</sup>

FAS 106 Methodology	Current Plan	Scenario A	Scenario B	Scenario C	Scenario D	Scenario E	Scenario F
EPBO	\$ 447,701,015	\$ 245,757,081	\$ 280,752,751	\$ 297,528,501	\$ 305,949,618	\$ 346,426,059	\$ 370,022,250
APBO	<b>\$ 350,969,430</b>	<b>\$ 204,163,628</b>	<b>\$ 221,617,141</b>	<b>\$ 233,204,762</b>	<b>\$ 241,625,879</b>	<b>\$ 265,313,052</b>	<b>\$ 283,629,446</b>
Service cost at beginning of year	\$ 11,129,316	\$ 4,369,173	\$ 5,711,713	\$ 6,224,415	\$ 6,224,415	\$ 7,828,058	\$ 8,331,323
Projected cash flow	\$ 8,952,191	\$ 9,007,182	\$ 9,007,182	\$ 9,007,182	\$ 9,007,182	\$ 9,007,182	\$ 9,007,182
Amortization period for prior service base under FAS 106	9.4	11.4	11.4	11.4	11.4	11.4	11.4
Calculation of annual Net Periodic Postretirement Benefit Cost (NPPBC)							
Service cost	\$ 11,936,191	\$ 4,685,938	\$ 6,125,812	\$ 6,675,685	\$ 6,675,685	\$ 8,395,592	\$ 8,935,344
Interest cost	\$ 25,120,767	\$ 14,475,352	\$ 15,740,732	\$ 16,580,835	\$ 17,191,366	\$ 18,908,686	\$ 20,236,624
Amortization of prior service cost	\$ 37,337,173	\$ 17,909,090	\$ 19,440,100	\$ 20,456,558	\$ 21,195,253	\$ 23,273,075	\$ 24,879,776
<b>Total</b>	<b>\$ 74,394,131</b>	<b>\$ 37,070,380</b>	<b>\$ 41,306,644</b>	<b>\$ 43,713,078</b>	<b>\$ 45,062,304</b>	<b>\$ 50,577,353</b>	<b>\$ 54,051,744</b>

#### Funding Method (based on level dollar amounts):

##### B-1 Unit Credit Actuarial Cost Method

Unfunded Actuarial Accrued Liability (UAAL)	<b>\$ 350,969,430</b>	<b>\$ 204,163,628</b>	<b>\$ 221,617,141</b>	<b>\$ 233,204,762</b>	<b>\$ 241,625,879</b>	<b>\$ 265,313,052</b>	<b>\$ 283,629,446</b>
Normal cost at beginning of year	\$ 11,129,316	\$ 4,369,173	\$ 5,711,713	\$ 6,224,415	\$ 6,224,415	\$ 7,828,058	\$ 8,331,323
Amortization factor based on 30 years and 7.25% - immediate	12.1037	12.1037	12.1037	12.1037	12.1037	12.1037	12.1037
Calculation of Annual Required Contribution (ARC)							
Normal cost end of year	\$ 11,936,191	\$ 4,685,938	\$ 6,125,812	\$ 6,675,685	\$ 6,675,685	\$ 8,395,592	\$ 8,935,344
Amortization of UAAL	\$ 28,996,961	\$ 16,867,921	\$ 18,309,924	\$ 19,267,289	\$ 19,963,038	\$ 21,920,063	\$ 23,433,357
<b>Total ARC</b>	<b>\$ 40,933,152</b>	<b>\$ 21,553,859</b>	<b>\$ 24,435,736</b>	<b>\$ 25,942,974</b>	<b>\$ 26,638,723</b>	<b>\$ 30,315,655</b>	<b>\$ 32,368,701</b>
Future years ARC may include amortizations of: plan changes, assumption changes, (gain)/loss and funding method changes							

##### B-4 Aggregate Actuarial Cost Method

Total present value of benefits	<b>\$ 447,701,015</b>	<b>\$ 245,757,081</b>	<b>\$ 280,752,751</b>	<b>\$ 297,528,501</b>	<b>\$ 305,949,618</b>	<b>\$ 346,426,059</b>	<b>\$ 370,022,250</b>
Calculation of Annual Required Contribution (ARC)							
Calculation of normal cost							
Present value future benefits	\$ 447,701,015	\$ 245,757,081	\$ 280,752,751	\$ 297,528,501	\$ 305,949,618	\$ 346,426,059	\$ 370,022,250
Present value of future service	80,367	80,367	80,367	80,367	80,367	80,367	80,367
Normal cost accrual rate	\$ 5,570.71	\$ 3,057.94	\$ 3,493.38	\$ 3,702.12	\$ 3,806.91	\$ 4,310.55	\$ 4,604.16
Active headcount	11,515	11,515	11,515	11,515	11,515	11,515	11,515
Normal cost	\$ 64,146,726	\$ 35,212,179	\$ 40,226,271	\$ 42,629,912	\$ 43,836,569	\$ 49,635,983	\$ 53,016,902
Normal cost adjusted to year end	\$ 68,797,364	\$ 37,765,062	\$ 43,142,676	\$ 45,720,581	\$ 47,014,720	\$ 53,234,592	\$ 56,860,627
<b>Total ARC</b>	<b>\$ 68,797,364</b>	<b>\$ 37,765,062</b>	<b>\$ 43,142,676</b>	<b>\$ 45,720,581</b>	<b>\$ 47,014,720</b>	<b>\$ 53,234,592</b>	<b>\$ 56,860,627</b>
Future years ARC may include amortizations of: plan changes, assumption changes, and funding method changes (gains and/or losses are spread into the normal cost under this method)							

**Scenario A:** Account based plan with max of \$50,000 account, pro-rata award based on 25 years of service, unused amounts earn 4% interest, and current retiree credit capped at \$6,000 (surviving spouse at \$3,000)

**Scenario B:** Account based plan starting at \$50,000 in 2003 increasing 4% per year, pro-rata award based on 25 years of service, and current retiree credit capped at \$6,000 (surviving spouse at \$3,000)

**Scenario C:** Account based plan starting at \$50,000 in 2003 increasing 4% per year, pro-rata award based on 25 years of service with unused amounts earning 4% interest, and current retiree credit capped at \$6,000 (surviving spouse at \$3,000)

**Scenario D:** Account based plan starting at \$50,000 in 2003 increasing 4% per year, pro-rata award based on 25 years of service with unused amounts earning 4% interest, and current retiree credit capped at \$7,500 (surviving spouse at \$3,750)

**Scenario E:** Account based plan starting at \$71,850 in 2003 increasing 4% per year, pro-rata award based on 25 years of service with unused amounts earning 4% interest, and current retiree credit capped at \$6,000 (surviving spouse at \$3,000)

**Scenario F:** Account based plan starting at \$79,600 in 2003 increasing 4% per year, pro-rata award based on 25 years of service with unused amounts earning 4% interest, and current retiree credit capped at \$7,500 (surviving spouse at \$3,750)

<sup>1</sup> Unless otherwise noted all data, assumptions, methodologies, and plan provisions are the same as those outlined in the April 3, 2003 presentation.