

**KPPA Audit Committee
November 18, 2025 at 10:00 a.m. Eastern Time
Live Video Conference/Facebook Live**

AGENDA

- | | | |
|------------|---|----------------------|
| 1. | Call to Order | Bill O'Mara |
| 2. | Opening Video Teleconference Statement | Legal Representative |
| 3. | Roll Call | Sherry Rankin |
| 4. | Public Comment | Sherry Rankin |
| | | |
| 5. | Approval of KPPA Audit Committee Minutes* | Bill O'Mara |
| | a. August 26, 2025 | |
| | b. February 25, 2025 | |
| | | |
| 6. | External Audit Fiscal Year Ended June 30, 2025 (CERS and KRS) | Eide Bailly |
| | a. DRAFT, includes financial section of the annual report and GASB 67 and 74* | |
| | b. Management Letter Comments | |
| | c. Auditor Communications with those Charged with Governance | |
| | | |
| 7. | DRAFT Management Response to Fiscal Year 2024 GFOA ACFR Letter* (CERS and KRS) | Michael Lamb |
| | | |
| 8. | Infrastructure and Application Security Assessment* | Dominique McKinley |
| | a. Results of current year Infrastructure and Application Security Assessment | |
| | b. Request for Infrastructure and Application Security Assessment | |
| | | |
| 9. | Legal Updates | |
| | a. Information Disclosure Incidents | Nathan Goodrich |
| | b. Anonymous Tips | Stephanie Hold |
| | | |
| 10. | KPPA Audit Committee Administrative Updates | |
| | a. Internal Audit Budget as of September 30, 2025 | Kristen Coffey |
| | b. Status of Current Internal Audit Projects | Kristen Coffey |
| | c. Issued Reports and/or Memorandums* | |
| | i. 2026-1 Review of Tier 3 GANIR Calculation | Madeline Evans |
| | ii. 2026-2 Review of KPPA Website | Will Prince |
| | iii. 2026-3 Review of Trustee Payments | Kristen Coffey |
| | iv. 2026-8 Review of Hearing Officer Payments | Zachary Curtis |
| | | |
| 11. | Adjourn | Bill O'Mara |

***Action may be taken by the KPPA Audit Committee**

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE
FEBRUARY 25, 2025, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 25, 2025, Regular Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara (Chair), George Cheatham, Lynn Hampton, and William Summers V. Attending on behalf of KRS, Mary Eaves. Attending on behalf of CERS, J. T. Fulkerson. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Rebecca Adkins, Erin Surratt, Victoria Hale, Nathan Goodrich, Stephanie Hold, Michael Lamb, Kristen Coffey, Madeline Evans, William Prince, Elizabeth Smith, Connie Davis, Zachary Curtis, Angela Stevens, Ashley Gabbard, Phillip Cook, Sandy Hardin, and Sherry Rankin. Also present were Ryan Graham and Jordan Miller with Blue and Co.

1. Mr. O'Mara called the meeting to order.
2. Ms. Hale read the Opening Video Teleconference Statement.
3. Ms. Rankin called roll.
4. Ms. Rankin noted no ***Public Comments*** were received.
5. Mr. O'Mara introduced the agenda item ***Approval of November 19, 2024, KPPA Audit Committee Minutes*** (Video 00:05:54 to 00:06:35). Ms. Eaves made a motion to approve the minutes as presented. The motion was seconded by Ms. Hampton and passed unanimously.
6. Mr. O'Mara introduced agenda item ***GASB 68 and GASB 75 Proportionate Share Audits*** (Video 00:06:35 to 00:12:25). Mr. Ryan Graham with Blue and Company presented the GASB 68 and GASB 75 Proportionate Share Audits. He explained the changes in reporting, including separate reports for KERS and CERS pensions with their own opinions. The methodology of allocation remained consistent year-over-year. Mr. O'Mara

asked for a motion to accept the CERS and KERS Draft GASB 68 and GASB 75 Proportionate Share Audits as presented. Before making a motion, Mr. Cheatham requested that the audits be released earlier to help employers complete their audits. Mr. Lamb noted that the draft Excel files could be posted on the website with a statement indicating that they are subject to change until final approval by the KPPA Board.

*** Mr. Fulkerson entered the meeting. ***

Mr. Cheatham made a motion to accept the CERS and KERS Draft GASB 68 and GASB 75 Proportionate Share Audits as presented. The motion was seconded by Ms. Hampton, and this passed unanimously.

7. Mr. O'Mara introduced agenda item ***Memorandum on Submission of FY 2024 CERS and KRS ACFR*** (Video 00:12:25 to 00:13:49). Ms. Connie Davis presented the Memorandum on Submission of the FY 2024 CERS and KRS Annual Comprehensive Financial Reports (ACFR). She explained that KPPA, in accordance with Kentucky Revised Statutes, is required to provide copies of its audited financial statements to the Legislative Research Commission and the Auditor of Public Accounts. The reports were uploaded to the website on December 6, 2024, and notifications were sent out to ensure the availability of the reports and related findings were properly communicated.
8. Mr. O'Mara introduced agenda item ***Update on External Audit RFP*** (Video 00:13:49 to 00:19:41). Angela Stevens gave the Update on External Audit RFP. She announced that the new closing date for the RFP for auditing services is set for March 13, 2025. The anticipated contract start date is July 1, 2025, contingent on potential oral presentations and negotiations that may impact the timeline. Concerns were raised regarding the timeline, but a contingency plan is in place involving the existing contract, which can be extended if necessary. No RFP responses have been received yet.
9. Mr. O'Mara introduced agenda item ***Legal Updates*** (Video 00:019:41 to 00:23:41).
 - a. Regarding ***Information Disclosure Incidents***, Mr. Nathan Goodrich presented Potential Information Disclosures/Breaches affecting the KPPA for the Fiscal Year 2025, Quarter 2. Mr. Goodrich reported there were a total of six (6) disclosures/breaches that

were investigated. A total of nine (9) members were affected by the potential disclosures/breaches. There was one (1) implicated state law which affected seven (7) members due to a technological glitch, allowing a member to view forms on file. Steps were taken to notify affected members, and affidavits are being sought to determine whether the information was retained. Policies were adhered to in notifying external agencies as required. Additionally, two (2) internal data disclosure issues involved unauthorized attempts to change members' direct deposit information. These matters were resolved without any loss of funds to members.

- b. Ms. Stephanie Hold provided an update regarding the *Anonymous Tips* received regarding fraud, waste, and abuse. Since the KPPA Audit Committee met on November 19, 2024, KPPA received three (3) new fraud tips, with two (2) still pending, and one (1) closed after a review. Ms. Hold reported there were seven (7) cases in open status and provided current information for all the open cases as of November 19, 2024. Then Ms. Hold explained that two (2) cases have been closed since the last meeting of the KPPA Audit Committee.

10. Mr. O'Mara introduced the agenda item *KPPA Audit Committee Administrative Updates* (Video 00:23:41 to 00:55:22).

- a. Ms. Coffey presented the *Internal Audit as of December 31, 2024*. Ms. Coffey reviewed the Fiscal Year 2025 Internal Audit Budget as of December 31, 2024, and noted that we are currently on target.
- b. Next, Ms. Coffey presented the *Status of Current Internal Audit Projects*. Ms. Coffey reviewed the status of their projects and explained the phases. She reported that halfway through the fiscal year, 63% of the budget remains, which is on target given the heavier expenses anticipated in the second half of the year. An intern will join in May, and software expenses are planned towards year-end. Upcoming conferences were discussed.

Ms. Coffey introduced a new reporting format showing estimated hours spent by both audit and non-audit staff to provide a comprehensive view of project resource

allocation. Efforts are ongoing to refine time-tracking methods, including trial use of a project tracker to better monitor staff hours for internal audits.

The committee expressed appreciation for the addition of staff-hour tracking, recognizing its value in planning and resource management. Ms. Coffey confirmed that the Audit team uses an electronic timekeeping system to record hours by project phases, while non-audit staff tracking remains a work in progress.

c. Ms. Coffey brought forth the next topic, ***Issued Reports and/or Memoranda***, and invited Ms. Madeline Evans to begin her presentation.

i. Ms. Evans delivered her report on the ***Review of Investment Administrative Fees***. Following her detailed review, Ms. Evans concluded there were no reportable findings or major issues, though a recommendation was made to ensure the timely submission of invoices to Accounting.

Mr. Cheatham made the motion to accept the Issued Report on the Review of Investment Administrative Fees as presented. Ms. Eaves seconded the motion, and the motion passed unanimously.

ii. Ms. Evans reported on the ***Review of Office of Investments Policies***. Ms. Evans presented the audit on investment policies, which included a review to ensure compliance with state and federal laws and consistency within internal policies. Three reportable findings were identified: (1) Monitoring compliance with all investment policies was lacking, with recommendations for improvements, including a compliance officer (now hired). (2) Insufficient evidence of proper policy approvals and confusion over responsibilities for policy establishment and enforcement, with suggestions for clearer processes. (3) Issues with the securities trading policy, including inadequate measures to prevent noncompliance, with recommendations for revisions.

Regarding the investment policies, Ms. Evans noted that the Procurement Policy was the policy they could not verify had been approved appropriately. They

recommended that the CEOs talk to the Legal Department and CIO to see if it needed to be presented again for proper approval. Regarding the confusion over responsibility for establishing and enforcing policies, they recommended the CEOs establish a process to ensure proper approval. Additionally, for the signature process, documentation should verify that the version approved by the Board and was signed is the same one uploaded to the KPPA website. Ms. Evans noted that management stated that they would work with the CEOs about implementing any policies and procedures they adopt regarding the posting of the documents to the website.

Ms. Eaves asked Mr. Chilton and Mr. Owens if they thought it was appropriate for them as CEOs to take the lead on this. Mr. Owens responded that he would be glad to do so. He stated that he thought it was very appropriate that the CEO take the lead position.

Mr. Cheatham made the motion to accept the Issued Report of the Office of Investments Policies as presented. Mr. Fulkerson seconded the motion, and the motion passed unanimously.

- iii. Ms. Coffey reported on the *Review of Procurement Card Process*. She noted a minor change was implemented in the audit process to include the identified strategic risks from the audit plan approved by the Committee, allowing the clearer alignment between risks and audits. This audit was a follow-up to a 2018 review and focused on compliance with statutes and regulations, as well as the effectiveness of internal controls.

The audit found no reportable findings, though they noted certain other matters that were communicated to the Division of Accounting in a separate management letter. The first involved a few instances of sales tax being paid on subscriptions and purchases (e.g., *The Wall Street Journal*, Walmart, and Kroger). Staff has since communicated tax-exempt status to vendors to avoid future payments, and attempts to recover past payments were made, though only a minor amount remained uncovered. The second item concerned the proper coding of

expenditures, which impacts budget preparation. Four items were identified as potentially misclassified; two were corrected, and the remaining two required no further action as they stayed within the same overall line item. All issues raised have been corrected and verified as resolved, and the audit is considered closed.

Mr. Fulkerson made the motion to accept the issued Report on the Review of the Procurement Card Process as presented. Ms. Eaves seconded the motion, and the motion passed unanimously.

Ms. Coffey added that the risk assessment process for the fiscal year 2026 has begun, with surveys sent out to KPPA management and soon to the Audit Committee. These surveys seek feedback on potential risks or concerns to guide the development of the audit plan. Feedback is already being received, and the audit chair and vice chair will collaborate on finalizing the audit plan with KPPA management. The risk assessment and audit plan will be presented for approval in May.

In addition, an update was provided regarding interns. While interns across the state start on May 16, KPPA is still in the process of interviewing candidates, having conducted interviews last week and continuing this week, with positive responses so far.

Referring back to the investment policies' audit finding, Ms. Eaves highlighted the need for a follow-up report at the next meeting, specifically addressing the consistency, authority, and actions taken in response to the findings. She suggested delegating this responsibility to the CEOs or Mr. Barrow to provide ongoing updates. Mr. Barrow agreed to take on this responsibility.

11. Mr. O'Mara introduced the agenda item ***Professional Article*** (Video 00:55:22 to 00:58:32).

Mr. Prince presented a summary of the article, *Who Owns Transaction and Controls Monitoring* by Vincent M. Walden, CFE, CPA. The article explores who is responsible for monitoring high-risk transactions within organizations and emphasizes the importance of a multidisciplinary approach to fraud risk management.

12. There being no further business, Mr. O'Mara ***adjourned*** the meeting.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on February 25, 2025, were approved by the Audit Committee on November 18, 2025.

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on February 25, 2025, for form, content, and legality.

Executive Director
Office of Legal Services

**MINUTES OF MEETING
KENTUCKY PUBLIC PENSIONS AUTHORITY
AUDIT COMMITTEE
AUGUST 26, 2025, 10:00 A.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the August 26, 2025, Regular Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William O'Mara (Chair), George Cheatham, Lynn Hampton, and William Summers V. Attending on behalf of KRS, Mary Eaves. Attending on behalf of CERS, J. T. Fulkerson. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Mike Lamb, Michael Board, Nathan Goodrich, Stephanie Hold, Kristen Coffey, Madeline Evans, William Prince, Zachary Curtis, James Westbay, Ashley Gabbard, Phillip Cook, Sherry Rankin, and Sandy Hardin.

1. Mr. O'Mara called the meeting to order.
2. Mr. Board read the Opening Video Teleconference Statement.
3. Ms. Rankin called roll.
4. Ms. Rankin noted no ***Public Comments*** were received.
5. Mr. O'Mara introduced the agenda item ***Approval of May 29, 2025, KPPA Audit Committee Minutes.*** (Video 00:06:25 to 00:17:59). A motion was made by Ms. Hampton and seconded by Mr. Summers V to approve the May 29, 2025, minutes. The motion passed unanimously.

Ms. Eaves referenced a note from the May 29, 2025, meeting minutes indicating that approval of the February 25, 2025, minutes had been tabled due to concerns regarding language describing the Investment Policy review. Specifically, the minutes referred to the review being conducted by "the CEO," whereas Ms. Eaves suggested that the terminology should be revised to reflect either "CEOs" or "Executive Director" for

accuracy. Ms. Rankin presented the redlined version of the February 25, 2025, minutes, and the Committee agreed to defer approval to the November 18, 2025, meeting to allow members additional time to review the proposed changes.

6. Mr. O'Mara introduced agenda item ***Financial Reporting Updates*** (Video 00:17:59 to 00:24:54). Mr. Lamb provided an overview of the engagement letter between KPPA and Eide Bailly, the firm selected through the RFP process to conduct the audit of the Annual Comprehensive Financial Reports (ACFRs) for the CERS and KRS systems. He highlighted key elements from the engagement letter, which outlined the auditor's responsibilities. These include:

- Identifying and assessing the risks of material misstatement in the financial statements
- Obtaining an understanding of KPPA's internal control system
- Evaluating the appropriateness of accounting policies
- Concluding, based on audit evidence, whether conditions or events exist that may impact KPPA's status as a going concern.

He also reviewed management's responsibilities, which include ensuring the accuracy of financial statements, maintaining the internal control system, and making necessary adjustments for any material misstatements.

Mr. Lamb reported that Eide Bailly conducted on-site interviews the previous week and reviewed KPPA's control systems. The audit of both the KRS and CERS systems is now fully underway, with final reports expected later in the year.

Mr. O'Mara inquired whether KPPA remains on track to meet the required deadlines for the ACFR and state reporting. Mr. Lamb confirmed that the process is on schedule, and he does not anticipate any delays in meeting the established deadlines.

Ms. Lynn Hampton inquired whether Mr. Lamb had any insight into the use of internal audit in the current audit engagement compared to prior years. Mr. Lamb responded that, to his understanding, KPPA did not utilize internal audit in prior years, and there are no

plans to do so in the current audit to mitigate any substantive testing performed by the external auditors.

Mr. Lamb presented the unaudited financial statements generated by the new software system used to produce the Annual Comprehensive Financial Reports (ACFRs). He noted that these statements, dated June 30, 2025, for both the CERS and KRS systems, include comparative columns for Fiscal Years 2024 and 2025 and reflect each of the pension and insurance plans. Mr. Lamb emphasized that the statements have not been audited and have received minimal, if any, review by him or his team prior to being presented to the Audit Committee.

Ms. Hampton inquired whether any changes between the current unaudited statements and the final audited versions would be explained to the Committee. Mr. Lamb responded that he would be happy to highlight any significant reclassifications or material changes to the financials when the audited statements are presented. However, he does not anticipate any changes unless an error or misstatement is identified during the audit process.

7. Mr. O'Mara introduced agenda item ***Legal Updates*** (Video 00:24:54 to 00:30:54).

Information Disclosure Incidents: Mr. Nathan Goodrich presented the quarterly report on Information Disclosure Incidents. A total of eleven (11) disclosures or breaches were investigated during the reporting period.

One (1) incident implicated HIPAA/HITECH regulations. This was a cybersecurity breach involving an external vendor that affected 1,491 members. The vendor responded by notifying the affected members and offering credit and identity theft monitoring services. KPPA was satisfied with the vendor's response, and no further action was required by KPPA regarding this violation.

Seven (7) incidents fell under KPPA's Data Disclosure Notification Policy. Of these, three (3) were due to human error and one (1) was caused by a machine error, which resulted in an individual member's information being sent to another member. KPPA followed up on these incidents by requesting affidavits from the recipients to confirm

they did not access or attempt to access the information and that it was properly disposed of.

Two (2) incidents involved unauthorized attempts to change direct deposit information. KPPA's security measures successfully intercepted both attempts, and no financial loss occurred for the affected members.

Three (3) incidents were determined not to be disclosures or breaches.

Mr. Goodrich opened the floor for questions. Mr. Cheatham inquired about the type of vendor involved in the HIPAA/HITECH breach. Mr. Goodrich clarified that the vendor was a subcontractor for Humana, related to health insurance services.

Ms. Hampton asked whether steps were being taken to prevent similar breaches in the future. Mr. Goodrich confirmed that the vendor is cooperating with law enforcement and implementing additional security measures to reduce the likelihood of recurrence.

Ms. Eaves asked what happens if the affidavit is not returned. Mr. Goodrich explained that KPPA also notifies the affected member of the disclosure and the steps taken. If there is no response, the matter is written off, and the member is informed that no affidavit was received. He added that many disclosures are discovered because the receiving member contacts KPPA directly, and they are typically cooperative in providing the affidavit.

Ms. Eaves then asked whether there is any requirement that mandates obtaining an affidavit. Mr. Goodrich responded that there is no such requirement. These incidents are generally internal policy violations and not governed by HIPAA or state law, so they are handled according to KPPA's internal procedures.

Anonymous Tips: Ms. Stephanie Hold presented an update on anonymous fraud tips. Since the last Audit Committee meeting in May, KPPA received one (1) new fraud tip, which is currently being investigated by the Office of Legal Services. Currently, six (6) cases remain open, with two (2) of those involving employer reporting, one (1)

involving an allegation of disability retirement fraud, and three (3) are prearranged agreement allegations. Two (2) fraud cases have been closed since the last meeting. One (1) of the cases involved employee reporting, and after we initially assisted, ERCE took the lead on working with the employer for those contributions. The other tip was closed after obtaining documentation that did not support the allegation that the member failed to adhere to a break in service.

8. Mr. O'Mara introduced the agenda item ***KPPA Audit Committee Administrative Updates*** (Video 00:30:54 to 00:47:36).

- a. ***Internal Audit Budget as of June 30, 2025:*** Mr. Prince presented the Internal Audit Budget as of June 30, 2025. He began by drawing attention to the computer equipment line item, which showed no expenditures in the prior fiscal year's budget. Beginning in May 2025, the KPPA IT team engaged in weekly communication with a third-party vendor to obtain a renewal invoice. The invoice was received in mid-June; however, it did not accurately reflect the services utilized by KPPA. The third-party vendor contacted the software company to request a corrected invoice. That corrected invoice was not received until July. As a result, the payment of \$14,469.10 was made in the first quarter of Fiscal Year 2026. Although the charge pertained to software usage during the prior fiscal year, it does not appear in the FY 2025 budget. If this charge been included, actual expenses would have been 15.29% under budget.

Ms. Hampton inquired whether an adjustment would be made to recognize the expense in FY 2025. Mr. Lamb responded that the amount was likely not material enough to warrant a retroactive adjustment. Therefore, it would be reflected in the FY 2026 actuals. Mr. Lamb clarified that such accruals are not made for administrative expenses. Accruals are performed for employer contributions and benefit payments due to their significantly larger amounts. The administrative budget, however, is managed on a cash basis.

Mr. Prince reported that the only other variance within the budget was found in the dues and subscriptions category. This overage was due to an underestimation of membership dues, resulting in an excess of \$120 above the projected cost.

- b. ***Status of Current Internal Audit Reports:*** Ms. Coffey provided an overview of the Internal Audit team's current and completed audits and various projects for Fiscal Year 2025. All projects for the fiscal year were completed, with the exception of two. The first outstanding item pertains to the inventory observation audit, which was delayed due to shifting priorities among non-audit staff. The necessary information was received approximately two weeks ago, and the audit is currently in progress. The second item, the employer audit review, has been deferred to Fiscal Year 2026 and is now included in the audit plan for that year.

Ms. Coffey also reviewed audits that exceeded their time budgets by more than ten percent. No new items were added to this list, as all have been discussed in prior meetings; however, she offered to revisit any of them upon request. She presented data comparing scheduled hours to actual hours worked, including any overtime incurred by staff during Fiscal Year 2025. A detailed breakdown of all audits and projects was shared, showing the hours spent by each individual. Additionally, the report included non-audit staff time expressed as a percentage of audit staff time. This is the first year such data has been tracked, with a combination of actual and estimated figures, and a process has been established to improve tracking going forward.

For audits involving other departments, audit staff logged a total of 4,255 hours, while non-audit staff contributed 1,287 hours—approximately 30% of the audit staff's time. This data was included at the request of the Audit Committee to provide a clearer picture of the total resource cost associated with each audit. Ms. Coffey also clarified that a negative value in the final line of the report indicates overtime worked by the employee.

c. ***Issued Reports and/or Memoranda:***

- i. Ms. Evans presented the Issued Report on the 2025-9 Review of the Accounts Payable Process. The audit covered invoices paid between July 2024 and March 2025, with a sample selected for testing. The audit identified one observation-level issue related to the timeliness of invoice payments—a known concern

previously noted in other audits. A long-term solution is currently in development and is expected to be implemented by June 2026.

Additionally, the audit identified three opportunities for improvement. Ms. Evans specifically highlighted item number three, which addresses the payment processing workflow. Ms. Evans explained the process of sending out checks and expressed appreciation to the Accounting team for their assistance in clarifying questions related to sample invoices.

Following the presentation, Ms. Hampton made a motion to accept the Issued Report on the 2025-9 Review of the Accounts Payable Process as presented. Mr. Cheatham seconded the motion.

During the discussion, Mr. Cheatham inquired about the status of transitioning to an ACH-style payment system. Mr. Lamb responded that this initiative is currently part of the department's planned priorities—not only for accounts payable but also for retiree payments under the KRS and CERS systems. He noted that over 1,000 checks are processed monthly for retirees and that Mr. Barrow has prioritized reducing or eliminating check payments.

Mr. Lamb further explained that vendor payments may offer a quicker path to ACH implementation, potentially by requiring ACH acceptance in future RFPs. However, this will involve coordination with both the internal procurement group and the state procurement office. While no formal timeline has been established, vendor payments are considered the most feasible starting point. Retiree payments present more complexity and will require additional time to evaluate. Mr. Cheatham acknowledged past issues with payment processing and expressed full support for efforts to expedite ACH adoption to prevent future problems.

Following the discussion, the motion passed unanimously.

- ii. Ms. Evans presented the Issued Report on the 2025-11 Review of the Accrual, which focused on seven distinct types of accruals completed during Fiscal Year

2025, as of March 2025. She noted that the detailed findings and scope of the audit are outlined in the COSO chart, which provides a comprehensive breakdown of the accrual types reviewed.

No findings or observations were identified during the audit. However, two opportunities for improvement were noted. Both items are previously known issues that are currently being addressed by the Chief Financial Officer.

Ms. Evans indicated there were no additional highlights for this report and once again expressed appreciation to the Accounting team for their time and support in explaining the accrual processes and assisting with questions related to the audit sample.

Mr. Fulkerson made a motion to accept the Issued Report on the 2025-11 Review of the Accrual Process as presented. Ms. Hampton seconded the motion. The motion passed unanimously.

Following the passing of the motion, Ms. Hampton invited Ms. Coffey to provide an update on the Internal Audit team's staffing status. Ms. Coffey reported that the team is now fully staffed, as their interim employee has transitioned to a full-time role. The department currently has four auditors actively engaged in ensuring audit processes are functioning effectively and efficiently.

9. Mr. O'Mara introduced the agenda item ***Professional Article*** (Video 00:47:36 to 00:52:32). Mr. Curtis provided a summary of the article, "Improper Payments: A New 2025 Green Book Risk Category," which highlights the inclusion of improper payments as a newly recognized risk category in the 2025 revision of the *Green Book*.

Ms. Eaves inquired whether KPPA carries any external insurance to cover fraudulent or improper payments, or if such risks are solely borne by KPPA and the trust fund. In response, Mr. Lamb explained that KPPA maintains a cyber insurance policy, which provides limited coverage in cases where an improper payment results from a cyber-related incident. Specifically, if a payment is made inaccurately due to social engineering or another form of cyber breach and the event falls within the scope of the cyber policy, some coverage may be available.

10. There being no further business, Mr. O'Mara *adjourned* the meeting.

The remainder of this page left blank intentionally.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in connection with this meeting.

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on August 26, 2025, were approved by the Audit Committee on November 18, 2025.

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on August 26, 2025, for form, content, and legality.

Executive Director
Office of Legal Services

Draft 11-12-2025

County Employees Retirement System (CERS)
A complete unit and pension trust fund of the Commonwealth of Kentucky



ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2025

Available at kyret.ky.gov

Prepared by Kentucky Public Pensions
Authority's Division of Accounting



Draft 11-12-2025

TABLE OF CONTENTS

INTRODUCTION

Letter of Transmittal	5
Governance	8
Agency Structure	9
Professional Awards	10

FINANCIAL

Report of Independent Auditors	11
Management's Discussion & Analysis	12
Basic Financial Statements	14
Combining Statement of Fiduciary Net Position	14
Combining Statement of Changes in Fiduciary Net Position	15
Notes to the Financial Statements	16
Note A. Summary Of Significant Accounting Policies	16
Note B. Description & Contribution Information	18
Note C. Cash, Short-term Investments & Securities Lending Collateral	21
Note D. Investments	22
Note E. Securities Lending Transactions	34
Note F. Risk Of Loss	35
Note G. Contingencies	35
Note H. Income Tax Status	35
Note I. Financial Reporting For (GASB 67) Pension Plans And (GASB 74) Postemployment Benefit Plans	35
Note J. Legislation	40
Note K. Litigation	41
Note L. Reciprocity Agreement	43
Note M. Reimbursement Of Retired Reemployed Health Insurance, Active Member Health Insurance , Contributions And Retired Reemployed Employer Contributions	44
Note N. Prisma Daniel Boone Fund	44
Note O. Subsequent Events	44
Note P. Related Party	45

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employers' Net Pension Liability	45
Schedule of Changes in Employers' Total Pension Liability	47
Notes to Schedule of Employers' Contributions	49
Schedule of Employers' Contributions Pension	49
Schedule of Employers' Net OPEB Liability	50
Schedule of Changes in Employers' Net OPEB Liability	52
Notes to Schedule of Employers' OPEB Contributions	53
Schedule of Employers' OPEB Contributions	55
Money Weighted Rates of Return	56

Draft 11-12-2025

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses	57
Schedule of Direct Investment Expenses	57
Schedule of Professional Consultant Fees	58
Report on Internal Control	59

INVESTMENTS

Investment Overview	60
Investment Strategies	61
Investment Objectives	61
Investment Results	62
Benchmarks	63
Long-Term Results	63
Public Equity	64
Core Fixed Income	65
Specialty Credit	66
Private Equity	67
Real Estate	68
Real Return	68
Cash	68
Additional Schedules	69

ACTUARIAL

Certification of Actuarial Results	74
Summary of Actuarial Assumptions	77
Summary of Actuarial Valuation Results	80
Recommended Employer Contribution Rates	82
Summary of Actuarial Unfunded Liabilities	83
Solvency Test	84
Member Valuation	86
Summary of Benefit Provisions CERS Plans	87

STATISTICAL

Plan Statistics	91
Participating Employers	92
Member Monthly Benefit	93
Fiduciary Net Position	93
Changes in Fiduciary Net Position	94
Schedule of Benefit Expenses	96
Active Refunds	98
Analysis of Initial Retirees	98
Payment Options	99
Employer Contribution Rates	99

Draft 11-12-2025

STATISTICAL

Insurance Contracts

100

Glossary

101



Draft 11-12-2025

KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To our Members, Benefit Recipients, Employers and the Board of Trustees

December 4, 2025

On behalf of the Kentucky Public Pensions Authority (KPPA) we are honored to present the Annual Comprehensive Financial Report (ACFR) of the County Employees Retirement System, a component unit of the Commonwealth of Kentucky, for the Fiscal Year Ended (FYE) June 30, 2025.

Responsibility for the accuracy, completeness, and fairness of the information presented rests ultimately with KPPA management which, along with the Executive Director and staff, assist the KPPA Board in its responsibilities. Because the cost of internal control should not exceed anticipated benefits, KPPA relies on a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP has issued an unmodified ("clean") opinion on the County Employees Retirement System financial statements for the FYE June 30, 2025. The Independent Auditors' report is located in the Financial Section of this report.

The Management's Discussion and Analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

KPPA is the special-purpose government responsible for the day-to-day administration of the County Employees Retirement System (CERS) and the Kentucky Retirement Systems (KRS), comprising the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS).

Beginning with FYE 2024, KPPA produces separate ACFRs for CERS and KRS. Supported by research and recommendations from KPPA management, this aligns with guidance from the Government Accounting Standards Board (GASB) and authority under state statute.

KPPA also produces a single Summary Annual Financial Report (SAFR) that provides an overview of information in the CERS and KRS ACFRs, as well as insights into the combined systems.

This approach aims to enhance transparency and reporting by providing information relevant to each system's members, the public, and stakeholders.

KPPA Executive Director's Message Ryan Barrow

Asset Growth

Double-digit investment returns, employer contributions, and General Fund appropriations authorized by the Legislature in Fiscal Year (FY) 2025 contributed to improved funding and record asset levels for all pension and insurance plans. The systems saw a \$3 billion increase in the market value of all plans for the 12 months ended June 30. Total assets by market value stood at \$29.8 billion, compared with \$26.8 billion as of the same date in 2024.

Net returns for all pension and insurance portfolios exceeded 11% in FY 2025, marking the third year in a row that CERS and KRS pension and insurance portfolio net returns neared or exceeded double digits.

Draft 11-12-2025

This asset growth not only moves the systems toward the target of full funding by 2049, it also helps the systems fulfill the promises made to retirees, and in turn helps local communities. Every year, KPPA pays more than \$2 billion in ongoing pension benefits, with 93% of that money going to Kentucky residents making retirement benefits an important economic driver for the Commonwealth.

Continuous Improvement

One of our core values at KPPA is to instill a culture of continuous improvement in everything we do. Furthering that value, KPPA in FY 2025 launched a Leadership Academy in February. Fourteen participants from various divisions attended monthly leadership training sessions and met regularly with assigned mentors. Training topics included personality assessment and team building; empathy and integrity; time management; delegation skills; and effective communication. In November, participants attended the Commonwealth's two-day LEAD Conference. The program concluded in December 2025 with final presentations and a graduation ceremony.

Other Notes

- On the budget front, KPPA began the process to secure funds to modernize and enhance the aging business system that helps support Self Service and powers systems serving our members.
- We conducted our first multi-day in-person trustee education forum since the pandemic. The IMPACT Forum, which stands for Investments, Management, Pensions, Advisory, Compliance, and Training, provided the annual statutory training required of our Trustees.
- We published separate Annual Comprehensive Financial Reports for CERS and KRS for the first time in FY 2024 and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for each report.
- We have implemented, or are in the process of implementing, aspects of the 2024 – 2028 Strategic Plan including surveys, member outreach, account auditing, and use of artificial intelligence (AI).

CERS Chief Executive Officer's Message Ed Owens III

At the close of FY 2025, CERS' momentum is undeniable. We were able to pay retirees nearly \$1.4 billion in benefits, increase our assets by more than \$1.8 billion, and continue paying down the unfunded pension liability in the systems. Equally important, the most recent actuarial valuation shows the funded ratios for our nonhazardous and hazardous pension plans have improved to 61.4% and 57%, respectively, up from lows of 49.1% and 45.1% in FYs 2019 and 2020.

The CERS Board of Trustees remains totally committed to 100% funding by the end of the 2049 fiscal year. At the same time, we can provide our employers with a stable, predictable contribution rate that allows them to adequately plan for their growth and operational processes. Accordingly, we are excited that our employers added more than 1,900 new employees to the system in FY 2025.

During this fiscal year CERS conducted Trustee elections. Dr. Patricia Carver was re-elected. The two new members to the Trustee Board are Steven Webb and Captain Tommy McGraw (ret.). All three will serve four-year terms. The full Board is excited for the contributions each of the elected Trustees will make to the system. All three have accepted leadership positions on the Board and have been seamlessly integrated into the work of the Board.

Looking forward, CERS will seek to put in place a robust employer audit program for the approximately 1,200 employers in our system. The scope of the plan is big; however, we believe it necessary to further ensure the integrity of all our data. The outlook for our system has never been better. We will continue to significantly increase our funding ratio while we develop additional means to communicate our successes/initiatives with our almost 300,000 members.

Draft 11-12-2025

Acknowledgments

The preparation of this report has been a collaborative effort of KPPA Executive Management and the Accounting Division, Communications Division, Office of Investments, and the CERS CEO. The contents have been reviewed by the Internal Audit Division. KPPA is responsible for all the information in the report and confidently presents it as a basis for understanding the stewardship of the system.

Respectfully submitted,



A handwritten signature in blue ink, appearing to read 'Ryan Barrow'.

Ryan Barrow
KPPA Executive Director



A handwritten signature in blue ink, appearing to read 'M. Lamb'.

Michael B. Lamb, CPA
KPPA Chief Financial Officer

Draft 11-12-2025

GOVERNANCE

As of December 4, 2025

The County Employees Retirement System (CERS) is governed by a nine member board of trustees consisting of three elected members and six gubernatorial appointees serving four-year terms. CERS has four representatives on the Kentucky Public Pensions Authority (KPPA) Board in addition to employing a Chief Executive Officer who serves as a legislative and executive advisor and a General Counsel who provides legal services.

CERS BOARD OF TRUSTEES

George Cheatham, Chair
J. Michael Foster, Vice Chair

General Counsel: Johnson Branco & Brennan, LLP
Three (3) Elected Trustees
Six (6) Appointed by Governor

LEADERSHIP:

Every April, the trustees elect a Chair and Vice Chair and affirm who will serve on the KPPA Board in compliance with state law.



KPPA Board Member

George Cheatham
Chair

Term ends March 31, 2025
Nominated by KSBA



J. Michael Foster
Vice Chair

Term ends July 1, 2021*
Nominated by KACo



Ed Owens III
Chief Executive
Officer

CHIEF EXECUTIVE

OFFICER (CEO):
The CEO works with the trustees and KPPA staff to carry out the statutory provisions of the system.

ELECTED BY MEMBERSHIP:

Every four years, three eligible CERS members are elected to serve on the Board of Trustees.



KPPA Board Member

Dr. Patricia P. Carver

Term ends March 31, 2029
Elected by Membership



Steven Webb

Term ends March 31, 2029
Elected by Membership



Tommy McGraw

Term ends March 31, 2029
Elected by Membership

KPPA BOARD:

By law, the CERS Board Chair and Investment Committee Chair serve on this Board. The CERS Chair also appoints one elected trustee and one appointed trustee to the KPPA Board.

APPOINTED BY GOVERNOR:

The Governor selects appointees from lists of candidates provided by the:

- Kentucky Association of Counties (KACo),
- Kentucky League of Cities (KLC), and
- Kentucky School Boards Association (KSBA).



Dr. Martin Milkman

Term ends July 1, 2025*
Nominated by KSBA



J.T. Fulkerson

Term ends July 1, 2021*
Nominated by KLC



KPPA Board Member

Dr. Merv Hackbart

Term ends March 31, 2025*
Nominated by KACo



KPPA Vice Chair

William O'Mara

Term ends March 31, 2025*
Nominated by KLC

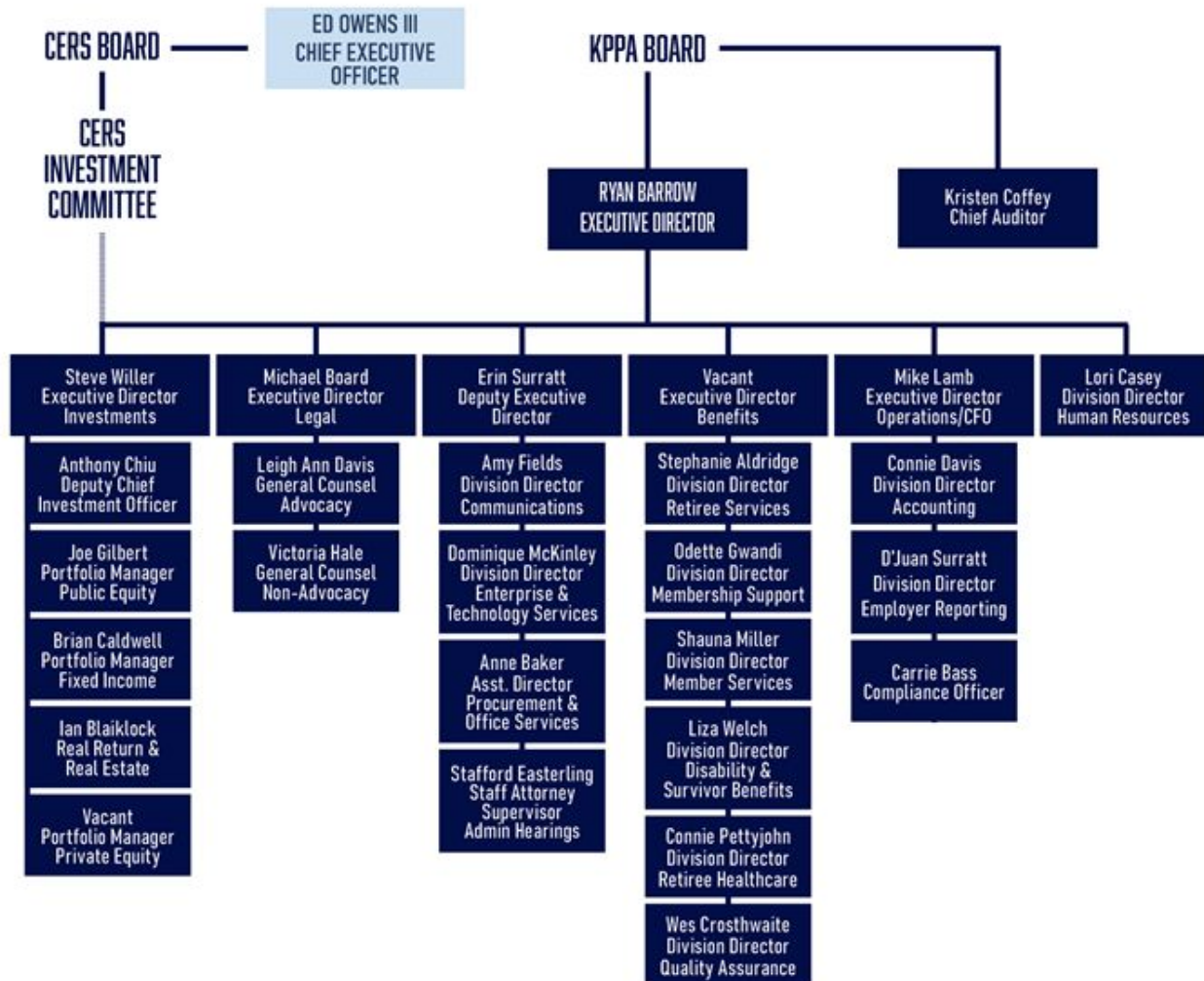
*Trustee continues to serve until the Governor makes an appointment to fill the trustee position.

Draft 11-12-2025

AGENCY STRUCTURE

As of December 4, 2025

The Kentucky Public Pensions Authority (KPPA) oversees the operations of the County Employees Retirement System (CERS) by providing administrative support, investment management, and conducting daily activities on behalf of the CERS Board of Trustees and KPPA Board. KPPA is led by an Executive Director who is appointed by the KPPA Board to work with the CERS Chief Executive Officer to carry out the statutory provisions of the systems.



CONSULTANTS

Legal Services

Stoll Keenon Ogden, PLLC
Reinhart Boerner Van Deuren, SC
Frost Brown Todd, LLC
Faegre Drinker Biddle & Reath, LLP
Kellerman Law
McClain Law Group
Ice Miller, LLP
Umberg Zipser, LLP

Actuarial Services

Gabriel, Roeder, Smith & Co.

Auditing Services

Eide Bailly, LLP

Fiduciary Review Counsel

Ice Miller, LLP

Investment Consultants

Wilshire
Albourn
Mercer

Master Custodian

BNY Mellon

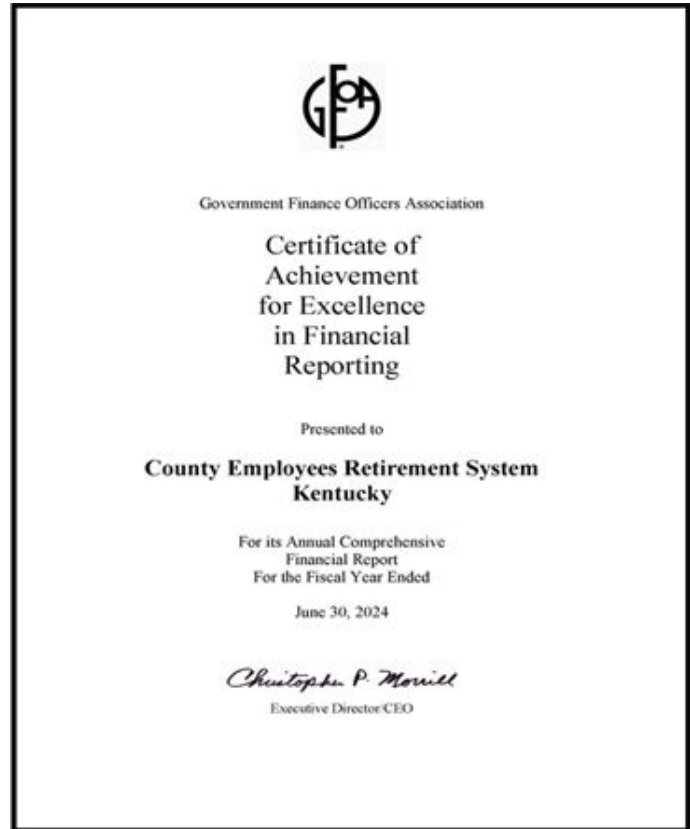
Refer to the Investments Section for additional information regarding Investment Advisors (pages 67-68) and Schedules of Fees and Expenses (pages 68-70).

Draft 11-12-2025

Professional Awards

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

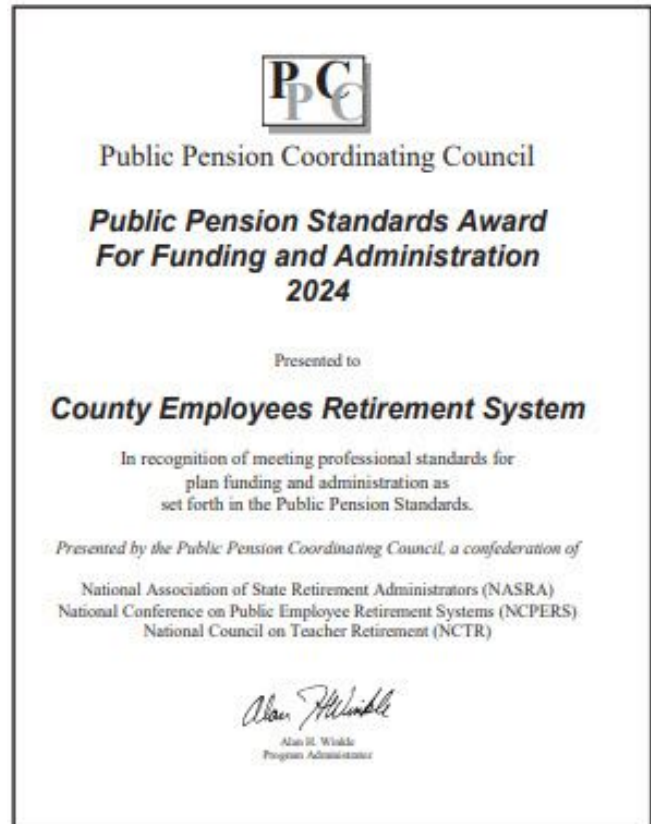
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County Employees Retirement System for its Annual Comprehensive Financial Report (ACFR) for the Fiscal Year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports and is valid for a period of one year. The 2024 audit year marked the first time CERS issued its own stand-alone ACFR. This report earned CERS its first independent award. Prior to this, CERS was included in the award-winning reports of KRS/KPPA for more than 25 years. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized document. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our 2025 report will continue to meet the Certificate of Achievement Program's requirements, and we will be submitting it to the GFOA for their consideration.



PUBLIC PENSIONS STANDARDS AWARD FOR FUNDING AND ADMINISTRATION

The Public Pension Coordinating Council awarded the Public Pensions Standards Award for Funding and Administration to the County Employees Retirement Systems (CERS) for 2025.

The Public Pension Coordinating Council established the Public Pension Standards to reflect expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark to measure public defined benefit plans. The Award for Funding and Administration is a distinguished national award recognizing pension programs meeting professional standards for plan design and administration as set forth in the Public Pension Standards. This award is valid for a period of one year. We believe CERS will continue to meet these standards, and we will be applying for the award next year.



Draft 11-12-2025

REPORT OF INDEPENDENT AUDITORS TO BE INSERTED

Management's Discussion & Analysis

(Unaudited, \$ In Millions)

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides insight into the financial performance of CERS for the fiscal year ended June 30, 2025. It is meant to be read in the context of the accompanying Letter of Transmittal in the Introduction, the Basic Financial Statements and the Notes to those statements, the Required Supplementary Information (RSI), and additional material following this section. Together, this information provides a comprehensive picture of CERS' financial position.

CERS includes hazardous and nonhazardous defined benefit pension and OPEB plans for local government employees and nonteaching staff of local school boards and regional universities and is governed by the nine member CERS board of Trustees (the CERS Board). Daily system activities, including investment management, benefits counseling, legal services, accounting, and payroll functions, are performed by a staff of professional employees of the Kentucky Public Pensions Authority (KPPA), which is the special-purpose government responsible for the administration of CERS.

FINANCIAL HIGHLIGHTS AND ANALYSIS

The following are the Condensed Comparative Statements of Fiduciary Net Position and Condensed Comparative Statements of Changes in Fiduciary Net Position of CERS for the fiscal years ended June 30, 2025, 2024, and 2023:

Condensed Summary of Fiduciary Net Position As of June 30			
	FY 2025	FY 2024	FY 2023
ASSETS			
Cash, Short-term Investments, and Receivables	\$1,158	\$766	\$879
Investments, at fair value	19,770	18,309	16,337
TOTAL ASSETS	20,928	19,075	17,216
TOTAL LIABILITIES	768	602	476
FIDUCIARY NET POSITION	20,160	18,473	\$16,740

Condensed Summary of Changes in Fiduciary Net Position As of June 30			
	FY 2025	FY 2024	FY 2023
ADDITIONS			
Member Contributions	\$261	\$248	\$227
Employer Contributions	1,016	1,119	1,162
Total Contributions	1,277	1,367	1,389
Net Investment Income	2,089	1,922	1,552
Other Additions	—	12	7
TOTAL ADDITIONS	3,366	3,302	2,948
DEDUCTIONS			
Benefits and Refunds	1,402	1,318	1,244
Other Deductions	277	251	248
TOTAL DEDUCTIONS	1,679	1,569	1,492
NET INCREASE	1,687	1,733	1,456
FIDUCIARY NET POSITION			
BEGINNING OF THE PERIOD	18,473	16,740	15,284
END OF PERIOD	\$20,160	\$18,473	\$16,740

Management's Discussion & Analysis

(Unaudited, \$ In Millions)

Fiduciary Net Position

The Fiduciary Net Position of CERS was \$18,473 at the beginning of the fiscal year and increased by 9.13% to \$20,160 as of June 30, 2025. The \$1,687 increase is primarily attributable to the appreciation of the fair value of investments.

Contributions

Total contributions reported for fiscal year 2025 were \$1,277 compared to \$1,367 in fiscal year 2024, a decrease of 6.58% or \$90. This decrease was driven by a decrease in the employer contribution rates.

Investments

The pension and insurance portfolios investment returns averaged 11.5% for the fiscal year ended June 30, 2025, compared to 11.7% for the fiscal year ended June 30, 2024. The continued positive performance is due to the notable returns from the Public Equity portfolio and Real Return portfolios significantly outpacing their benchmarks. See investment results beginning on page 62 of the investment section.

The fair value of investments, as of June 30, 2025, were \$19,770, an increase of \$1,461 from the prior year, and net investment income was \$2,089 for the current fiscal year, compared to \$1,923 for the prior fiscal year.

Investment returns are reported net of fees and investment expenses, including carried interest. Investment fees and expenses totaled \$189 for fiscal year 2025 compared to \$172 in the prior fiscal year.

	1-Year Return			Fair Value of Investments			Investment Fees & Expenses			Net Investment Income		
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Pension												
Nonhazardous	11.6%	11.6%	10.2%	\$10,396	\$9,640	\$8,585	\$100	\$91	\$71	\$1,107	\$1,003	\$815
Hazardous	11.7%	11.7%	10.3%	3,709	3,367	2,939	35	31	24	398	356	282
Insurance												
Nonhazardous	11.3%	11.8%	10.3%	\$3,836	3,574	3,208	\$36	\$33	\$25	\$397	\$381	\$306
Hazardous	11.2%	11.7%	10.1%	1,829	1,728	1,606	18	17	13	187	183	149
Average/Total	11.5%	11.7%	10.3%	\$19,770	\$18,309	\$16,338	\$189	\$172	\$133	\$2,089	\$1,923	\$1,552

Asset allocation is the primary driver of long-term investment performance and is designed to achieve an optimal long-term asset mix. The investment policy statement (IPS) of the CERS board has established the following asset allocation guidelines as of June 30, 2025. See also the investment overview beginning on page 60 of the investment section.

Asset Class	Target	Minimum	Maximum
Public Equity	45%	30%	55%
Private Equity	8%	4%	12%
Core Fixed Income	13%	10%	20%
Specialty Credit	20%	16%	24%
Cash	2%	—%	5%
Real Estate	5%	3%	7%
Real Return	7%	4%	10%
	100%		

Deductions

Benefits and refunds paid for fiscal year 2025 totaled \$1,402 compared to \$1,318 in fiscal year 2024, a 6.37% increase.

Draft 11-12-2025

ACTUARIAL HIGHLIGHTS

The actuarial accrued liability (AAL) is the measure of the cost of benefits that have been earned to date, but not yet paid, and is calculated using the entry age normal cost method (EANC) as required by state statute. The difference in value between the AAL and the actuarial value of assets is defined as the unfunded actuarial accrued liability (UAAL).

Schedule of Unfunded Actuarial Accrued Liability (UAAL) As of June 30												
	Nonhazardous						Hazardous					
	Pension		Insurance				Pension		Insurance			
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Actuarial Accrued Liability (AAL)	\$16,174	\$15,296	\$15,674	\$3,563	\$2,560	\$2,392	\$6,302	\$5,850	\$5,862	\$1,940	\$1,604	\$1,538
Actuarial Value of Assets	9,934	8,585	8,149	3,794	3,366	3,160	3,593	3,008	2,789	1,763	1,615	1,554
Unfunded Actuarial Accrued Liability (UAAL)	\$6,240	\$6,711	\$7,525	(\$204)	(\$806)	(\$768)	\$2,709	\$2,842	\$3,073	\$176	(\$11)	(\$16)
Funded Ratio	61.42%	56.12%	51.99%	106.48%	131.48%	132.11%	57.01%	51.42%	47.58%	91%	100.70%	101.02%

Please refer to Note I and the RSI of the Financial Section, as well as the Actuarial Section for more analysis of the funding status, asset values, actuarial assumptions, and actuarially determined employer contributions.

INFORMATION REQUESTS

This financial report is designed to provide a general overview of CERS' financial position. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

ATTN: Director of Accounting
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

Draft 11-12-2025

Basic Financial Statements

CERS Combining Statement of Fiduciary Net Position						
As of June 30, 2025, with Comparative Totals as of June 30, 2024 (\$ in Thousands)						
	Pension		Insurance		Total	Total
ASSETS	Nonhazardous	Hazardous	Nonhazardous	Hazardous	2025	2024
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$347	\$27	\$102	\$14	\$490	\$427
Short-term Investments	456,987	199,753	130,051	50,742	837,533	549,100
Total Cash and Short-term Investments	457,334	199,780	130,153	50,756	838,023	549,527
RECEIVABLES						
Accounts Receivable	82,169	24,683	4,848	1,866	113,566	132,694
Accounts Receivable - Investments	109,279	40,795	38,699	17,025	205,798	83,651
Total Receivables	191,448	65,478	43,547	18,891	319,364	216,345
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	1,308,686	477,687	487,232	221,756	2,495,361	1,810,070
Public Equities	5,038,728	1,806,652	1,856,841	872,231	9,574,452	9,514,789
Private Equities	598,233	212,752	227,007	126,030	1,164,022	1,219,303
Specialty Credit	2,059,130	734,922	776,100	362,496	3,932,648	3,638,528
Derivatives	(5)	(10)	9	16	10	219
Real Return	575,879	205,995	209,520	99,364	1,090,758	726,051
Real Estate	543,195	172,873	196,756	107,976	1,020,800	954,047
Securities Lending Collateral	272,127	97,816	82,942	39,382	492,267	445,653
Total Investments, at Fair Value	10,395,973	3,708,687	3,836,407	1,829,251	19,770,318	18,308,660
Total Assets	11,044,755	3,973,945	4,010,107	1,898,898	20,927,705	19,074,532
LIABILITIES						
Accounts Payable	6,699	1,310	15	—	8,024	8,604
Accounts Payable - Investments	140,354	52,768	51,302	23,076	267,500	147,492
Securities Lending Collateral	272,127	97,816	82,942	39,382	492,267	445,653
Total Liabilities	419,180	151,894	134,259	62,458	767,791	601,749
Total Fiduciary Net Position Restricted for Benefits	\$10,625,575	\$3,822,051	\$3,875,848	\$1,836,440	\$20,159,914	\$18,472,783
See accompanying notes which are an integral part of these combining financial statements.						

Draft 11-12-2025

CERS Combining Statement of Changes In Fiduciary Net Position						
For the fiscal year ended June 30, 2025, with Comparative Totals as of June 30, 2024 (\$ in Thousands)						
	Pension		Insurance		Total	Total
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	2025	2024
ADDITIONS						
Member Contributions	\$167,083	\$65,788	\$22,847	\$5,495	\$261,213	\$248,354
Employer Contributions	677,429	306,031	12,842	19,950	1,016,252	1,118,858
Other Additions	—	—	—	—	—	12,082
Total Contributions & Other Additions	844,512	371,819	35,689	25,445	1,277,465	1,379,294
INVESTMENT INCOME						
Net Appreciation in FV of Investments	872,213	311,368	310,970	148,062	1,642,613	1,507,635
Interest/Dividends	321,416	115,259	118,334	55,730	610,739	566,984
Securities Lending Income	12,932	4,839	4,298	1,749	23,818	20,244
Less: Investment Expense	64,089	22,005	23,941	12,226	122,261	117,831
Less: Performance Fees	23,797	8,108	8,520	4,505	44,930	36,302
Less: Securities Lending Fees, Expenses, and Rebates	11,663	4,366	3,875	1,573	21,477	18,313
Net Investment Income	1,107,012	396,987	397,266	187,237	2,088,502	1,922,417
Total Additions	1,951,524	768,806	432,955	212,682	3,365,967	3,301,711
DEDUCTIONS						
Benefit Payments	993,357	376,348	—	—	1,369,705	1,284,097
Refunds	24,377	8,005	—	—	32,382	33,807
Administrative Expenses	25,841	2,262	917	524	29,544	30,350
Healthcare Expenses	—	—	142,084	105,121	247,205	221,030
Total Deductions	1,043,575	386,615	143,001	105,645	1,678,836	1,569,284
Net Increase in Fiduciary Net Position Restricted for Pension Benefits	907,949	382,191	289,954	107,037	1,687,131	1,732,427
Total Fiduciary Net Position Restricted for Benefits						
Beginning of Period	9,717,626	3,439,860	3,585,894	1,729,403	18,472,783	16,740,356
End of Period	\$10,625,575	\$3,822,051	\$3,875,848	\$1,836,440	\$20,159,914	\$18,472,783

See accompanying notes, which are an integral part of these combining financial statements.

NOTE A. Summary of Significant Accounting Policies

Basis Of Accounting

CERS' combining financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Premium payments are recognized when due and payable in accordance with the insurance terms of the plan. Administrative and investment expenses are recognized when incurred. The net position represents the assets of the system available to pay pension benefits for retirees, active and inactive members, and health care premiums for current and future retirees.

Method Used To Value Investments

Investments are reported at fair value. Fair value is the price that would be received upon selling an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. See Investments Note D for further discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes gains and losses on investments bought and sold as well as held during the fiscal year. Investment returns are recorded in all plans net of investment fees.

Draft 11-12-2025

Investment Unitization

Within the plan accounting structure there are two primary types of accounts: Plan Accounts and Pool Accounts. Plan Accounts are the owners of the investment pool. An account is established for each plan and these accounts hold Units of Participation that represent the plan's invested value of the investment pool. Pool Accounts are accounts that hold the assets of the investment pool where all investment related activity and earnings occur. The pooled accounts are the investment strategies of the pool. Units of Participation are bought and sold as each plan contributes or withdraws cash or assets from the investment pool. The investment pool earnings are then allocated to plans utilizing a cost distribution method that allows for fluctuating prices experienced in capital markets. This involves earnings allocated to the plan accounts with an increase or decrease in cost on the Unit of Participation Holdings of the plan accounts. Correspondingly, the price of the Unit of Participation Holdings is updated to reflect change in fair value in the investment pool. Earnings are allocated based on the daily weighted average of Master Trust Units held by each plan account during each monthly earnings period. This method is commonly used when plans make multiple contributions or withdrawals from the investment pool throughout the month as it eliminates allocation distortion due to large end of month cash flows.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital/intangible Assets

Equipment and computer software costing more than \$3,000 are valued at historical cost, capitalized when put into service, and depreciated or amortized using the straight-line method over the estimated useful life of the assets, ranging from three to ten years. Improvements, which increase the useful life of the asset, are capitalized. Maintenance and repairs are charged as an expense when incurred. As of June 30, 2023, all capital/intangible assets were fully depreciated and or amortized. No additional capital/intangible assets have been capitalized since that date.

Accounts Receivable

Accounts Receivable consist of amounts due from employers. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made. If amounts previously written off are collected, they will be credited to income when received.

The Investment Accounts Receivable and Investment Accounts Payable consist of investment management earnings and fee accruals, as well as all buys and sells of securities which have not closed as of the reporting date.

Benefits

Benefits are recognized when due and payable in accordance with the terms of the plan.

Expense Allocation

Administrative expenses are allocated to the system based on a hybrid allocation developed by management in conjunction with the CERS Board. The hybrid allocation is based on a combination of plan membership and direct plan expenses. All investment related expenses are allocated in proportion to the percentage of investment assets held by each plan.

Component Unit

CERS is a component unit of the Commonwealth of Kentucky (the Commonwealth) for financial reporting purposes.

CERS was created by the Kentucky General Assembly on July 1, 1958, pursuant to Kentucky Revised Statutes 78.520, and the separate governing board of trustees was created in 2021. Six of the nine trustees are appointed by the Governor. The administrative budget of KPPA, which incorporates CERS administrative costs, is subject to approval by the Kentucky General Assembly. CERS employee contribution rates are set by statute and may be changed only by the Kentucky General Assembly. Employer contribution rates are determined by the CERS Board without further legislative review, and the methods used to determine the employer rates are specified in Kentucky Revised Statutes 78.635.

Draft 11-12-2025

Recent Accounting Pronouncements

GASB Statement Number 101, Compensated Absences. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024. Management determined this was immaterial to the financial statements.

GASB Statement Number 102, Certain Risk Disclosures. The requirements of the Statement will take effect for financial statements for fiscal years beginning after June 15, 2024. Management determined that there are no concentrations or constraints that meet the requirements of this disclosure.

GASB Statement Number 103, Financial Reporting Model Improvements. The requirements of the Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating the impact of the Statement to the financial report.

GASB Statement Number 104, Disclosure of Certain Capital Assets. The requirements of the Statement are effective for fiscal year that ends June 30, 2026, and all reporting periods thereafter. Management is evaluating the impact of the Statement to the financial report.

NOTE B. Description & Contribution Information

CERS - COUNTY EMPLOYEES RETIREMENT SYSTEM

CERS for financial reporting purposes, is composed of four plans - two defined benefit pension plans, and two OPEB plans: CERS Nonhazardous pension plan, CERS Hazardous pension plan, CERS Nonhazardous insurance plan, and CERS Hazardous insurance plan. Each of the Pension and OPEB plans are legally separated with benefits only eligible to be paid for each of the respective membership groups and are cost-sharing multiple-employer plans.

The pension plans were established by Kentucky Revised Statutes 78.520, to be known as the "County Employees Retirement System" to provide retirement, disability, and death benefits to system members. The CERS Nonhazardous plan was established to provide retirement benefits to all regular full-time employees employed in positions of each participating county, city, school board, and any additional eligible local agencies electing to participate in CERS. The membership of the CERS Hazardous plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officers, detectives, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition. Retirement benefits may be extended to beneficiaries of members under certain circumstances.

The OPEB plans are part of the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), established by Kentucky Revised Statutes 61.701 for eligible members receiving benefits from CERS Nonhazardous and CERS Hazardous. The Insurance Fund was created for the purpose of providing a trust separate from the retirement trusts, and for the purpose of providing hospital and medical insurance benefits.

The responsibility of the plans within CERS is vested in the CERS Board of Trustees. The CERS Board of Trustees consists of nine members. Six trustees are appointed by the governor and three are elected by CERS members (active, inactive, and/or retired). The six gubernatorial appointees are chosen from lists compiled and submitted to the governor by the Kentucky League of Cities (KLC), the Kentucky Association of Counties (KACo), and the Kentucky School Boards Association (KSBA). Each of the three entities must submit three applicants with retirement experience and three applicants with investment experience as defined by statute. The governor appoints one person with retirement experience and one person with investment experience from KLC, KACo, and KSBA. All appointments by the governor are subject to Senate confirmation.

Employer Contributions

For the fiscal year ended June 30, 2025, there were 1,121 participating employers of CERS. Participating employers are required to contribute actuarially determined rates for pension and insurance benefit contributions. The rates are established by the CERS Board based on Kentucky Revised Statute 78.635. The rates are set each year following the annual actuarial valuation as of July 1 and prior to July 1 of the succeeding fiscal year and are a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings.

Draft 11-12-2025

Contribution Rate Breakdown by Plan

As of June 30, 2025

Plan	Pension		Insurance		Combined Total	
	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates
Nonhazardous *	19.71%	19.71%	—%	—%	19.71%	19.71%
Hazardous *	36.49%	36.49%	2.12%	2.12%	38.61%	38.61%

* House Bill 362 passed during the 2018 legislative session caps CERS employer contribution rate increases up to 12 % per year over the prior fiscal year for the period of July 1, 2018, to June 30 2028.

Benefit Tiers:

As of June 30, 2025, the date of the most recent actuarial valuation, membership consisted of:

Membership as of June 30, 2025 (in Whole \$)			
Item	Nonhazardous	Hazardous	Total
Members	288,760	28,271	317,031
Active Membership	85,606	10,818	96,424
Tier 1	19,328	2,498	21,826
Tier 2	10,196	1,843	12,039
Tier 3	56,082	6,477	62,559
Average Annual Salary	\$40,761	\$81,239	\$45,139
Average Age	46.9	37.5	45.9
Retired Membership	80,397	12,420	92,817
Tier 1	77,805	12,322	90,127
Tier 2	2,211	62	2,273
Tier 3	381	36	417
Average Annual Benefit	\$12,541	\$30,472	\$14,986
Average Age	71.9	63.6	70.7
Inactive Members	122,757	5,033	127,790
Tier 1	49,244	1,743	50,987
Tier 2	18,822	734	19,556
Tier 3	54,691	2,556	57,247

TIER 1:

Members who began participating prior to September 1, 2008, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest.

TIER 2:

Members who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest; however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

TIER 3:

Members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Tier

Draft 11-12-2025

3 member accounts are also credited with an employer pay credit in the amount of 4% (Nonhazardous) or 7.5% (Hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Interest is also paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). It is possible that one plan in CERS may get an Upside Sharing Interest, while another may not.

Upside Sharing Interest

Upside Sharing Interest is credited to both the member contribution balance and employer pay credit balance. Upside Sharing Interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual plan basis.

The chart that follows shows the interest calculated on the members' balances as of June 30, 2024, and credited to each member's account on June 30, 2025.

(A-B) = C x 75% = D then B + D = Interest (\$ in Thousands)						
Plan	A 5-Year Geometric Average Return	B Less Guarantee Rate of 4%	C Upside Sharing Interest	D Upside Sharing Interest X 75% = Upside Gain	Interest Rate Earned (4% + Upside)	Total Interest Credited to Member Accounts
Nonhazardous	9.89%	4.00%	5.89%	4.42%	8.42%	\$54,364
Hazardous	10.11%	4.00%	6.11%	4.58%	8.58%	\$21,068

Insurance Fund Description

Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans, eligible Medicare retirees are covered through contracts with Humana through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2025, insurance premiums withheld from benefit payments for CERS's members were \$14.9 million and \$4.8 million for CERS Nonhazardous and Hazardous, respectively.

Retiree Medical Insurance Coverage (by Plan Count)					
As of June 30, 2025					
	Single	Couple/Family	Parent	Medicare Without Prescription	Medicare With Prescription
Nonhazardous	8,340	464	248	1,730	26,679
Hazardous	1,671	3,021	461	122	3,840
Total	10,011	3,485	709	1,852	30,519

Note: Medical Insurance coverage is provided based on the member's initial participation date and length of service. Members receive either a percentage or dollar amount for insurance coverage. The counts are the number of medical plans contracted with the Department of Employee Insurance or Medicare vendor and are not representative of the number of persons.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service.

Draft 11-12-2025

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum benefit are as follows:

Portion Paid by Insurance Fund As of June 30, 2025	
Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Nonhazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a Hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned Hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes.

House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 78.852. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2003, the dollar amounts of the benefit per year of service are as follows:

Dollar Contribution for Fiscal Year 2025 For Member participation date on or after July 1, 2003	
	(in Whole \$)
Nonhazardous	\$14.63
Hazardous	\$21.94

The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

Cost of Living Adjustment (COLA)

Prior to July 1, 2009, COLAs were provided to retirees annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were to be limited to 1.50%.

In 2013, the General Assembly created a new law to govern how COLAs will be granted. Language included in Senate Bill 2 during the 2013 Regular Session states COLAs will only be granted in the future if the CERS Board determines that assets of the System are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA through employer contributions. Kentucky Revised Statutes 78.5518 governs how COLAs may be granted for members of CERS. No COLA has been granted since July 1, 2011.

Note C. Cash, Short-Term Investments & Securities Lending Collateral

The provisions of *GASB Statement No. 28 Accounting and Financial Reporting for Securities Lending Transactions* require that cash received as collateral on securities lending transactions and investments made with that cash must be reported as assets on the financial statements. The non-cash collateral is not reported because the securities received as collateral are unable to be pledged or sold unless the borrower defaults. In accordance with *GASB Statement No. 28*,

Draft 11-12-2025

CERS classifies certain other investments, not related to the securities lending program, as short-term. Cash and short-term investments consist of the following:

Cash, Short-Term Investments, & Securities Lending Collateral		
As of June 30, 2025 (\$ in Thousands)		
Nonhazardous	Pension	Insurance
Cash	\$347	\$102
Short-Term Investments	456,987	130,051
Securities Lending Collateral Invested	272,127	82,942
Total	\$729,461	\$213,095
Hazardous	Pension	Insurance
Cash	\$27	\$14
Short-Term Investments	199,753	50,742
Securities Lending Collateral Invested	97,816	39,382
Total	\$297,596	\$90,138

Note D. Investments

Kentucky Revised Statutes 78.790 specifically states that the CERS Board shall have the full and exclusive power to invest and reinvest the funds of the Plan(s) they govern. In addition, Kentucky Revised Statutes 78.782 require three (3) members of the CERS Board to have at least ten (10) years of investment experience as defined by the statutes. The CERS Board is required to establish the Investment Committee who is specifically charged with implementing the investment policies adopted by the CERS Board and to act on behalf of the CERS Board on all investment related matters. The CERS Board and the Investment Committee members are required to discharge their duty to invest the funds of the Plans in accordance with the "Prudent Person Standard" as set forth in Kentucky Revised Statutes 78.790 and to manage those funds consistent with the long-term nature of the trusts and solely in the interest of the members and beneficiaries. All internal investment staff, and investment consultants must adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute and all Board Trustees must adhere to the Code of Conduct for Members of a Pension Scheme Governing Body of the CFA Institute. The CERS Board is authorized to adopt policies. The CERS Board has adopted an Investment Policy Statement (IPS) which defines the framework for investing the assets of the Plans. The IPS is intended to provide general principles for establishing the investment goals of the Plans, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Plans. A copy of the CERS Board's IPS can be found at kyret.ky.gov. By statutes, the Board, through adopted written policies, shall maintain ownership and control over its assets held in its unitized managed custodial account. Additionally, the Investment Committee establishes specific investment guidelines that are summarized below and are included in the Investment Management Agreement (IMA) for each investment management firm.

Equity

Public Equity

Investments may be made in common stock; securities convertible into common stock; preferred stock of publicly traded companies on stock markets; asset class relevant Exchange Traded Funds (ETFs); or any other type of security contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Private Equity

Subject to the specific approval of the Investment Committee, Private Equity investments may be made for the purpose of creating a diversified portfolio of investments. Private Equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional equity investments. Accordingly, traditional rates of return from Private Equity investments are expected to be greater than those that might be obtained from public equity or debt investments. Certain investments in this category are public market securities (ETFs) with the most similar risk/ return characteristics as a short-term proxy for private asset classes.

Draft 11-12-2025

Fixed Income

Core Fixed Income

The Core Fixed Income accounts may include, but are not limited to, the following securities: U.S. government and agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; mortgages, including residential mortgage-backed securities; commercial mortgage-backed securities and whole loans; asset-backed securities; and, asset class relevant ETFs. Each individual Core Fixed Income account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Specialty Credit

Specialty Credit includes both publicly traded debt, and private credit. The Specialty Credit accounts may include, but are not limited to, the following types of securities and investments: non-investment grade U.S. corporate credit including both bonds and bank loans; non-investment grade non-U.S. corporate credit including bonds and bank loans; private debt; municipal bonds; non-U.S. sovereign debt; mortgages, including residential mortgage-backed securities; commercial mortgage backed securities and whole loans, asset-backed securities and emerging market debt (EMD), including both sovereign EMD and corporate EMD; and asset class relevant ETFs. Each individual Specialty Credit account shall have a comprehensive set of investment guidelines for the account.

Short-Term Investments

The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds, and collective short-term investment funds (STIFs), money market funds or instruments (including, but not limited to certificates of deposit, bank notes, deposit notes, bankers' acceptance and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.

Fixed income managers, who utilize cash equivalent securities as an integral part of their investment strategy, are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for Fixed Income managers shall be included in the investment manager's investment guidelines.

Inflation Protected

Real Estate and Real Return

Investments may be made in real estate equity and debt for the purposes of achieving the highest total rate of return possible consistent with a prudent level of risk and provide returns that have a positive correlation to inflation. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private real estate investment trusts (REITs), public real estate operating companies, and real estate related debt. Real Return investments are intended to provide both favorable stand alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real Return investments may include real assets, such as infrastructure, real estate, commodities, and natural resources, as well as financial assets that have a positive correlation to inflation.

Investment Expenses

In accordance with *GASB Statement No. 67 and No. 74, Financial Reporting for Pension Plans and Other Postemployment Benefit Plans other than Pension Plans*, management has exercised professional judgment to report investment expenses. It is not cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses. In fiscal year 2015, management changed Private Equity investment fees from a gross basis to a net basis. The CERS Board made the decision to enhance transparency reporting. Prior to 2015, the majority of the Plans' Private Equity investment fees were netted against investment activity which is the standard used within the Private Equity sector. The Plans' reported net investment income has always included these fees regardless of the reporting method used. During the 2017 Regular Session of the Kentucky General Assembly, legislators passed SB 2 which requires the reporting of all investment fees and expenses. Management continues to work with managers to enhance fee and expense reporting.

Draft 11-12-2025

Derivatives

Derivative instruments are financial contracts that have various effective dates and maturity dates and whose values depend on the values of one or more underlying assets, reference rates, or financial indices. External managers and Investment Staff are permitted to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; futures; options; and swaps.

For accounting and financial reporting purposes, all derivative instruments are considered investment derivative instruments. The derivatives have been segregated on the Combining Statement of Fiduciary Net Position for all the Pension and Insurance Plans.

In accordance with *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, CERS provides additional disclosure regarding its derivatives. The charts included represent the derivatives by types as of June 30, 2025. The chart shows the change in fair value of derivative types as well as the current fair value and notional value. The notional value is the reference amount of the underlying asset times its current spot price. The Plans hold investments in options, commitments, futures, and forward foreign exchange contracts.

Derivative Instruments					
As of June 30, 2025 (\$ in Thousands)					
Derivatives (by Type)	Net Appreciation (Depreciation) in Fair Value	Classification	Fair Value	Notional	
Nonhazardous - Pension					
FX Spots and Forwards	(\$65)	Investment	(\$65)	\$—	
Futures	84	Investment	84	22,376	
Commits and Options	(7)	Investment	(24)	—	
Swaps	—	Investment	—	—	
Nonhazardous - Insurance					
FX Spots and Forwards	(\$21)	Investment	(\$21)	\$—	
Futures	50	Investment	37	9,998	
Commits and Options	(5)	Investment	(7)	—	
Swaps	—	Investment	—	—	
Hazardous - Pension					
FX Spots and Forwards	(\$26)	Investment	(\$26)	\$—	
Futures	25	Investment	25	7,872	
Commits and Options	(3)	Investment	(9)	—	
Swaps	—	Investment	—	—	
Hazardous - Insurance					
FX Spots and Forwards	(\$7)	Investment	(\$7)	\$—	
Futures	29	Investment	25	4,943	
Commits and Options	(1)	Investment	(2)	—	
Swaps	—	Investment	—	—	

Derivative Instruments Subject to Counterparty Credit Risk					
As of June 30, 2025					
Counterparty	S & P Ratings	Pension		Insurance	
		Nonhazardous Percentage of Net Exposure	Hazardous Percentage of Net Exposure	Nonhazardous Percentage of Net Exposure	Hazardous Percentage of Net Exposure
Bank of America	A-	0.25%	0.09%	0.36%	0.16%
Bank of New York Mellon	A	2.32%	0.83%	2.48%	1.12%
Barclays	BBB+	11.55%	4.63%	10.71%	3.42%
Brown Brothers Harriman	NR	0.22%	0.08%	0.24%	0.11%

Draft 11-12-2025

Derivative Instruments Subject to Counterparty Credit Risk					
Citigroup	BBB+	2.63%	1.06%	2.43%	0.77%
Goldman Sachs	BBB+	5.60%	2.20%	5.39%	1.87%
HSBC	A-	8.57%	3.45%	7.95%	2.51%
JPMorgan Chase	A	6.40%	2.57%	5.96%	1.88%
Morgan Stanley	A-	3.57%	1.43%	3.31%	1.04%
Royal Bank of Canada	AA-	6.00%	2.41%	5.56%	1.75%
Standard Chartered	BBB+	3.11%	1.25%	2.88%	0.91%
State Street	A	1.68%	0.67%	1.55%	0.49%
UBS	A-	5.25%	2.08%	4.97%	1.67%
Total		57.15%	22.75%	53.79%	17.70%

Custodial Credit Risk For Deposits

Custodial credit risk for deposits is the risk that may occur as a result of a financial institution's failure, whereby CERS deposits may not be returned. All non-investment related bank balances are held by JP Morgan Chase and each individual account is insured by the Federal Deposit Insurance Corporation (FDIC). None of these balances were exposed to custodial credit risk as they were either insured or collateralized at required levels.

Custodial Credit Risk for Deposits	
As of June 30, 2025 (\$ in Thousands)	
CERS Nonhazardous Pension	\$2,775
CERS Nonhazardous Insurance	126
CERS Hazardous Pension	27
CERS Hazardous Insurance	14
Clearing	3,022
Excess Benefit	\$0
<i>Note: All the above balances are held at JPM Chase.</i>	

Custodial Credit Risk For Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the plans would not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of June 30, 2025, the currencies in the chart below were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in CERS's name. Below are total cash and securities held by Global Managers and consist of various currencies.

Custodial Credit Risk for Investments	
As of June 30, 2025 (\$ in Thousands)	
CERS	
Nonhazardous Pension Foreign Currency	1,337,450
Hazardous Pension Foreign Currency	473,183
Nonhazardous Insurance Foreign Currency	484,078
Hazardous Insurance Foreign Currency	222,812

Investment Summary As Of June 30, 2025 (\$ In Thousands)

Investment Summary	Pension		Insurance	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
As of June 30, 2025 (\$ in Thousands)				
Type	Fair Value		Fair Value	
Core Fixed Income	\$1,308,686	\$477,687	\$487,232	\$221,756
Public Equity	5,038,728	1,806,652	1,856,841	872,231
Private Equity	598,233	212,752	227,007	126,030
Specialty Credit	2,059,130	734,922	776,100	362,496

Draft 11-12-2025

Investment Summary As of June 30, 2025 (\$ in Thousands)	Pension		Insurance	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
Type	Fair Value		Fair Value	
Derivatives	(5)	(10)	9	16
Real Return	575,879	205,995	209,520	99,364
Real Estate	543,195	172,873	196,756	107,976
Short-Term Investments	456,987	199,753	130,051	50,742
Accounts Receivable (Payable), Net	(31,075)	(11,973)	(12,603)	(6,051)
Total	\$10,549,758	\$3,798,651	\$3,870,913	\$1,834,560

Credit Risk Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The debt security portfolios are managed by the Investment Staff and by external investment management firms. Each portfolio is required to be in compliance with a comprehensive set of investment guidelines that are assigned to them based upon the portfolio's specific mandate. In total, the Plans' debt securities portfolios are managed using the following guidelines adopted by the CERS Board:

- Bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities are permissible investments and may be held without restrictions.
- The duration of the core fixed income portfolios combined shall not vary from that of the system's Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration or dollar duration except when the system's Investment Committee has determined a target duration to be used for an interim basis.
- The amount invested in the debt of a single corporation shall not exceed 5% of the total market value of CERS' assets.
- 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

Debt Securities As of June 30, 2025 (\$ in Thousands)				
Type	Pension		Insurance	
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous
AAA	\$62,305	\$22,931	\$24,221	\$10,798
AA+	7,457	2,827	2,887	1,192
AA	7,628	2,870	2,704	1,117
AA-	9,012	3,305	3,532	1,589
A+	20,630	7,579	7,852	3,517
A	31,329	11,471	12,684	5,726
A-	53,956	19,724	20,757	9,418
BBB+	54,811	20,162	21,285	9,512
BBB	56,238	21,111	21,737	9,222
BBB-	76,700	30,002	26,342	10,032
BB+	52,858	22,529	21,578	4,982
BB	54,341	23,832	23,502	5,176
BB-	70,257	30,827	30,634	6,552
B+	47,188	20,449	19,723	5,378
B	67,658	29,393	29,084	8,540
B-	51,722	22,374	22,323	7,209
CCC+	18,544	8,313	8,679	1,739
CCC	7,624	3,451	3,736	666
CCC-	675	309	346	48
CC	205	86	81	39
D	1,628	735	756	140
NR	1,974,526	673,414	711,341	472,923
Total Credit Risk Debt Securities	\$2,727,292	\$977,694	\$1,015,784	\$575,515
Government Agencies	23,528	8,631	9,412	4,223
Government Mortgage-Backed Securities	239,731	87,681	93,044	42,141
Government Issued Commercial Mortgage Backed	8,372	3,056	3,310	1,506

Draft 11-12-2025

Debt Securities				
As of June 30, 2025 (\$ in Thousands)				
Type	Pension		Insurance	
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous
Government Collateralized Mortgage Obligations	7,258	2,787	2,589	1,016
Government Bonds	361,635	132,760	139,193	62,443
Total Credit Risk Debt Securities	\$3,367,816	\$1,212,609	\$1,263,332	\$686,844
<i>Note: These ratings are based on Standard & Poor's (S&P) Global Ratings. Where S&P ratings are unavailable, equivalent Moody's Ratings are used as proxies.</i> <i>Differences due to rounding.</i> <i>Government Agencies, Government Mortgage-Backed Securities, Government Issued Commercial Mortgage Backed and Government Bonds are highly rated securities since they are backed by the US Government.</i> <i>The NR reported indicates a rating has not been assigned.</i>				

Concentration Of Credit Risk Debt Securities

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer. The total debt securities portfolio is managed using the following general guidelines adopted by the CERS Board: bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities are permissible investments and may be held without restrictions. The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of the Plans' fixed income assets.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration measures the sensitivity of the market prices of fixed income securities to changes in the yield curve and can be measured using two methodologies: effective or modified duration. Effective duration uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price, and makes adjustments for any bond features that would retire the bonds prior to maturity. The modified duration, similar to effective duration, measures the sensitivity of the market prices to changes in the yield curve, but does not assume the securities will be called prior to maturity.

Interest Rate Risk - Modified Duration								
As of June 30, 2025(\$ in Thousands)								
TYPE	Pension				Insurance			
	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration
CERS	Nonhazardous		Hazardous		Nonhazardous		Hazardous	
Asset Backed Securities	\$56,244	2.63	\$20,876	2.60	\$21,322	2.62	\$9,660	2.60
Financial Institutions	177,558	3.64	70,277	3.56	69,629	3.67	26,632	3.61
Collateralized Mortgage Obligations	19,165	2.08	7,306	2.02	6,691	2.14	2,674	2.33
Commercial Mortgage Backed Securities	20,223	4.64	7,594	4.59	7,624	4.64	3,217	4.77
Corporate Bonds - Industrial	427,126	3.70	178,159	3.65	178,227	3.71	52,446	3.58
Corporate Bonds - Utilities	69,034	5.42	26,602	5.35	27,416	5.31	10,438	5.51
Agencies	23,528	6.28	8,631	6.27	9,412	6.23	4,223	6.26
Government Bonds - Sovereign Debt	6,161	9.02	2,293	8.96	2,321	9.45	996	9.59
Mortgage Back Securities Pass-through - Not CMO's	241,004	5.58	88,167	5.57	93,452	5.58	42,301	5.59
Local Authorities - Municipal Bonds	17,543	7.84	6,645	7.84	6,580	7.84	2,706	7.86
Supranational - Multi-National Bonds	988	2.53	397	2.53	274	2.64	86	2.64
Treasuries	361,636	6.91	132,759	6.90	139,193	6.97	62,443	7.00
Unclassified	1,947,606	0.02	662,903	0.02	701,191	0.03	366,430	0.02
Total	\$3,367,816	2.11	\$1,212,609	2.22	\$1,263,332	2.22	\$584,252	1.93

Draft 11-12-2025**Foreign Currency Risk**

Foreign currency risk is the risk that occurs if exchange rates adversely affect the value of a non-U.S. dollar based investment or deposit within the portfolios. Currency risk exposure, or exchange rate risk, primarily resides with the portfolios Non-U.S. equity holdings, but also affects other asset classes. CERS doesn't have a formal policy to limit foreign currency risk; however, some individual managers are given the latitude to hedge some currency exposures. All foreign currency transactions are classified as Short-Term Investments. All gains and losses associated with these transactions are recorded in the Net Appreciation (Depreciation) in Fair Value of Investments on the combining financial statements.

Foreign Currency Risk				
As of June 30, 2025 (\$ in Thousands)				
Type	Pension		Insurance	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
Australian Dollar	\$33,838	\$12,237	\$12,045	\$5,270
Brazilian Real	26,822	9,702	9,804	4,301
Canadian Dollar	59,193	21,154	21,562	9,708
Czech Koruna	19	7	11	5
Danish Krone	29,223	10,410	10,279	4,654
Egyptian Pound	514	183	148	67
Euro	455,656	158,231	166,378	79,780
Hong Kong Dollar	88,571	31,552	32,513	14,719
Hungarian Forint	8,410	2,996	3,017	1,366
Indian Rupee	44,052	15,778	15,565	6,965
Indonesian Rupiah	19,421	7,146	6,812	2,865
Israeli Shekel	17,509	6,237	6,367	2,882
Japanese Yen	155,380	55,398	55,377	25,027
Malaysian Ringgit	3,966	1,413	1,443	654
Mexican Peso	753	179	337	236
New Taiwan Dollar	57,371	20,438	20,399	9,235
New Zealand Dollar	3,697	1,486	1,168	369
Norwegian Krone	2,266	888	740	258
Philippine Peso	3,818	1,499	1,312	456
Pound Sterling	130,779	46,676	47,584	21,451
Singapore Dollar	1,728	298	958	739
South African Rand	3,525	1,256	1,195	541
South Korean Won	51,472	18,336	19,431	8,796
Swedish Krona	20,256	7,216	7,187	3,253
Swiss Franc	96,565	34,400	34,191	15,478
Thai Baht	11,302	4,026	4,089	1,851
Turkish Lira	4,801	1,710	1,763	798
UAE Dirham	1,482	528	561	254
Total Foreign Investment Securities	1,337,450	473,183	484,077	222,812
U.S. Dollar	9,212,308	3,325,468	3,386,836	1,611,748
Total Investment Securities	\$10,549,758	\$3,798,651	\$3,870,913	\$1,834,560

Fair Value Measurement And Applications (GASB 72)

In accordance with *GASB Statement No. 72, Fair Value Measurement and Application*, CERS provides this additional disclosure regarding the fair value of its Pension and Insurance investments. CERS categorizes its fair value measurements within the fair value hierarchy established by GAAP.

CERS Defined The Fair Value Hierarchy And Levels As Follows:**Level 1**

Quoted prices (unadjusted) in an active market for identical assets or liabilities that CERS has the ability to access at the measurement date (e.g., prices derived from NYSE, NASDAQ, Chicago Board of Trade, and Pink Sheets). Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices (unadjusted) in an active market for identical assets or liabilities that CERS has the ability to access at the measurement date.

Draft 11-12-2025

Level 2

Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3

Unobservable inputs for an asset or liability, which generally results in using the best information available for the valuation of the assets or liabilities being reported.

Net Asset Value (NAV)

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

Fair Value Measurements and Application - Pension								
As of June 30, 2025 (\$ in Thousands)								
Asset Type	Nonhazardous			Total	Hazardous			Total
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
	1	2	3	Fair Value	1	2	3	Fair Value
Public Equity								
Emerging Markets	\$215,531	\$—	\$—	\$215,531	\$76,780	\$—	\$—	\$76,780
US Equity	3,127,841	—	—	3,127,841	1,122,776	—	—	1,122,776
Non-US Equity	1,192,788	—	—	1,192,788	424,915	—	—	424,915
Total Public Equity	4,536,160	—	—	4,536,160	1,624,471	—	—	1,624,471
Fixed Income								
Agencies	—	6,558	—	6,558	—	2,394	—	2,394
Asset-Backed	—	46,108	—	46,108	—	17,207	—	17,207
Bank & Finance	—	98,034	142,716	240,750	—	37,073	59,107	96,180
Cash & Cash Equivalent	—	(163)	—	(163)	—	(58)	—	(58)
Corporate	399,203	476,770	1,409	877,382	146,568	195,764	585	342,917
Healthcare	—	19,361	—	19,361	—	7,469	—	7,469
Insurance	—	5,090	—	5,090	—	1,879	—	1,879
Municipals	—	10,042	—	10,042	—	3,665	—	3,665
Sovereign Debt	—	37,386	—	37,386	—	14,685	—	14,685
US Government	346,686	253,362	—	600,048	126,609	92,657	—	219,266
Total Fixed Income	745,889	952,548	144,125	1,842,562	273,177	372,735	59,692	705,604
Derivatives								
Futures	(117)	—	—	(117)	(47)	—	—	(47)
Foreign Exchange	—	(24)	—	(24)	—	(10)	—	(10)
Total Derivatives	(117)	(24)	—	(141)	(47)	(10)	—	(57)
Private Equity ETFs	1,571	—	—	1,571	13,210	—	—	13,210
Real Estate ETFs	—	—	—	—	—	—	—	—
Real Return	174,624	—	—	174,624	60,135	—	—	60,135
Total Investments at Fair Value	5,458,127	952,524	144,125	6,554,776	1,970,946	372,725	59,692	2,403,363
Investments Measured at NAV								
Specialty Credit	—	—	—	1,557,647	—	—	—	520,443
Private Equity	—	—	—	590,225	—	—	—	200,218
Real Estate	—	—	—	549,950	—	—	—	174,754
Real Return	—	—	—	408,160	—	—	—	148,237
Fixed Income	—	—	—	45,677	—	—	—	16,673
Non US Equity	—	—	—	528,503	—	—	—	191,428
Emerging Markets	—	—	—	3,272	—	—	—	1,166
US Equity	—	—	—	35,345	—	—	—	12,734

Draft 11-12-2025**Fair Value Measurements and Application - Pension**

As of June 30, 2025 (\$ in Thousands)

Asset Type	Nonhazardous			Total	Hazardous			Total
	Level			Fair Value	Level			Fair Value
	1	2	3		1	2	3	
Total Investments Measured at NAV	—	—	—	3,718,779	—	—	—	1,265,653
Cash and Accruals	—	—	—	276,203	—	—	—	129,635
Total Investments	\$5,458,127	\$952,524	\$144,125	\$10,549,758	\$1,970,946	\$372,725	\$59,692	\$3,798,651

Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.

Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.

Draft 11-12-2025

The investments measured at net asset value (NAV) are presented in the chart below:

Fair Value Measurements and Application - Pension								
As of June 30, 2025 (\$ in Thousands)								
Asset Type	Fair Value	Nonhazardous			Redemption Notice Period	Hazardous		
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period		Fair Value	Unfunded Commitments	Redemption Frequency
Specialty Credit ⁽¹⁾	\$1,557,647	\$328,242	Daily - Quarterly	90 Days		\$520,443	\$119,307	Daily - Quarterly
Real Estate ⁽²⁾	549,950	83,804				174,754	26,498	
Real Return ⁽³⁾	408,160	92,049	Daily	30 - 60 Days		148,237	33,156	Daily
Private Equity ⁽⁴⁾	590,225	105,500				200,218	35,309	
Fixed Income ⁽⁵⁾	45,677	—	Daily			16,673	—	Daily
Non US Equity ⁽⁵⁾	528,503	—	Daily			191,428	—	Daily
Emerging Markets ⁽⁵⁾	3,272	—	Daily			1,166	—	Daily
US Equity ⁽⁵⁾	35,345	—	Daily			12,734	—	Daily
Total Investments Measured at NA	\$3,718,779	\$609,595				\$1,265,653	\$214,270	
⁽¹⁾ This type includes 12 specialty credit managers with multiple strategies. These managers may invest in U.S. or non-U.S. investment grade corporate credit, U.S. or non U.S. noninvestment grade corporate credit, including both bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities and whole loans, asset-backed securities and emerging market debt. ⁽²⁾ This type includes 12 real estate funds that invest primarily in U.S. commercial real estate; however, there is one manager who invests solely in non-U.S. commercial real estate. The fair value of the investments have been determined using the NAV per share of the Plan's ownership interest and in the partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the funds will be liquidated over the next 7 to 10 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share of the Plan's ownership interest in the partners' capital. Due to restrictions in the contract, redemptions are not likely until the assets of the fund are liquidated. ⁽³⁾ This type includes 17 real return managers that invest in multiple strategies such as infrastructure, agriculture, royalties, commodities, and natural resources. These investments are intended to provide both favorable risk-adjusted returns and correlation with inflation to help with the hedging of inflation for the broader plan. This group of managers also includes any hedge fund managers remaining in the portfolio which have all been terminated and are only awaiting payouts. ⁽⁴⁾ This type includes 30 managers with multiple strategies. These investments cannot be redeemed. Instead, the investments are distributed throughout the life of the investment. Distributions are received through the liquidation of the underlying assets of the fund. It is expected that each fund will remain invested for a period of 5 to 10 years. It is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investment in this asset class have been determined using recent observable transaction information ⁽⁵⁾ This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.								

Draft 11-12-2025

Fair Value Measurements and Application - Insurance

As of June 30, 2025 (\$ in Thousands)

Asset Type	Nonhazardous			Total	Hazardous			Total
	Level 1	Level 2	Level 3	Fair Value	Level 1	Level 2	Level 3	Fair Value
Public Equity								
Emerging Markets	\$77,108	\$—	\$—	\$77,108	\$34,907	\$—	\$—	\$34,907
US Equity	1,141,563	—	—	1,141,563	534,548	—	—	534,548
Non-US Equity	431,150	—	—	431,150	195,183	—	—	195,183
Total Public Equity	1,649,821	—	—	1,649,821	764,638	—	—	764,638
Fixed Income								
Agencies	—	2,745	—	2,745	—	1,249	—	1,249
Asset-Backed	—	17,503	—	17,503	—	7,890	—	7,890
Bank & Finance	—	36,787	53,435	90,222	—	15,048	23,600	38,648
Cash & Cash Equivalent	—	34	—	34	—	3	—	3
Corporate	131,959	200,796	577	333,332	60,121	57,219	269	117,609
Healthcare	—	7,499	—	7,499	—	2,822	—	2,822
Insurance	—	2,021	—	2,021	—	894	—	894
Municipals	—	4,067	—	4,067	—	1,851	—	1,851
Sovereign Debt	—	12,499	—	12,499	—	4,437	—	4,437
US Government	134,739	98,438	—	233,177	61,250	44,595	—	105,845
Total Fixed Income	266,698	382,389	54,012	703,099	121,371	136,008	23,869	281,248
Derivatives								
Futures	(39)	—	—	(39)	(12)	—	—	(12)
Foreign Exchange	—	(8)	—	(8)	—	(2)	—	(2)
Total Derivatives	(39)	(8)	—	(47)	(12)	(2)	—	(14)
Private Equity ETFs	2	—	—	2	—	—	—	1
Real Estate ETFs	—	—	—	—	—	—	—	—
Real Return	46,402	—	—	46,402	23,913	—	—	23,913
Total Investments at Fair Value	1,962,884	382,381	54,012	2,399,277	909,911	136,006	23,869	1,069,786
Investments Measured at NAV								
Specialty Credit	—	—	—	591,974	—	—	—	314,263
Private Equity	—	—	—	224,210	—	—	—	124,544
Real Estate	—	—	—	216,685	—	—	—	117,899
Real Return	—	—	—	130,013	—	—	—	61,899
Fixed Income	—	—	—	15,887	—	—	—	7,231
Non US Equity	—	—	—	215,229	—	—	—	111,331
Emerging Markets	—	—	—	1,223	—	—	—	554
US Equity	—	—	—	12,921	—	—	—	6,260
Total Investments Measured at NAV	—	—	—	1,408,142	—	—	—	743,981
Cash and Accruals	—	—	—	63,494	—	—	—	20,793
Total Investments	\$1,962,884	\$382,381	\$54,012	\$3,870,913	\$909,911	\$136,006	\$23,869	\$1,834,560

Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.

Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.

Draft 11-12-2025

The investments measured at net asset value (NAV) are presented in the chart below:

Fair Value Measurements and Application - Insurance								
As of June 30, 2025 (\$ in Thousands)								
Asset Type	Fair Value	Nonhazardous			Redemption Notice Period	Hazardous		
		Unfunded Commitments	Redemption Frequency			Fair Value	Unfunded Commitments	Redemption Frequency
Specialty Credit ⁽¹⁾	\$591,974	\$128,814	Daily - Quarterly	90 Days		\$314,263	\$63,482	Daily - Quarterly
Real Estate ⁽²⁾	216,685	28,642				117,899	15,712	
Real Return ⁽³⁾	130,013	37,386	Daily	30 - 60 Days		61,899	17,615	Daily
Private Equity ⁽⁴⁾	224,210	42,887				124,544	23,664	
Fixed Income ⁽⁵⁾	15,887	—	Daily			7,231	—	Daily
Non US Equity ⁽⁵⁾	215,229	—	Daily			111,331	—	Daily
Emerging Markets ⁽⁵⁾	1,223	—	Daily			554	—	Daily
US Equity ⁽⁵⁾	12,921	—	Daily			6,260	—	Daily
Total Investments Measured at NA	\$1,408,142	\$237,729				\$743,981	\$120,473	
⁽¹⁾ This type includes 12 specialty credit managers with multiple strategies. These managers may invest in U.S. or non-U.S. investment grade corporate credit, U.S. or non U.S. noninvestment grade corporate credit, including both bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities and whole loans, asset-backed securities and emerging market debt.								
⁽²⁾ This type includes 12 real estate funds that invest primarily in U.S. commercial real estate; however, there is one manager who invests solely in non-U.S. commercial real estate. The fair value of the investments have been determined using the NAV per share of the Plan's ownership interest and in the partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the funds will be liquidated over the next 7 to 10 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share of the Plan's ownership interest in the partners' capital. Due to restrictions in the contract, redemptions are not likely until the assets of the fund are liquidated.								
⁽³⁾ This type includes 17 real return managers that invest in multiple strategies such as infrastructure, agriculture, royalties, commodities, and natural resources. These investments are intended to provide both favorable risk-adjusted returns and correlation with inflation to help with the hedging of inflation for the broader plan. This group of managers also includes any hedge fund managers remaining in the portfolio which have all been terminated and are only awaiting payouts.								
⁽⁴⁾ This type includes 30 managers with multiple strategies. These investments cannot be redeemed. Instead, the investments are distributed throughout the life of the investment. Distributions are received through the liquidation of the underlying assets of the fund. It is expected that each fund will remain invested for a period of 5 to 10 years. It is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investment in this asset class have been determined using recent observable transaction information								
⁽⁵⁾ This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.								

Draft 11-12-2025**Money-weighted Rates Of Return**

In accordance with *GASB Statement No. 67, Financial Reporting for Pension Plans*, and *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, CERS provides this additional disclosure regarding its money-weighted rate of return for the period of June 30, 2025. The money-weighted rate of return is a method of calculating period-by-period returns on the Pension and Insurance Plans' investments that adjusts for the changing amounts actually invested. For the purposes of this statement, money-weighted rate of return is calculated as the internal rate of return on investments, net of investment expenses, then adjusted for the changing amounts actually invested. Please note this rate is different than the time-weighted returns reported in other sections.

Money-Weighted Rates of Return As of June 30, 2025				
	Pension		Insurance	
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous
2025	11.64%	11.69%	11.29%	11.15%

Note E. Securities Lending Transactions

Kentucky Revised Statutes 78.790 and 386.020(2) permit the System to lend their securities to broker-dealers and other entities. CERS utilizes a securities lending program to temporarily lend securities to qualified agents in exchange for either cash collateral or other securities with an initial fair value of 102% or 105% of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral. The types of securities lent include U.S. Treasuries, U.S. Agencies, U.S. Corporate Bonds, U.S. Equities, Global Fixed Income Securities, and Global Equities Securities. Securities Lending transactions are accounted for in accordance with *GASB Statement No. 28*. The net earnings for CERS was \$2.3M.

The IPS does not address any restrictions on the amount of loans that can be made. As of June 30, 2025, CERS had no credit risk exposure to borrowers because the collateral amounts received exceeded the amounts out on loan. The contracts with the custodial bank require them to indemnify CERS if the borrowers fail to return the securities and one or both of the custodial banks have failed to live up to their contractual responsibilities relating to the lending of securities.

All securities loans can be terminated on demand by either party to the transaction. BNY Mellon invests cash collateral as permitted by state statute and CERS Board policy. The agent, BNY Mellon, of the Funds cannot pledge or sell collateral securities received unless the borrower defaults. CERS maintains a conservative approach to investing the cash collateral with BNY Mellon, emphasizing capital preservation, liquidity, and credit quality.

Cash collateral is invested in guaranteed, short-term obligations of the U.S. government, select government agencies and repurchase agreements with qualified agents. CERS cannot pledge or sell collateral securities received unless the borrower defaults. BNY Mellon as the lending agent also indemnifies CERS from any financial loss associated with a borrower's default and collateral inadequacy.

As of June 30, 2025, the average days to maturity for loans was one day, and the weighted average investment maturity of cash collateral investments was one day. CERS had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts the borrowers owed the System and no losses resulted during the period.

Security lending programs can entail interest rate risk and credit risk. CERS minimizes interest rate risk by limiting the term of cash collateral investments to several days. The credit risk is controlled by investing cash collateral in securities with qualities similar to the credit worthiness of lent securities.

As of June 30, 2025, the cash collateral received for the securities on loan for CERS was \$492.2 million. The securities non-cash collateral received a total of \$742.4 million. The collateral volume of the total underlying securities was \$1.2 billion for CERS.

Draft 11-12-2025

Securities Lending Cash Collateral				
As of June 30, 2025 (\$ in Thousands)				
CERS Nonhazardous		CERS Hazardous		CERS
Pension	Insurance	Pension	Insurance	Total
\$272,127	\$82,942	\$97,816	\$39,382	\$492,267

Note F. Risk of Loss

CERS and KPPA are exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the provisions of the Kentucky Revised Statutes, the Office of Claims and Appeals is vested with full power and authority to investigate, hear proof, and compensate persons for damages sustained to either person or property as a result of negligence of the agency or any of its employees. Awards are limited to \$250,000 for a single claim and \$400,000 in aggregate per occurrence. Awards and a pro rata share of the operating cost of the Office of Claims and Appeals are paid from the fund of the agency having a claim or claims before the Office of Claims and Appeals.

Claims against the CERS Board and the KPPA Board, or any of its staff as a result of an actual or alleged breach of fiduciary duty, are self-insured effective May 26, 2019.

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations. All medical expenses related to a work injury or illness are paid based upon appropriate statutory and regulatory reductions, and up to 66.67% of wages for temporary disability. Each agency pays premiums based on fund reserves and payroll. Settlements did not exceed insurance coverage in any of the past three fiscal years. Thus, no secondary insurance had to be utilized. There were no claims which were appealed to the Kentucky Workers' Compensation Board.

Note G. Contingencies

In the normal course of business, CERS is involved in litigation concerning the right of participants, or their beneficiaries, to receive benefits. CERS does not anticipate any material losses for the Systems as a result of the contingent liabilities. CERS is involved in other litigation; therefore, please see Note K. Litigation, for further information.

Note H. Income Tax Status

The Internal Revenue Service (IRS) has ruled that CERS qualifies under Section 401(a) of the Internal Revenue Code as tax exempt. CERS is subject to income tax on any unrelated business income (UBI).

Note I. Financial Reporting for (GASB 67) Pension Plans and (GASB 74) Postemployment Benefit Plans

The following details actuarial information and assumptions utilized in determining the unfunded (overfunded) actuarial accrued liabilities for CERS. Please note that calculations for Total Pension Liability (TPL), net fiduciary position, Net Pension Liability (NPL), total OPEB liability, net OPEB fiduciary position, and Net OPEB Liability (NOL) are reported in the Plans' Required Supplementary Information (RSI) beginning on page 45 are based on June 30, 2024, actuarial valuations, rolled forward to June 30, 2025. The prior year valuations are used as the basis for the roll forward method and are applied to complete the current year pension and OPEB valuations as of the measurement date, June 30, 2025, in accordance with *GASB Statement No. 67*, paragraph 37, and *GASB Statement No. 74*, paragraph 41.

Draft 11-12-2025

Financial Reporting For Pension Plan (GASB 67)

Basis of Calculations

The Systems' actuary Gabriel, Roeder, Smith & Co.(GRS) completed reports by plan in compliance with *GASB Statement No. 67 Financial Reporting for Pension Plans*. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2024. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2025, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*.

Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return - 6.50% for all plans,
- Inflation - 2.50% for all plans,
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, varies by service.
- Payroll Growth - 2% for all plans,
- Mortality - System-specific mortality table based on mortality experience from 2013 -2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Phase-In provision: Board certified rate is phased into the actuarially determined rate in accordance with HB362 enacted in 2018.

Plan Provisions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2024.

Discount Rate

A single discount rate of 6.50% for the nonhazardous and hazardous plan was used to measure the total pension liability for the fiscal year ending June 30, 2025. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

The provisions of House Bill 362 (passed during the 2018 legislative session) are still in effect and limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, contribution rates are not currently projected to increase by more than 12% in any given future year. Therefore, for the purposes of this calculation, the provisions of House Bill 362 do not impact the projected employer contributions.

Draft 11-12-2025

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with *GASB Statement No. 74*, the 1% of pay Tier 2 and Tier 3 members contribute to a 401(h) subaccount is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) asset balance.

Additional Disclosures

This disclosure is based upon information, furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024" for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ending June 30, 2025.

Financial Reporting For Postemployment Benefit Plans (GASB 74)

GRS completed reports by plan in compliance with *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans for the fiscal year ended June 30, 2025*. GRS will provide separate reports at a later date with additional accounting information determined in accordance with *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Basis of Calculations

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2025, using generally accepted actuarial principles.

Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare costs increases. In general, the updated assumption is assuming higher future increases in pre-Medicare healthcare costs.

The Total OPEB Liability as of June 30, 2025, is determined using these updated assumptions.

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return - 6.50% for all plans.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 10.30% for CERS Nonhazardous, 3.55% to 19.05% for CERS Hazardous, varies by service.
- Payroll Growth - 2.00% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Health Care Trend Rates:
 - Pre-65 - Initial trend starting at 6.80% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
 - Post-65 - Initial trend starting at 8.50% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Plan Provisions

Senate Bill 10 passed during the 2025 legislative session increased the insurance benefit for members who began participation on or after July 1, 2003 to \$40 a month for nonhazardous CERS service and \$50 a month for hazardous

Draft 11-12-2025

CERS service, effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003 but prior to September 1, 2008, for both funds.

Implicit Employer Subsidy for Non-Medicare Retirees

The fully-insured premiums paid for 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. *GASB Statement No. 74* requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2025.

Plan	Fiscal Year 2025	Fiscal Year 2024	Change in Rate
CERS Nonhazardous	6.26%	5.99%	0.27%
CERS Hazardous	6.24%	6.02%	0.22%

The single discount rates are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with *GASB Statement No. 74*, the member contributions to a 401(h) subaccount in the respective pension plans is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) assets balance in the respective pension plans and are included in the OPEB fiduciary net position amounts in the below tables. Additionally, these member contributions and associated investment income and administrative expenses are included in the reconciliation of the fiduciary net position.

Additional Disclosures¹

These reports are based upon information furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024," for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ended June 30, 2025.

¹ Note: Data and information regarding GASB 67 and GASB 74 reporting was provided by GRS Retirement Consulting.

Draft 11-12-2025

Target Asset Allocation

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables on the following page.

Target Asset Allocation		
As of June 30, 2025		
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity		
Public Equity	45.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income		
Core Fixed Income	13.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected		
Real Estate	5.00%	4.75%
Real Return	7.00%	5.20%
Total	100.00%	4.24%
<i>Note: Minor deviations are expected between the actuarial assumed rate of return and the expected rate of return reported in the above charts. The actuarial assumed rates of return are based on a review of economic assumptions completed periodically as warranted but not longer than every 2 years; whereas, the expected rate of return is calculated annually for GASB purposes by taking the current asset allocation and applying the most relevant long term market expectations (March 2025) for each asset class.</i>		

Sensitivity of the NPL to Changes in the Discount Rate		
As of June 30, 2025 (\$ in Thousands)		
	CERS Nonhazardous	CERS Hazardous
	Current 6.50%	Current 6.50%
1% Decrease	\$7,356,758	\$3,182,992
Current Discount Rate	5,564,589	2,403,199
1% Increase	\$4,086,006	\$1,778,559

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Trend Rate		
As of June 30, 2025 (\$ in Thousands)		
	CERS Nonhazardous	CERS Hazardous
	Single 6.26%	Single 6.24%
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate		
1% Decrease	\$576,285	\$533,325
Single Discount Rate	96,042	282,664
1% Increase	(\$308,154)	\$72,787
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Current Healthcare Cost Trend Rate		
1% Decrease	(\$221,954)	\$104,456
Current Healthcare Cost Trend Rate	96,042	282,664
1% Increase	\$468,302	\$493,797

Development of Single Discount Rate for OPEB		
As of June 30, 2025		
	CERS Nonhazardous	CERS Hazardous
Single Discount Rate	6.26%	6.24%
Long-Term Expected Rate of Return	6.50%	6.50%
Long-Term Municipal Bond Rate ⁽¹⁾	5.20%	5.20%

Draft 11-12-2025

Development of Single Discount Rate for OPEB

As of June 30, 2025

CERS Nonhazardous

CERS Hazardous

Sensitivity of the Net OPEB Liability to Changes in the Current Healthcare Cost Trend Rate

Note: 1. Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025.

Schedule of Employers' NPL - CERS Nonhazardous

As of June 30, 2025 (\$ in Thousands)

Total Pension Liability (TPL)	\$16,054,721
Plan Fiduciary Net Position	\$10,490,132
Net Pension Liability	\$5,564,589
Ratio of Plan Fiduciary Net Position to TPL	65.34%
Covered Payroll ⁽¹⁾	\$3,416,871
Net Pension Liability as a Percentage of Covered Payroll	162.86%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Schedule of Employers' NPL - CERS Hazardous

As of June 30, 2025 (\$ in Thousands)

Total Pension Liability (TPL)	\$6,199,661
Plan Fiduciary Net Position	\$3,796,462
Net Pension Liability	\$2,403,199
Ratio of Plan Fiduciary Net Position to TPL	61.24%
Covered Payroll ⁽¹⁾	\$834,657
Net Pension Liability as a Percentage of Covered Payroll	287.93%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Schedule of the Employers' Net OPEB Liability

As of June 30, 2025 (\$ in Thousands)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll	Net OPEB Liability as a Percentage of Covered Payroll
CERS Nonhazardous ⁽¹⁾	\$4,107,333	\$4,011,291	\$96,042	97.66%	\$3,416,871	2.81%
CERS Hazardous ⁽²⁾	\$2,144,693	\$1,862,029	\$282,664	86.82%	\$836,505	33.79%

⁽¹⁾ Covered Payroll is based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025.

⁽²⁾ Based on derived compensation using the provided employer contribution information.

Note J. Legislation

2025 Regular Session

The 2025 Regular Session of the Kentucky General Assembly adjourned on Friday, March 28, 2025. Highlights from the Session include the following:

BILLS OF DIRECT INTEREST TO CERS MEMBERS AND RETIREES

House Bill 30: Public Employee Benefits/Pension Spiking

House Bill 30 amends the definition of bona fide promotion or career advancement to include increases in the rate of pay given to all employees of a specified class, commonly referred to as across-the-board raises, which will be exempt from pension spiking per Kentucky Revised Statute 61.598(4)(a). This applies to Tier 1 and Tier 2 members with retirement dates on or after July 1, 2024, per 105 Kentucky Administrative Regulation 1:142. Current law dictates how KPPA

Draft 11-12-2025

administers pension spiking, which is defined as a salary increases above a set threshold, for salary that is used to calculate a member's retirement benefit.

Senate Bill 10: CERS Retiree Insurance

Senate Bill 10 makes two changes:

1. It increases the non-Medicare eligible retiree insurance dollar contribution for members who meet the career threshold service requirement:
 - Tier 1 Hazardous: Members with a participation date of July 1, 2003 - August 31, 2008, with at least 20 years of service credit at retirement will receive \$50 per month for every year of hazardous service.
 - Tier 2 and Tier 3 Hazardous: Members with at least 25 years of service credit at retirement will receive \$50 per month for every year of hazardous service.
 - All Tiers Nonhazardous: Members with at least 27 years of service credit at retirement will receive \$40 per month for each year of nonhazardous service.

The higher contribution amounts payable to affected CERS retirees will begin on or after January 1, 2026, to coincide with the next health plan year.

2. It extends and adjusts the employee health insurance contribution, which is deposited in a non-refundable trust to fund insurance benefits:
 - Tier 1 members with a participation date of July 1, 2003 – August 31, 2008, will now pay a health insurance contribution.
 - Increases the hazardous health insurance contribution rate to 2 percent of creditable compensation from 1 percent; the nonhazardous contribution rate remains at 1 percent.

These changes in CERS employee contributions are effective July 1, 2026.

Senate Bill 176: Statutory Committee Membership Appointments

Senate Bill 176 modifies the process for appointments to statutory committees, such as the Public Pension Oversight Board (PPOB). Senate Bill 176 provides that legislator appointments will be made in January of each odd-numbered year for a two-year term, vacancies will be filled within 30 days, and requires the Senate President and Speaker of the House to appoint co-chairs. These changes were effective June 27, 2025. The PPOB assists the General Assembly with its review, analysis, and oversight of the administration, benefits, investments, funding, laws and administrative regulations, and legislation pertaining to KPPA.

Senate Bill 183: Fiduciary Duties and Proxy Advisors

House Bill 183 requires state-administered retirement systems to take certain steps when utilizing proxy advisors related to shareholder-sponsored proposals and economic analysis. Most requirements in this legislation are currently in existing proxy voting policies. These will be reviewed to ensure compliance with Senate Bill 183. These changes were effective June 27, 2025.

Note K. Litigation

Mayberry

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant."

Draft 11-12-2025

On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a “nominal defendant.” Since then, the Franklin Circuit Court ruled on various Defendants’ Motions to Dismiss, denying nearly all of them.

On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, “KKR Parties”) amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain Officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing the Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals’ decision to the Supreme Court of Kentucky.

On July 9, 2020, the Supreme Court of Kentucky issued an Opinion stating that the plaintiffs, as beneficiaries of a defined-benefit plan who have received all of their vested benefits so far and are legally entitled to receive their benefits for the rest of their lives, do not have a concrete stake in this case and therefore lack standing to bring this claim. The case was remanded to the circuit court with directions to dismiss the complaint. Thereafter, plaintiffs filed a motion seeking to amend their complaint to add parties (Tier 3 members of the Retirement Systems) and claims that would purportedly correct the standing defect identified by the Supreme Court of Kentucky. Furthermore, the Attorney General of the Commonwealth of Kentucky sought leave to intervene in this action through a motion filed July 20, 2020, and an Intervening Complaint on July 22, 2020. The Defendants filed motions seeking to have the case dismissed.

On December 28, 2020, Franklin Circuit Court issued an Order dismissing the Complaint filed by the Plaintiffs, denied Plaintiffs’ Motion to file a Second Amended Complaint, and granted the Office of the Attorney General’s Motion to Intervene. A variety of additional motions and pleadings were filed, including an original action by the Tier 3 Group. This original action is still in the initial stages and is pending with Franklin Circuit Court. (Tia Taylor, et al. v KKR & Co. L.P., et al.)

On January 12, 2021, Franklin Circuit Court issued a scheduling Order granting the Attorney General until February 1, 2021 to file an Amended Intervening Complaint, granting the Tier 3 Group until February 11, 2021 to file a Motion to Intervene in this action. Additional extension orders were granted for the Attorney General intervention. The Attorney General filed an Amended Complaint on May 24, 2021. On June 14, 2021, the Tier 3 Group’s Motion to Intervene in the Attorney General action was denied. In the spring of 2022, Franklin Circuit Judge Phillip Shepherd recused and this matter was assigned to Judge Thomas Wingate.

Following the Attorney General’s intervention, the Defendant’s challenged the intervention as beyond the scope of the remand from the Supreme Court in July of 2020. Franklin Circuit Court denied that motion and the matter was on appeal when this case was assigned to Judge Thomas Wingate. Judge Wingate placed the matter in abeyance pending a decision on whether the Attorney General’s intervention was proper. The Court of Appeals held that the Attorney General should not have been allowed to intervene and the Attorney General is currently seeking Discretionary Review by the Supreme Court.

Simultaneously with his intervention, the Attorney General filed a separate, stand-alone case with an identical complaint to protect against the possibility that his intervention would be deemed improper. The Defendants filed motions to dismiss the Attorney General’s stand-alone case based on various legal theories. Franklin Circuit Court denied the majority of these motions but granted the motions to dismiss on behalf of R.V. Kuhns and Cavanaugh Macdonald, KRS’ actuary and investment consultant during the relevant timeframe. This case is still proceeding.

A number of related cases have also developed based on issues raised in the above referenced Mayberry action. There has been an action filed by a number of the Trustees and Officers named in Mayberry seeking reimbursement by Kentucky Retirement Systems of legal fees. Kentucky Retirement Systems has also filed an action against Hallmark Specialty Insurance seeking a declaratory judgement that Hallmark has a duty to defend and indemnify Kentucky Retirement Systems in the Mayberry action. Two of the hedge fund Defendants in the Mayberry action have also filed an action in the United States District Court for the Eastern District of Kentucky naming individual members of the former KRS Board of Trustees as Defendants. This action is seeking a judgment declaring that the Trustees violated Plaintiffs’ right to due process as well as an award of costs and attorneys’ fees.

Three actions have also been filed in Delaware regarding the Mayberry action. One filed by Prisma Capital Partners and one filed by Blackstone Alternative Asset Management allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. The third was filed by Prisma Capital Partners against the Daniel Boone Fund, LLC. Additionally, an action has been filed by PAAMCO against Kentucky Retirement Systems in California also alleging breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems.

Draft 11-12-2025

Finally, on August 2, 2021, Blackstone Alternative Asset Management, L.P. (BAAM) filed an action against the Kentucky Public Pensions Authority, the Board of Trustees of the Kentucky Retirement Systems, the Board of Trustees of the County Employees Retirement System, the Kentucky Retirement Systems Insurance Fund, and the Kentucky Retirement Systems Pension Fund (collectively “Defendants”) for breach of contract. The Defendants filed a Motion to Dismiss on September 8, 2021. The last of these additional actions, the suit filed by BAAM, was dismissed by Franklin Circuit Court. The Court of Appeals upheld the dismissal, and BAAM is seeking Discretionary Review by the Supreme Court. The rest of these cases remain active in various stages of litigation.

On January 8, 2025, the Attorney General and the Hedge Funds, with the approval of the Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employee Retirement System, filed a motion to approve a settlement agreement with the Franklin Circuit Court that, if approved, would result in the dismissal of nearly all claims arising from these events. The Franklin Circuit Court is scheduled to hear arguments regarding the settlement agreement on February 26, 2025.

The Franklin Circuit Court ultimately refused to approve the settlement agreement. Though appellate matters are moving forward, the parties remain committed to continue pursuing a negotiated settlement.

Kentucky State Lodge & Linda Cook

In January and February 2022, two complaints were filed on behalf of specific named plaintiffs and others similarly situated based on the same facts that gave rise to the former River City Fraternal Order of Police (FOP) complaint. KPPA was aware that the River City FOP case impacted more individuals than the named plaintiffs and had been working on legislative and regulatory solutions. Legislation passed by the 2022 General Assembly allows individuals negatively impacted by the Medicare Secondary Payer Act to receive their health insurance through the Kentucky Employees Health Plan, and KPPA has promulgated a regulation to reimburse those individuals who had to pay for health insurance consistent with the Sixth Circuit Opinion. The two lawsuits from January and February are currently in the discovery phase concerning class certification. In addition to the MSPA issue, the two new suits allege that requiring Medicare eligible members to pay for Medicare Part B violates their right to “free” health insurance under their inviolable contract.

Franklin Circuit Court denied class certification for the purpose monetary damages but granted for declaratory or injunctive relieve. Both parties appealed various portions of the Circuit Court order. After filing the appeal, the plaintiffs filed a Motion to Alter, Amend, or Vacate with the Circuit Court. The Court of Appeals placed the appeals in abeyance pending the resolution of that motion. The motion before the Circuit Court was resolved and the appeal of the order denying class certification is moving forward. Oral Arguments occurred on April 16, 2025.

The Court of Appeals affirmed the Franklin Circuit Court on all matters. The plaintiffs have sought discretionary review by the Kentucky Supreme Court. That request is pending.

Note L. Reciprocity Agreement

In accordance with Kentucky Revised Statutes 78.5536, CERS has reciprocity agreements with Kentucky Employees Retirement System (KERS), State Police Retirement System (SPRS), Teachers’ Retirement System of Kentucky (TRS) and Judicial Form Retirement System (JFRS) for the payment of insurance benefits for those members who have creditable service in KERS, SPRS and CERS, TRS and/or JFRS systems.

Draft 11-12-2025

Note M. Reimbursement of Retired Reemployed Health Insurance, Active Member Health Insurance Contributions, and Retired Reemployed Employer Contributions

Reimbursement Of Retired Reemployed Health Insurance

If a retiree is reemployed in a regular full-time position and has chosen health insurance coverage through CERS, the employer is required to reimburse CERS for the health insurance premium paid on the retiree's behalf, not to exceed the cost of the single premium rate. Exceptions for retired members who reemploy as a police officer, sheriff or school resource officer exist which may exempt employers from paying employer contributions and health insurance reimbursements if certain requirements are met. For the fiscal year ended June 30, 2025, the reimbursement totaled \$14.2 million.

Retired Reemployed Healthcare Contributions As of June 30, 2025 (\$ in Thousands)	CERS Nonhazardous	CERS Hazardous	Total
Amount	\$12,017	\$2,216	\$14,233

Active Member Health Insurance Contributions

For new plan participants after August 31, 2008, an active member contribution of 1% in addition to the member pension contribution is required. This 1% is applicable to all Nonhazardous and Hazardous Plans, and reported in the Insurance Plans. For the fiscal year ended June 30, 2025, members paid into the Insurance Plans \$28.5 million.

Member Health Insurance Contributions As of June 30, 2025 (\$ in Thousands)	CERS Nonhazardous	CERS Hazardous	Total
Amount	\$22,774	\$5,764	\$28,538

Retired Reemployed Employer Contributions

Employers are required to report employer contributions on retired members who are employed in a regular full-time position. These members are referred to as retired reemployed members. These are reported within the employer contributions on the financial statements. Exceptions for retired members who reemploy as a police officer, sheriff or school resource officer exist which may exempt employers from paying employer contributions and health insurance reimbursements if certain requirements are met.

Note N. Prisma Daniel Boone Fund

The funds invested with Prisma Daniel Boone Fund continue to be held in a contingency reserve to cover potential obligations arising from the Mayberry Action (see Note K for details of Mayberry Case). The total reported in reserve as of June 30, 2025, is \$80.6 million for the Pension Plans and \$31.2 million for the Insurance Plan. This is based on the May 31, 2025, report because Absolute Return managers are reported on a one month lag.

Note O. Subsequent Events

Management has evaluated the period June 30, 2025, to December 4, 2025, (the date the combining financial statements were available to be issued) for items requiring recognition or disclosure in the combining financial statements.

Draft 11-12-2025

Note P. Related Party

KPPA is the special-purpose government responsible for the day-to-day administration of CERS and Kentucky Employees Retirement System (KRS).

Kentucky Revised Statute 61.505 (11)(a) requires all expenses incurred by or on behalf of KPPA to be prorated, assigned, or allocated to the Systems that KPPA administers. KPPA works closely with the CERS and KRS Boards of Trustees to develop an allocation method that takes into consideration membership, assets under management, system specific costs, and statutory requirements.

The expenses incurred by KPPA on behalf of the Systems are administrative costs which include salaries and benefits of professional employees providing investment management, benefits counseling, legal services, information technology services, accounting, and payroll functions. In addition, administrative costs include operational payments for hardware, software, utilities, rent, as well as contract and consulting costs with legal, audit and actuarial service providers. The administrative budget of KPPA is funded with restricted funds of CERS and KRS and is subject to approval by the Kentucky General Assembly through the biennial budget process.

Total Administrative costs incurred by KPPA for the fiscal year ended June 30, 2025, were \$46.5 million, of which \$29.5 million was allocated to CERS based on the hybrid allocation developed by the KPPA Board, the CERS Board, and the KRS Board.

REQUIRED SUPPLEMENTARY INFORMATION

INCLUDING GASB 67 AND 74

Schedule of Employers' NPL - CERS Nonhazardous Pension

As of June 30 (\$ in Thousands)

Year	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Position Liability	Ratio of Plan Fiduciary Net Position to TPL	Covered Payroll ⁽¹⁾	Net Pension Liability as a Percentage of Covered Payroll
2025	\$16,054,721	\$10,490,132	\$5,564,589	65.34%	\$3,416,871	162.86%
2024	15,576,667	9,596,244	5,980,423	61.61%	3,259,999	183.45%
2023	15,089,106	8,672,597	6,416,509	57.48%	2,966,567	216.29%
2022	15,192,599	7,963,586	7,229,013	52.42%	2,835,173	254.98%
2021	14,941,437	8,565,652	6,375,785	57.33%	2,446,612	260.60%
2020	14,697,244	7,027,327	7,669,917	47.81%	2,462,752	311.44%
2019	14,192,966	7,159,921	7,033,045	50.45%	2,424,796	290.05%
2018	13,109,268	7,018,963	6,090,305	53.54%	2,454,927	248.08%
2017	12,540,545	6,687,237	5,853,308	53.32%	2,376,290	246.32%
2016	\$11,065,013	\$6,141,395	\$4,923,618	55.50%	\$2,417,187	203.69%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Draft 11-12-2025**Schedule of Employers' NPL - CERS Hazardous Pension****As of June 30 (\$ in Thousands)**

Year	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Position Liability	Ratio of Plan Fiduciary Net Position to TPL	Covered Payroll ⁽¹⁾	Net Pension Liability as a Percentage of Covered Payroll
2025	\$6,199,661	\$3,796,462	\$2,403,199	61.24%	\$834,657	287.93%
2024	5,988,903	3,416,897	2,572,006	57.05%	775,638	331.60%
2023	5,731,148	3,035,192	2,695,956	52.96%	714,837	377.14%
2022	5,769,691	2,718,234	3,051,457	47.11%	666,346	457.94%
2021	5,576,567	2,914,408	2,662,159	52.26%	572,484	465.02%
2020	5,394,732	2,379,704	3,015,028	44.11%	559,551	538.83%
2019	5,176,003	2,413,708	2,762,295	46.63%	553,541	499.02%
2018	4,766,794	2,348,337	2,418,457	49.26%	562,853	429.68%
2017	4,455,275	2,217,996	2,237,279	49.78%	526,559	424.89%
2016	\$3,726,115	\$2,010,174	\$1,715,941	53.95%	\$526,334	326.02%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Draft 11-12-2025

Schedule of Changes in Employers' TPL - CERS for hazardous										
As of June 30 (\$ in Thousands)										
Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service Cost	\$303,569	\$283,140	\$283,633	\$272,250	\$280,165	\$280,092	\$254,643	\$254,169	\$193,082	\$209,101
Interest	979,407	949,404	920,862	906,401	892,309	861,720	794,935	760,622	803,555	780,587
Benefit Changes	—	—	3,862	—	4,106	—	—	15,708	—	—
Difference between Expected and Actual Experience	212,812	220,798	511,721	(49,439)	(91,776)	173,345	87,377	279,401	(208,015)	—
Changes of Assumptions	—	—	(905,957)	—	—	—	727,351	—	1,388,800	—
Benefits Payments	(1,017,734)	(965,781)	(917,614)	(878,050)	(840,611)	(810,879)	(780,608)	(741,177)	(701,891)	(665,000)
Net Change in TPL	478,054	487,561	(103,493)	251,162	244,193	504,278	1,083,698	568,723	1,475,532	324,687
TPL – Beginning	15,576,667	15,089,106	15,192,599	14,941,437	14,697,244	14,192,966	13,109,268	12,540,545	11,065,013	10,740,325
TPL – Ending (a)	\$16,054,721	\$15,576,667	\$15,089,106	\$15,192,599	\$14,941,437	\$14,697,244	\$14,192,966	\$13,109,268	\$12,540,545	\$11,065,013
Plan Fiduciary Net Position ⁽¹⁾										
Contributions – Employer Other	\$677,429	\$764,778	\$697,681	\$606,807	\$472,228	\$475,416	\$393,453	\$358,017	\$333,554	\$284,105
Contributions – Member ⁽²⁾	167,151	161,176	147,769	186,648	165,698	168,994	159,064	160,370	150,715	141,674
Refunds of Contributions	(24,377)	(25,267)	(23,263)	(19,789)	(13,862)	(14,918)	(14,387)	(14,608)	(14,430)	(13,753)
Retirement Benefit	(993,357)	(940,514)	(894,351)	(858,261)	(826,749)	(795,960)	(766,221)	(726,569)	(687,461)	(651,246)
Net Investment Income ⁽²⁾	1,092,883	990,021	805,303	(494,801)	1,762,739	56,178	390,664	573,829	825,900	(40,800)
Administrative Expense	(25,841)	(26,547)	(24,128)	(22,670)	(21,729)	(22,304)	(21,659)	(19,592)	(19,609)	(19,385)
Other	—	—	—	—	—	—	44 ⁽⁵⁾	361 ⁽⁵⁾	(42,827) ⁽⁴⁾	—
Net Change in Fiduciary Net Position	893,888	923,647	709,011	(602,066)	1,538,325	(132,594)	140,958	331,808	545,843	(299,405)
Plan Fiduciary Net Position – Beginning	9,596,244	8,672,597	7,963,586	8,565,652	7,027,327	7,159,921	7,018,963	6,687,237	6,141,395	6,440,800
Prior Year Adjustment	—	—	—	—	—	—	—	(82)	—	—
Plan Fiduciary Net Position – Ending (b)	10,490,132	9,596,244	8,672,597	7,963,586	8,565,652	7,027,327	7,159,921	7,018,963	6,687,237	6,141,395
Net Pension Liability – Ending (a) – (b)	\$5,564,589	\$5,980,423	\$6,416,509	\$7,229,013	\$6,375,785	\$7,669,917	\$7,033,045	\$6,090,305	5,853,308	4,923,618
Plan Fiduciary Net Position as a Percentage	65.34%	61.61%	57.48%	52.42%	57.33%	47.81%	50.45%	53.54%	53.32%	55.50%
Covered Payroll ⁽³⁾	\$3,416,871	\$3,259,999	\$2,966,567	\$2,835,173	\$2,446,612	\$2,462,752	\$2,424,796	\$2,454,927	\$2,376,290	\$2,417,187
Net Pension Liability as a Percentage of Covered Payroll	162.86%	183.45%	216.29%	254.98%	260.60%	311.44%	290.05%	248.08%	246.32%	203.69%
⁽¹⁾ Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$135,443,000 as of June 30, 2025.										
⁽²⁾ Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2025 401(h) contributions equaled \$(68,000); and associated investment return equaled \$14,129,000.										
⁽³⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.										
⁽⁴⁾ Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.										
⁽⁵⁾ Northern Trust Settlement.										

Draft 11-12-2025

Schedule of Changes in Employers' TPL - CERS Hazardous As of June 30 (\$ in Thousands)										
Year	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service Cost	\$131,743	\$122,224	\$115,389	\$109,683	\$109,350	\$109,887	\$77,426	\$81,103	\$58,343	\$66,249
Interest	376,787	361,081	350,413	338,799	327,963	314,762	289,741	270,694	270,860	262,886
Benefit Changes	—	—	—	—	333	—	—	2,172	—	—
Difference between Expected and Actual Experience	86,581	126,573	97,750	56,197	38,850	73,696	27,364	205,882	92,588	—
Changes of Assumptions	—	—	(275,934)	—	—	—	276,541	—	536,667	—
Benefits Payments	(384,353)	(352,123)	(326,161)	(311,555)	(294,661)	(279,616)	(261,863)	(248,332)	(229,299)	(216,327)
Net Change in TPL	210,758	257,755	(38,543)	193,124	181,835	218,729	409,209	311,519	729,159	112,807
TPL – Beginning	5,988,903	5,731,148	5,769,691	5,576,567	5,394,732	5,176,003	4,766,794	4,455,275	3,726,115	3,613,308
TPL – Ending (a)	\$6,199,661	\$5,988,903	\$5,731,148	\$5,769,691	\$5,576,567	\$5,394,732	\$5,176,003	\$4,766,794	\$4,455,275	\$3,726,115
Plan Fiduciary Net Position ⁽¹⁾										
Contributions – Employer Other	306,030	\$321,293	\$308,223	\$222,028	\$172,205	\$168,443	\$138,053	\$127,660	\$115,947	\$105,713
Contributions – Member ⁽²⁾	65,846	61,438	56,987	69,565	62,367	63,236	58,661	61,089	60,101	52,972
Refunds of Contributions	(8,005)	(8,540)	(6,568)	(5,766)	(4,662)	(3,814)	(2,854)	(4,214)	(2,315)	(2,879)
Retirement Benefit	(376,348)	(343,583)	(319,593)	(305,789)	(289,999)	(275,802)	(259,009)	(244,118)	(226,984)	(213,448)
Net Investment Income ⁽²⁾	394,304	353,435	280,033	(174,217)	596,641	15,914	132,232	191,324	270,473	(9,020)
Administrative Expense	(2,262)	(2,338)	(2,124)	(1,995)	(1,848)	(1,981)	(1,726)	(1,504)	(1,421)	(1,366)
Other	—	—	—	—	—	—	14 ⁽⁵⁾	111 ⁽⁵⁾	(7,979) ⁽⁴⁾	—
Net Change in Fiduciary Net Position	379,565	381,705	316,958	(196,174)	534,704	(34,004)	65,371	130,348	207,822	(68,028)
Plan Fiduciary Net Position – Beginning	3,416,897	3,035,192	2,718,234	2,914,408	2,379,704	2,413,708	2,348,337	2,217,996	2,010,174	2,078,202
Prior Year Adjustment	—	—	—	—	—	—	—	(7)	—	—
Plan Fiduciary Net Position – Ending (b)	3,796,462	3,416,897	3,035,192	2,718,234	2,914,408	2,379,704	2,413,708	2,348,337	2,217,996	2,010,174
Net Pension Liability – Ending (a) – (b)	\$2,403,199	2,572,006	2,695,956	3,051,457	2,662,159	3,015,028	2,762,295	2,418,457	2,237,279	1,715,941
Plan Fiduciary Net Position as a Percentage	61.24%	57.05%	52.96%	47.11%	52.26%	44.11%	46.63%	49.26%	49.78%	53.95%
Covered Payroll ⁽³⁾	\$834,657	\$775,638	\$714,837	\$666,346	\$572,484	\$559,551	\$553,541	\$562,853	\$526,559	\$526,334
Net Pension Liability as a Percentage of Covered Payroll	287.93%	331.60%	377.14%	457.94%	465.02%	538.83%	499.02%	429.68%	424.89%	326.02%
⁽¹⁾ Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$25,589,000 as of June 30, 2025.										
⁽²⁾ Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2025 401(h) contributions equaled \$(58,000); and associated investment return equaled \$2,684,000.										
⁽³⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.										
⁽⁴⁾ Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.										
⁽⁵⁾ Northern Trust Settlement.										

Draft 11-12-2025

Notes to Schedule of Employers' Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2025 that are documented in the schedules on the following pages, were calculated as of June 30, 2023. Based on the June 30, 2023, actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

Notes to Schedule of Employers' Contributions		
Item	CERS Nonhazardous	CERS Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth	2.00%	2.00%
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Salary Increase:	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Phase-In provision:	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.	Board certified rate is phased into the actuarially determined rate in accordance with HB 362 enacted in 2018.

Schedule of Employers' Contributions Pension

Schedule of Employers' Contributions Pension - CERS Nonhazardous					
As of June 30 (\$ in Thousands)					
Fiscal Year Ending	Actuarially Determined Contribution ⁽¹⁾	Total Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$677,431	\$677,429	\$2	\$3,416,871	19.83%
2024	764,747	764,778	(31)	3,259,999	23.46%
2023	697,634	697,681	(47)	2,966,567	23.52%
2022	636,071	606,807	29,264	2,835,173	21.40%
2021	582,538	472,228	110,310	2,446,612	19.30%
2020	554,612	475,416	79,196	2,462,752	19.30%
2019	529,575	393,453	136,122	2,424,796	16.23%
2018	355,473	358,017	(2,544)	2,454,927	14.58%
2017	331,492	333,554	(2,062)	2,376,290	14.04%
2016	\$282,767	\$284,106	(\$1,339)	\$2,417,187	11.75%

⁽¹⁾ Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

⁽²⁾ Based on derived compensation using the provided employer contribution information for fiscal year ended 2017, and later.

Draft 11-12-2025

Schedule of Employers' Contributions Pension - CERS Hazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending	Actuarially Determined Contribution ⁽¹⁾	Total Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$305,978	\$306,030	(\$52)	\$834,657	36.67%
2024	321,224	321,293	(69)	775,638	41.42%
2023	308,037	308,223	(186)	714,837	43.12%
2022	269,542	222,028	47,514	666,346	33.32%
2021	240,558	172,205	68,353	572,484	30.08%
2020	206,922	168,443	38,479	559,551	30.10%
2019	197,559	138,053	59,506	553,541	24.94%
2018	124,953	127,660	(2,707)	562,853	22.68%
2017	114,316	115,947	(1,631)	526,559	22.02%
2016	\$104,952	\$105,713	(\$761)	\$526,334	20.08%

⁽¹⁾ Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

⁽²⁾ Based on derived compensation using the provided employer contribution information for fiscal year ended 2017, and later.

Schedule of Employers' Net OPEB Liability

Schedule of the Employers' Net OPEB Liability - CERS Nonhazardous

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2025	\$4,107,333	\$4,011,291	\$96,042	97.66%	\$3,416,871	2.81%
2024	3,534,297	3,707,277	(172,980)	104.89%	3,259,999	(5.31)%
2023	3,260,308	3,398,375	(138,067)	104.23%	2,982,960	(4.63)%
2022	5,053,498	3,079,984	1,973,514	60.95%	2,843,218	69.41%
2021	5,161,251	3,246,801	1,914,450	62.91%	2,619,695	73.08%
2020	4,996,309	2,581,613	2,414,696	51.67%	2,620,585	92.14%
2019	4,251,466	2,569,511	1,681,955	60.44%	2,577,378	65.26%
2018	4,189,606	2,414,126	1,775,480	57.62%	2,570,156	69.08%
2017	\$4,222,878	\$2,212,536	\$2,010,342	52.39%	\$2,480,130	81.06%

⁽¹⁾ Based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

Schedule of the Employers' Net OPEB Liability - CERS Hazardous

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2025	\$2,144,693	\$1,862,029	\$282,664	86.82%	\$836,505	33.79%
2024	1,873,669	1,752,366	121,303	93.53%	796,792	15.22%
2023	1,771,015	1,634,192	136,823	92.27%	719,666	19.01%
2022	2,374,457	1,522,671	851,786	64.13%	668,667	127.39%
2021	2,436,383	1,627,824	808,559	66.81%	613,985	131.69%
2020	2,245,222	1,321,117	924,105	58.84%	596,001	155.05%
2019	2,080,574	1,340,714	739,860	64.44%	583,632	126.77%

Draft 11-12-2025**Schedule of the Employers' Net OPEB Liability - CERS Hazardous****As of June 30 (\$ in Thousands)**

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2018	1,993,941	1,280,982	712,959	64.24%	588,526	121.14%
2017	\$2,015,673	\$1,189,001	\$826,672	58.99%	\$542,710	152.32%

⁽¹⁾ Based on derived compensation using the provided employer contribution information. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

Draft 11-12-2025

Schedule of Changes in Employers' Net OPEB Liability

Schedule of Changes in Employers' Net OPEB Liability - CERS Nonhazardous									
As of June 30 (\$ in Thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$97,272	\$96,276	\$98,045	\$138,225	\$132,407	\$131,289	\$119,011	\$122,244	\$85,468
Interest on Total OPEB liability	206,056	188,558	283,330	263,390	262,128	236,126	240,352	242,048	240,854
Benefit Changes	147,169	—	5,153	74,108	3,359	—	—	4,306	—
Difference between Expected and Actual Experience	307,824	122,626	(2,134,260)	(68,111)	(340,831)	505,843	(404,301)	(240,568)	(6,641)
Assumption Changes	3,297	27,673	120,132	(323,247)	282,975	60,225	268,842	(4,876)	520,286
Benefit Payments ^{(1) (2)}	(188,582)	(161,144)	(165,590)	(192,118)	(175,096)	(188,640)	(162,044)	(156,426)	(140,120)
Net Change in Total OPEB Liability	573,036	273,989	(1,793,190)	(107,753)	164,942	744,843	61,860	(33,272)	699,847
Total OPEB Liability - Beginning	3,534,297	3,260,308	5,053,498	5,161,251	4,996,309	4,251,466	4,189,606	4,222,878	3,523,031
Total OPEB Liability - Ending (a)	\$4,107,333	\$3,534,297	\$3,260,308	\$5,053,498	\$5,161,251	\$4,996,309	\$4,251,466	\$4,189,606	\$4,222,878
Plan Fiduciary Net Position									
Contributions –Employer ⁽²⁾⁽⁵⁾	\$59,407	\$57,187	\$151,052	\$187,204	\$186,509	\$179,521	\$168,905	\$145,809	\$133,326
Contributions – Member	22,706	20,651	17,751	15,925	13,613	12,964	11,801	10,825	9,158
Benefit Payments ^{(1) (2)}	(188,582)	(161,144)	(165,590)	(192,118)	(175,096)	(188,640)	(162,044)	(156,426)	(140,120)
OPEB Plan Net Investment Income	411,393	393,138	316,115	(176,895)	641,084	9,160	137,591	202,068	264,782
OPEB Plan Administrative Expense	(910)	(930)	(937)	(933)	(922)	(903)	(877)	(761)	(789)
Other ⁽⁴⁾	—	—	—	—	—	—	9	75	—
Net Change in Plan Fiduciary Net Position	304,014	308,902	318,391	(166,817)	665,188	12,102	155,385	201,590	266,357
Plan Fiduciary Net Position – Beginning	3,707,277	3,398,375	3,079,984	3,246,801	2,581,613	2,569,511	2,414,126	2,212,536	1,946,179
Plan Fiduciary Net Position – Ending (b)	4,011,291	3,707,277	3,398,375	3,079,984	3,246,801	2,581,613	2,569,511	2,414,126	2,212,536
Net OPEB Liability – Ending (a) – (b)	96,042	(172,980)	(138,067)	1,973,514	1,914,450	2,414,696	1,681,955	1,775,480	2,010,342
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.66%	104.89%	\$1	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
Covered Payroll ⁽³⁾	\$3,416,871	\$3,259,999	\$2,982,960	\$2,843,218	\$2,619,695	\$2,620,585	\$2,577,378	\$2,570,156	\$2,480,130

Draft 11-12-2025

Schedule of Changes in Employers' Net OPEB Liability - CERS Nonhazardous As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Net OPEB Liability as a Percentage of Covered Payroll	2.81%	(5.31%)	(4.63%)	69.41%	73.08%	92.14%	65.26%	69.08%	81.06%

- (1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).
- (2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$46,564,996 for fiscal year 2025.
- (3) Based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025.
- (4) Northern Trust Settlement.
- (5) This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

Schedule of Changes in Employers' Net OPEB Liability - CERS Hazardous As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$34,957	\$32,335	\$36,330	\$52,265	\$48,413	\$47,443	\$32,623	\$33,948	\$20,493
Interest on Total OPEB liability	109,616	102,922	130,614	120,640	116,710	115,998	116,768	118,009	113,166
Benefit Changes	120,779	—	—	44,909	1,146	—	—	484	—
Difference between Expected and Actual Experience	74,372	32,646	(646,006)	(7,814)	(47,937)	38,156	(103,317)	(100,348)	(2,470)
Assumption Changes	36,919	28,802	(31,947)	(176,969)	159,106	46,925	116,618	(2,500)	391,061
Benefit Payments ⁽¹⁾⁽²⁾	(105,619)	(94,051)	(92,433)	(94,957)	(86,277)	(83,874)	(76,059)	(71,325)	(63,656)
Net Change in Total OPEB Liability	271,024	102,654	(603,442)	(61,926)	191,161	164,648	86,633	(21,732)	458,594
Total OPEB Liability - Beginning	1,873,669	1,771,015	2,374,457	2,436,383	2,245,222	2,080,574	1,993,941	2,015,673	1,557,079
Total OPEB Liability - Ending (a)	\$2,144,693	\$1,873,669	\$1,771,015	\$2,374,457	\$2,436,383	\$2,245,222	\$2,080,574	\$1,993,941	\$2,015,673
Plan Fiduciary Net Position									
Contributions – Employer ⁽²⁾⁽⁵⁾	\$20,179	\$21,945	\$49,547	\$66,320	\$63,509	\$59,662	\$60,445	\$51,615	\$44,325
Contributions – Member	5,706	4,979	4,258	3,654	3,098	2,762	2,458	2,173	1,708
Benefit Payments ⁽¹⁾⁽²⁾	(105,619)	(94,051)	(92,433)	(94,957)	(86,277)	(83,874)	(76,059)	(71,325)	(63,656)
OPEB Plan Net Investment Income	189,921	185,823	150,671	(79,668)	326,905	2,315	73,317	109,854	143,892
OPEB Plan Administrative Expense	(524)	(522)	(522)	(502)	(528)	(462)	(434)	(376)	(381)
Other ⁽⁴⁾	—	—	—	—	—	—	5	40	—
Net Change in Plan Fiduciary Net Position	109,663	118,174	111,521	(105,153)	306,707	(19,597)	59,732	91,981	125,888

Draft 11-12-2025

Schedule of Changes in Employers' Net OPEB Liability - CERS Hazardous As of June 30 (\$ in Thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Plan Fiduciary Net Position – Beginning	1,752,366	1,634,192	1,522,671	1,627,824	1,321,117	1,340,714	1,280,982	1,189,001	1,063,113
Plan Fiduciary Net Position – Ending (b)	1,862,029	1,752,366	1,634,192	1,522,671	1,627,824	1,321,117	1,340,714	1,280,982	1,189,001
Net OPEB Liability – Ending (a) – (b)	\$282,664	\$121,303	\$136,823	\$851,786	\$808,559	\$924,105	\$739,860	\$712,959	\$826,672
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	86.82%	93.53%	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%
Covered Payroll ⁽³⁾	\$836,505	\$796,792	\$719,666	\$668,667	\$613,985	\$596,001	\$583,632	\$588,526	\$542,710
Net OPEB Liability as a Percentage of Covered Payroll	33.79%	15.22%	19.01%	127.39%	131.69%	155.05%	126.77%	121.14%	152.32%
⁽¹⁾ Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years). ⁽²⁾ Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$228,646 for fiscal year 2025. ⁽³⁾ Based on derived compensation using the provided employer contribution information. ⁽⁴⁾ Northern Trust Settlement. ⁽⁵⁾ This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.									

Draft 11-12-2025

Notes to Schedule of Employers' OPEB Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2025, that are documented in the following schedule were calculated as of June 30, 2023. Based on the June 30, 2023, actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions follow.

Notes to Schedule of Employers' OPEB Contribution		
Item	CERS Nonhazardous	CERS Hazardous
Determined by the Actuarial Valuation as of:	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth	2.00%	2.00%
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Salary Increase:	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Healthcare Trend Rates:		
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Schedule of Employers' OPEB Contributions

Schedule of Employers' OPEB Contributions - CERS Nonhazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$—	\$12,842	(\$12,842)	\$3,416,871	0.38%
2024	—	10,143	(10,143)	3,259,999	0.31%
2023	101,122	106,044	(4,922)	2,982,960	3.55%
2022	118,551	123,366	(4,815)	2,843,218	4.34%

Draft 11-12-2025

Schedule of Employers' OPEB Contributions - CERS Nonhazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2021	142,249	129,903	12,346	2,619,695	4.96%
2020	124,740	129,267	(4,527)	2,620,585	4.93%
2019	160,055	139,655	20,400	2,577,378	5.42%
2018	120,797	124,619	(3,822)	2,570,156	4.85%
2017	122,270	120,712	1,558	2,480,130	4.87%
2016	\$110,987	\$111,836	(\$849)	\$2,352,762	4.75%

⁽¹⁾ Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.

⁽²⁾ Actuarially determined contribution for fiscal year ended 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

⁽³⁾ Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - CERS Nonhazardous.

⁽⁴⁾ Based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025.

Schedule of Employers' OPEB Contributions - CERS Hazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$17,735	\$19,950	(\$2,215)	\$836,505	2.38%
2024	20,557	22,645	(2,088)	796,792	2.84%
2023	48,793	50,404	(1,611)	719,666	7.00%
2022	58,375	59,905	(1,530)	668,667	8.96%
2021	60,539	59,799	740	613,985	9.74%
2020	56,739	57,897	(1,158)	596,001	9.71%
2019	71,028	62,272	8,756	583,632	10.67%
2018	55,027	56,002	(975)	588,526	9.52%
2017	53,131	51,537	1,594	542,710	9.50%
2016	\$64,253	\$67,619	(\$3,366)	\$492,851	13.72%

⁽¹⁾ Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.

⁽²⁾ Actuarially determined contribution for fiscal year ended 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

⁽³⁾ Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - CERS Hazardous.

⁽⁴⁾ Based on derived compensation using the provided employer contribution information.

Money-Weighted Rates of Return

In accordance with GASB, CERS provides this additional disclosure regarding the money-weighted rate of return for the Pension and Insurance Plans. The money-weighted rate of return is a method of calculating period-by-period returns on investments that adjusts for the changing amounts actually invested. For purposes of this statement, money-weighted rate of return is calculated as the internal rate of return, net of investment expenses, adjusted for the changing amounts actually invested.

See below for the money-weighted rates of return for multiple periods including fiscal year June 30, 2025, as calculated by the custodian bank, BNY Mellon:

Draft 11-12-2025

Money - Weighted Rates of Return As of June 30				
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous
	Pension		Insurance	
2025	11.64%	11.69%	11.29%	11.15%
2024	11.59%	11.75%	11.75%	11.67%
2023	10.25%	10.35%	10.32%	10.06%
2022	(5.83%)	(6.02%)	(5.49%)	(4.95%)
2021	25.72%	25.58%	24.81%	24.99%
2020	0.84%	0.71%	0.36%	0.27%
2019	5.72%	5.76%	5.73%	5.78%
2018	8.82%	8.82%	9.22%	9.35%
2017	13.80%	13.72%	13.67%	13.69%
2016	(0.62%)	(0.46%)	—%	—%
available.				

Schedule of Administrative Expenses

KPPA provides administrative support for CERS and KRS. Kentucky Revised Statute 61.505 (11)(a) requires all expenses incurred by KPPA on behalf of the Systems be prorated, assigned, or allocated to the Systems. KPPA works closely with the CERS and KRS Boards of Trustees to develop an allocation method that takes into consideration membership, assets under management, system specific costs, and statutory requirements. Total administrative costs incurred by KPPA for the fiscal year ended June 30, 2025, were \$46.5 million, of which \$29.5 million was allocated to CERS based on the hybrid allocation developed by the KPPA Board, the CERS Board, and the KRS Board.

Schedule of Administrative Expenses		
As of June 30, 2025 (\$ in Thousands)		
	2025	2024
Salaries	\$13,162	\$12,054
Benefits	9,305	11,065
Professional Services	1,774	2,193
Information Technology	2,304	2,132
Communications	470	509
Office & Equipment Rent	690	662
Travel/Conferences	83	77
Other Operating Expenses	315	193
Insurance Plans' Administration	1,441	1,465
Total Administrative Expenses	\$29,544	\$30,350

Schedule of Direct Investment Expenses

Schedule of Direct Investment Expenses						
As of June 30, 2025 (\$ in Thousands)						
	Pension		Insurance		2025	2024
	CERS		CERS			
	Nonhazardous	Hazardous	Nonhazardous	Hazardous		
Security Lending Fees						
Securities Lending Borrower Rebates	\$11,438	\$4,282	\$3,800	\$1,542	\$21,063	\$17,972
Security Lending Agent Fees	225	84	75	31	415	341
Total Security Lending	11,663	4,366	3,875	1,573	21,477	18,313
Contractual Services						
Investment Management	62,694	21,444	23,210	11,926	119,274	114,774
Security Custody	868	311	489	233	1,901	1,983
Investment Consultant	527	250	242	67	1,086	1,074

Draft 11-12-2025**Schedule of Direct Investment Expenses**

As of June 30, 2025 (\$ in Thousands)

	Pension		Insurance			
Performance Fees	23,797	8,108	8,520	4,505	44,930	36,302
Total Contractual Services	\$87,886	\$30,113	\$32,461	\$16,731	\$167,191	\$154,133

Schedule of Professional Consultant Fees**Schedule of Professional Consultant Fees**

As of June 30 (\$ in Thousands)

	2025	2024
Actuarial Services	\$202	\$265
Medical Review Services	727	901
Audit Services	130	151
Legal Counsel	546	684
Miscellaneous	170	192
Total	\$1,774	\$2,193

Draft 11-12-2025

REPORT ON INTERNAL CONTROL TO BE INSERTED

Draft 11-12-2025

Investment Overview

This section of the report was compiled by Investment Staff using information provided by Wilshire Associates and the Bank of New York Mellon. Except when otherwise noted, investment returns are based on investment asset fair value and calculated using time-weighted return calculation methodologies.

Investment returns play an important role in terms of funding status of the Plans and continued funding of operations. The Investment Committee and the Board of Trustees are committed to maximizing the long-term total rate of return on investments, given the appropriate level of risk, for the exclusive benefit of the members in the Plans. The overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and employer contributions, will meet or exceed the benefits and administrative funding requirements (see Investment Objectives later in this section).

Investments are managed by professional investment management firms and the Investment Staff based upon statutory investment authority and the investment policies adopted by the CERS Investment Committee and ratified by the CERS Board of Trustees. The Investment Staff is responsible for the administration of the investment assets of CERS and assists the Investment Committee in the formulation and implementation of investment policies and long-term investment strategy.

Asset Allocation and Diversification

The Trustees recognize that asset allocation is the primary driver of long-term investment performance and therefore review asset allocation on a regular basis. Asset allocation is a process designed to construct an optimal long-term asset mix that achieves a specific set of investment objectives. The Investment Policy Statement (IPS) establishes the Plans' asset allocation policies which are designed to meet those objectives.

The asset allocation policies are adopted to provide for diversification of assets in an effort to maximize the long-term returns on investments consistent with prudent levels of market and economic risks. Of all the components of investment strategy formulation, the determination of asset allocation policies is the most important decision.

Risk is further diversified through active and passive management using multiple investment management firms and Investment Staff with a variety of investment styles. The total investment performance is not dependent upon the outcome of just one particular investment style or manager.

Investment Staff develops specific contractual investment guidelines for each external manager and each internally managed account that control the risk of high concentrations in a particular sector, industry, or security.

Diversification of the assets among various asset classes, investment management styles, and individual securities mitigates risks and enhances the potential of the investment portfolios to achieve their respective long-term objectives.

The following tables show each Plans' asset allocation targets as specified in the Investment Policy Statement and the actual asset allocation of the Plans as of June 30, 2025.

Draft 11-12-2025

IPS Target Allocation vs. Actual Asset Allocation								
As of June 30, 2025								
Pension	Public Equity	Private Equity	Core Fixed Income	Specialty Credit	Cash	Real Estate	Real Return	Total Plan
IPS Target Asset Allocation	45.00%	8.00%	13.00%	20.00%	2.00%	5.00%	7.00%	100.00%
CERS Nonhazardous Actual Asset Allocation	48.47%	5.67%	12.52%	19.61%	3.05%	5.15%	5.53%	100.00%
CERS Hazardous Actual Asset Allocation	48.26%	5.67%	12.70%	19.45%	3.88%	4.55%	5.49%	100.00%

Insurance	Public Equity	Private Equity	Core Fixed Income	Specialty Credit	Cash	Real Estate	Real Return	Total Plan
CERS Nonhazardous Actual Asset Allocation	48.62%	5.86%	12.70%	20.14%	2.13%	5.08%	5.47%	100.00%
CERS Hazardous Actual Asset Allocation	48.18%	6.87%	12.20%	19.79%	1.59%	5.89%	5.48%	100.00%
NOTE: The actual asset allocations are calculated by taking the fair value of each asset class as a percentage of total portfolio for the plans combined.								

Investment Strategies

Diversification

The Pension and Insurance portfolios are diversified on several levels, including by asset class. Asset allocations are evaluated on a periodic basis and represent an efficient allocation to maximize returns and minimize risks at a level appropriate for each Plan. The individual asset classes are diversified through the use of multiple portfolios that are managed by the Investment Staff and external Investment Managers. Each Investment Manager is afforded discretion to diversify its portfolio(s) within the parameters established by their contractual guidelines and in accordance with the CERS IPS.

Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be made to ensure conformance with the IPS target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among asset classes and individual investment portfolios. Should the actual portfolio weight fall outside of the IPS indicated range for a particular asset class, Investment Staff will direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class.

Performance Review

At least quarterly, the Investment Committee reviews the performance of the portfolios to determine compliance with the IPS. The Investment Committee also reviews a report created and presented by the Compliance Officer. The Compliance Officer performs tests daily, monthly, and quarterly to ensure compliance with the restrictions imposed by the IPS.

Investment Consulting

The Board employs qualified independent industry leading external consultants to assist in asset allocation studies, asset allocation recommendations, manager searches and other investment related consulting functions. Consultants also provide performance reports covering both the internally and externally managed assets.

Investment Objectives

The Trustees recognize that as long-term investors, the primary aim is that the portfolios meet their performance objectives in the long-term while understanding that this may not necessarily occur in the short-term. The overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and

Draft 11-12-2025

employer contributions, will meet or exceed the benefits and administrative funding requirements. The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Plans.

Public Asset Class Allocations

Short-term: For periods less than five years or a full market cycle, the Asset Class composite performance should exceed the returns of the appropriate Index.

Intermediate & Long-term: For periods greater than five years or a full market cycle, the Asset Class composite performance should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

Individual Public Security Portfolios

Short-term: For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term: For periods greater than five years or a full market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets

Private Equity

The Private Equity portfolio seeks long-term annualized net returns that exceed public equity investments (as represented by the Russell 3000 Index lagged 1 calendar quarter +300 basis points).

Real Estate

The Real Estate portfolio seeks long-term annualized net returns that exceed the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index lagged 1 calendar quarter.

Real Return

The Real Return portfolio seeks long term annualized net returns that exceed CPI + 300 basis points.

Investment Results

For this report, total return information has been reported net of fees and expenses with audited data. All rates of return are calculated using time-weighted rates of return.

Fiscal Year 2025 Results

Please see the tables below for the net returns reported for the fiscal year ended June 30, 2025.

Net Returns As of June 30, 2025 (\$ in Thousands)										
Pension	Fair Value	% of Total	1 Year		3 Years		5 Years		10 Years	
			Plan	Index	Plan	Index	Plan	Index	Plan	Index
CERS Nonhazardous	10,549,758	73.53%	11.64%	11.27%	11.16%	11.62%	10.20%	10.35%	7.87%	7.74%
CERS Hazardous	3,798,651	26.47%	11.69%	11.27%	11.25%	11.62%	10.19%	10.35%	7.87%	7.74%
Total	\$14,348,409	100.00%	11.65%	11.27%	11.18%	11.62%	10.19%	10.35%	7.87%	7.74%

Draft 11-12-2025

Net Returns As of June 30, 2025 (\$ in Thousands)										
Insurance	Fair Value	% of Total	1 Year		3 Years		5 Years		10 Years	
			Plan	Index	Plan	Index	Plan	Index	Plan	Index
CERS Nonhazardous	3,870,913	67.85%	11.31%	11.27%	11.14%	11.62%	10.13%	10.23%	7.87%	7.68%
CERS Hazardous	1,834,560	32.15%	11.18%	11.27%	11.00%	11.62%	10.18%	10.23%	7.92%	7.68%
Total	\$5,705,473	100.00%	11.27%	11.27%	11.09%	11.62%	10.15%	10.23%	7.89%	7.68%

Benchmarks

CERS overall performance is measured relative to asset class benchmarks. The benchmark is calculated using a weighted average methodology that is consistent with the CFA Institute Global Investment Performance Standards (GIPS®). It is the product of the various component weights (i.e., asset classes' percentages) by their respective performance (returns). The various asset class benchmarks are shown below:

Benchmarks and Allocation Guidelines		
As of June 30, 2025		
Index	Asset Class	Asset Allocation
Equity		
MSCI ACWI	Public Equity	45%
Russell 3000 + 300 bps (lagged one quarter)	Private Equity	8%
Fixed Income		
Bloomberg US Aggregate	Core Fixed Income	13%
50% Bloomberg US Corporate High Yield/50% Morningstar LSTA Leveraged Loan	Specialty Credit	20%
FTSE 3-mos Treasury Bill	Cash	2%
Inflation Protected		
NCREIF ODCE (one quarter lagged)	Real Estate	5%
US CPI +3%	Real Return	7%
<i>Note: These benchmarks are intended to be objective, measurable, investable/replicable, and representative of the investment mandates. The benchmarks are developed from publicly available information and accepted by the investment advisor and Investment Staff as the neutral position consistent with the investment mandate and status. Investment Staff and our Consultant recommend the indices and benchmarks, which are reviewed and approved by the Investment Committee and ratified by the CERS Board.</i>		

Long-Term Results

The chart below displays the growth of \$1,000 over the course of 10 years given the performance of the portfolios compared to the benchmark and the actuarial assumed rate of return. As of June 30, 2025, the actuarial assumed rate of return for CERS pension plans was 6.50%; however, it was updated by the CERS Board in February 2024 from the previous rate of 6.25%, making the prorated rate 6.35% for fiscal year 2024.

Since June 30, 2016, fiscal year returns have ranged from minimum returns of (5.90%) and (6.07%) in fiscal year 2022 to a maximum return of 25.72% and 25.58% in fiscal year 2021 for CERS and CERS Hazardous, respectively. For fiscal year 2025, the CERS Nonhazardous Pension portfolio earned 11.64% and the CERS Hazardous Pension portfolio earned 11.69% versus the benchmark return of 11.27%.

Pension Plan Growth											
As of June 30 (in Whole \$)											
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CERS Nonhazardous Plan		(0.53%)	13.81%	8.75%	5.78%	0.84%	25.72%	(5.90%)	10.24%	11.60%	11.64%
Performance Benchmark		(0.66%)	13.64%	7.04%	6.37%	0.16%	25.74%	(6.41%)	9.54%	14.10%	11.27%
Actuarial Assumed ROR		7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$995	\$1,132	\$1,231	\$1,302	\$1,313	\$1,651	\$1,554	\$1,713	\$1,911	\$2,134
Performance Benchmark	1,000	993	1,129	1,208	1,285	1,287	1,619	1,515	1,660	1,894	2,107
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768	\$1,883

Draft 11-12-2025

Pension Plan Growth As of June 30 (in Whole \$)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CERS Hazardous Plan	(0.38%)	13.73%	8.77%	5.80%	0.71%	25.58%	(6.07%)	10.33%	11.73%	11.69%
Performance Benchmark	(0.66%)	13.61%	7.04%	6.37%	0.16%	25.74%	(6.41%)	9.54%	14.10%	11.27%
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$996	\$1,133	\$1,232	\$1,304	\$1,313	\$1,649	\$1,549	\$1,709	\$1,909
Performance Benchmark	1,000	993	1,129	1,208	1,285	1,287	1,618	1,515	1,659	1,893
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768

The chart below shows theoretical annual returns for the Insurance portfolio since June 30, 2016. Fiscal year returns have ranged from minimum returns of (5.43)% and (4.99)% in CERS Nonhazardous, and CERS Hazardous, respectively in fiscal year 2022 to maximum returns of 24.78%, and 24.98%, respectively, in fiscal year 2021. For fiscal year 2025, the CERS Insurance portfolio earned 11.31% and the CERS Hazardous Insurance plan earned 11.18% versus the benchmark return of 11.27%.

Insurance Plan Growth As of June 30 (in Whole \$)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CERS Nonhazardous Plan	(0.04%)	13.67%	9.21%	5.73%	0.36%	24.78%	(5.43%)	10.33%	11.78%	11.31%
Performance BM	(0.25%)	13.62%	7.04%	6.25%	(0.40%)	24.76%	(6.22%)	9.54%	14.10%	11.27%
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$1,000	\$1,136	\$1,241	\$1,312	\$1,317	\$1,643	\$1,554	\$1,714	\$1,916
Performance Benchmark	1,000	998	1,133	1,213	1,289	1,284	1,602	1,502	1,645	1,877
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768
CERS Hazardous Plan	0.09%	13.70%	9.32%	5.81%	0.26%	24.98%	(4.99%)	10.11%	11.73%	11.18%
Performance BM	(0.24%)	13.62%	7.04%	6.25%	(0.40%)	24.76%	(6.22%)	9.54%	14.10%	11.27%
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$1,001	\$1,138	\$1,244	\$1,316	\$1,320	\$1,649	\$1,567	\$1,726	\$1,928
Performance Benchmark	1,000	998	1,133	1,213	1,289	1,284	1,602	1,502	1,646	1,878
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768

Public Equity

For the fiscal year, the CERS Pension Nonhazardous and Hazardous Public Equity portfolios returned 16.00% and 16.05%, respectively. The CERS Insurance Nonhazardous and Hazardous Public Equity portfolios also outperformed the benchmark, each returning 15.92%. Both portfolios outperformed their benchmark's (MSCI All Country World Index) return of 15.89%. Relative outperformance was driven in part by regional positioning. The portfolio's tilt toward non-U.S. equities, was beneficial as international markets collectively outpaced the U.S. by approximately 2.5%. Further, while stock selection amongst individual strategies was mixed, it skewed positively and was most pronounced in the non-U.S. portion of the portfolio.

Public Equity Performance As of June 30, 2025									
	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	4/1/1984	Plan	Index	Plan	Index	Plan	Index	Plan	Index
CERS Nonhazardous		16.00%	15.89%	16.93%	16.80%	13.20%	13.19%	9.67%	9.53%
CERS Hazardous		16.05%	15.89%	16.96%	16.80%	13.23%	13.19%	9.68%	9.53%
Insurance	7/1/1992								
CERS Nonhazardous		15.92%	15.89%	16.86%	16.80%	13.20%	13.17%	9.70%	9.52%
CERS Hazardous		15.92%	15.89%	16.84%	16.80%	13.17%	13.17%	9.71%	9.52%

Note: Current Pension and Insurance benchmarks are MSCI ACWI. Plan returns are reported gross of fees.

Draft 11-12-2025

During the 12 months ended June 30, 2025, KPPA managed U.S. Equity portfolios collectively returned 15.09% versus the Russell 3000 Index return of 15.30%. Individual strategy relative performance was mixed; however, it skewed positive in aggregate. Notable standouts include the all-cap value effort which returned 20.06% versus its benchmark return of 13.30%, and the absolute performance of the micro-cap strategy of 18.54%. However, allocation positioning offset stock selection strength, as the portfolios' value (R300V: 13.30% vs R300G 17.95%) and smaller (R500/SP500 Blend: 15.40% vs Russell Midcap: 7.53% vs Russell 2000: 7.68%) tilts provided headwinds.

For the fiscal year, KPPA managed non-U.S. Equity portfolios collectively returned 17.95% versus the MSCI ACWI Ex-US IMI return of 17.83%. Individual strategy relative performance was mixed, with stock selection driving outperformance. Right tails were significantly larger than those to the left. Notable standouts include those efforts in the deep value (24.34% versus 17.72%) and small cap (28.30% versus 18.34%) spaces.

Top 10 Public Equity Holdings					
As of June 30, 2025					
CERS Nonhazardous Pension			CERS Nonhazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND A	14,619,057	\$507,600	MSCI WORLD EX-US INDEX FUND B	5,494,336	\$208,888
ISHARES CORE S&P MIDCAP ETF	2,233,870	138,545	ISHARES CORE S&P MIDCAP ETF	785,786	48,734
MICROSOFT CORP	257,552	128,109	MICROSOFT CORP	94,438	46,974
NVIDIA CORP	810,441	128,042	NVIDIA CORP	297,168	46,950
APPLE INC	510,266	104,691	APPLE INC	187,102	38,388
LAZARD EMERG MKT EQY-INST	3,484,053	75,116	LAZARD EMERG MKT EQY-INST	1,267,590	27,329
AMAZON.COM INC	325,057	71,314	AMAZON.COM INC	119,191	26,149
META PLATFORMS INC	75,881	56,007	META PLATFORMS INC	27,824	20,536
BROADCOM INC	159,278	43,905	BROADCOM INC	58,403	16,099
ALPHABET INC	203,560	35,873	ALPHABET INC	74,641	13,154
Total	22,679,015	\$1,289,202	Total	8,406,479	\$493,201

CERS Hazardous Pension			CERS Hazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND A	5,298,633	\$183,978	MSCI WORLD EX-US INDEX FUND B	2,852,337	\$108,442
ISHARES CORE S&P MIDCAP ETF	807,048	50,053	ISHARES CORE S&P MIDCAP ETF	389,968	24,186
MICROSOFT CORP	92,184	45,853	MICROSOFT CORP	43,055	21,416
NVIDIA CORP	290,077	45,829	NVIDIA CORP	135,482	21,405
APPLE INC	182,637	37,472	APPLE INC	85,302	17,501
LAZARD EMERG MKT EQY-INST	1,241,147	26,759	LAZARD EMERG MKT EQY-INST	573,842	12,372
AMAZON.COM INC	116,346	25,525	AMAZON.COM INC	54,340	11,922
META PLATFORMS INC	27,160	20,046	META PLATFORMS INC	12,685	9,363
BROADCOM INC	57,010	15,714	BROADCOM INC	26,627	7,340
ALPHABET INC	72,859	12,840	NVIDIA CORP	38,040	6,010
Total	8,185,101	\$464,069	Total	4,211,678	\$239,957

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>

Core Fixed Income

For the fiscal year, the Pension Core Fixed Income CERS Nonhazardous and Hazardous portfolios returned 6.14% and 6.17%, respectively, outperforming the Bloomberg U.S. Aggregate benchmark with a return of 6.08%. For the Insurance Core Fixed Income, CERS Nonhazardous portfolio outperformed the benchmark by 0.04%, with a return of 6.12% and CERS Hazardous portfolio slightly underperformed the benchmark by 0.03%, returning 6.05%. Performance was driven by closing the duration gap as the Federal Reserve stopped raising rates and credit spreads continuing to tighten during the fiscal year.

Draft 11-12-2025**Core Fixed Income Performance**

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
		Plan	Index	Plan	Index	Plan	Index	Plan	Index
Pension	7/1/2013								
CERS Nonhazardous		6.14%	6.08%	4.14%	2.55%	2.04%	(0.73%)	2.91%	1.76%
CERS Hazardous		6.17%	6.08%	4.15%	2.55%	2.04%	(0.73%)	2.91%	1.76%
Insurance	7/1/2013								
CERS Nonhazardous		6.12%	6.08%	4.04%	2.55%	1.92%	(0.73%)	2.80%	1.76%
CERS Hazardous		6.05%	6.08%	4.05%	2.55%	1.93%	(0.73%)	2.80%	1.76%

Note: Current Pension and Insurance benchmark is Bloomberg US Aggregate.

Top 10 Core Fixed Income Holdings

As of June 30, 2025

CERS Nonhazardous Pension			CERS Nonhazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
ISHARES CORE U.S. AGGREGATE	3,852,876	\$382,205	ISHARES CORE U.S. AGGREGATE	1,258,055	\$124,799
U S TREASURY NOTE	11,145,847	11,288	U S TREASURY NOTE	3,925,405	3,946
U S TREASURY NOTE	10,189,831	10,431	U S TREASURY NOTE	3,755,546	3,804
U S TREASURY NOTE	10,172,553	10,316	U S TREASURY NOTE	3,649,998	3,654
U S TREASURY NOTE	9,795,906	9,846	U S TREASURY NOTE	3,141,895	3,216
U S TREASURY NOTE	9,080,237	9,121	U S TREASURY NOTE	3,085,439	3,070
U S TREASURY NOTE	7,506,073	7,558	U S TREASURY NOTE	2,965,163	2,979
U S TREASURY NOTE	7,106,773	7,123	U S TREASURY NOTE	2,947,981	2,955
U S TREASURY BOND	6,859,130	6,830	U S TREASURY NOTE	2,751,613	2,771
U S TREASURY NOTE	6,662,936	6,687	U S TREASURY NOTE	2,663,247	2,688
Total	82,372,162	\$461,405	Total	30,144,342	\$153,882

CERS Hazardous Pension			CERS Hazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
ISHARES CORE U.S. AGGREGATE	1,406,348	\$139,510	ISHARES CORE U.S. AGGREGATE	572,584	\$56,800
U S TREASURY NOTE	4,068,373	4,120	U S TREASURY NOTE	1,786,586	1,796
U S TREASURY NOTE	3,719,415	3,808	U S TREASURY NOTE	1,709,278	1,731
U S TREASURY NOTE	3,713,109	3,766	U S TREASURY NOTE	1,661,239	1,663
U S TREASURY NOTE	3,575,628	3,594	U S TREASURY NOTE	1,429,984	1,464
U S TREASURY NOTE	3,314,400	3,329	U S TREASURY NOTE	1,404,289	1,397
U S TREASURY NOTE	2,739,810	2,759	U S TREASURY NOTE	1,349,547	1,356
U S TREASURY NOTE	2,594,061	2,600	U S TREASURY NOTE	1,341,727	1,345
U S TREASURY BOND	2,503,668	2,493	U S TREASURY NOTE	1,252,353	1,261
U S TREASURY NOTE	2,432,055	2,441	U S TREASURY NOTE	1,212,135	1,223
Total	30,066,867	\$168,420	Total	13,719,722	\$70,036

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>**Specialty Credit**

For the fiscal year, the Pension Specialty Credit CERS Nonhazardous and Hazardous portfolios returned 11.34% and 11.23%, respectively, outperforming the custom benchmark which returned 8.79%. For the Insurance Specialty Credit, CERS Nonhazardous portfolio outperformed the benchmark by 2.66%, with a return of 11.45% and CERS Hazardous portfolio outperformed the benchmark by 2.92%, returning 11.71%. Much like investment grade credit, outperformance was a result of credit spreads continuing to tighten with CCC rated companies performing the best as well as interest rates remaining stable during the year as the majority of holdings in the private sector is floating rate with the portfolios clipping higher coupons from prior rate increases.

Draft 11-12-2025

Specialty Credit Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/2013	Plan	Index	Plan	Index	Plan	Index	Plan	Index
CERS Nonhazardous		11.34%	8.79%	11.18%	9.84%	10.52%	6.75%	7.38%	N/A
CERS Hazardous		11.23%	8.79%	11.13%	9.84%	10.38%	6.75%	7.31%	N/A
Insurance	7/1/2013								
CERS Nonhazardous		11.45%	8.79%	11.29%	9.84%	10.46%	6.75%	7.30%	N/A
CERS Hazardous		11.71%	8.79%	11.48%	9.84%	10.83%	6.75%	7.48%	N/A

Note: Current Pension and Insurance benchmark is 50% Bloomberg US Corp High Yield and 50% Morningstar LSTA Leveraged Loan.

Top 10 Specialty Credit Holdings

As of June 30, 2025

Nonhazardous Pension		Nonhazardous Insurance	
Holding	Fair Value	Holding	Fair Value
ARROWMARK FUND I	\$393,313	ARROWMARK FUND I	\$158,812
MARATHON BLUEGRASS LP	291,321	MARATHON BLUEGRASS LP	102,325
WATERFALL EAGLE FUND LLC	196,275	WATERFALL EAGLE FUND LLC	74,147
CERBERUS KRS LEVERED LOAN OPP	123,367	CERBERUS KRS LEVERED LOAN OPP	40,087
WHITE OAK YIELD SPECTRUM	99,908	WHITE OAK YIELD SPECTRUM	35,650
BLUE TORCH CREDIT OPP FD I LP	93,716	BLUE TORCH CREDIT OPP FD I LP	32,787
ADAMS STREET SPC II B1	73,307	ADAMS STREET SPC II B1	25,667
ADAMS STREET SPC II A1	72,106	ADAMS STREET SPC II A1	25,247
CS ADJ INVEST PTNS PARALLEL LP	71,562	CS ADJ INVEST PTNS PARALLEL LP	23,253
BSP PRIVATE CREDIT FUND	49,823	BSP PRIVATE CREDIT FUND	18,888
Total	\$1,464,698	Total	\$536,863

Hazardous Pension		Hazardous Insurance	
Holding	Fair Value	Holding	Fair Value
ARROWMARK FUND I	\$130,023	ARROWMARK FUND I	\$86,519
MARATHON BLUEGRASS LP	95,719	MARATHON BLUEGRASS LP	55,933
WATERFALL EAGLE FUND LLC	65,614	WATERFALL EAGLE FUND LLC	38,930
CERBERUS KRS LEVERED LOAN OPP	40,860	CERBERUS KRS LEVERED LOAN OPP	21,863
WHITE OAK YIELD SPECTRUM	33,090	WHITE OAK YIELD SPECTRUM	19,443
BLUE TORCH CREDIT OPP FD I LP	31,643	BLUE TORCH CREDIT OPP FD I LP	17,234
ADAMS STREET SPC II B1	24,718	ADAMS STREET SPC II B1	13,560
ADAMS STREET SPC II A1	24,313	ADAMS STREET SPC II A1	13,338
CS ADJ INVEST PTNS PARALLEL LP	23,702	CS ADJ INVEST PTNS PARALLEL LP	12,682
BSP PRIVATE CREDIT FUND	16,502	BSP PRIVATE CREDIT FUND	10,301
Total	\$486,184	Total	\$289,803

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>

Private Equity

For the fiscal year, the Pension Private Equity portfolio posted gross returns ranging from 6.49% for CERS Nonhazardous to 7.06% for CERS Hazardous, while the Insurance Private Equity portfolio gross returns ranged from 1.88% for CERS Hazardous to 2.14% for CERS Nonhazardous. The comparative benchmark for all plans was 10.22% for the fiscal year. The Investment Committee acknowledges the difficulty in assessing short-term performance for Private Equity. Performance is typically based on quarterly estimates of each underlying business's value and managers are often slow to mark valuations up or down. This can distort relative performance against a public market benchmark during periods when the index moves dramatically. A better indication of program performance would be the mid- to longer-term time periods because more underlying company holdings have likely transacted at a specific (rather than estimated) valuation. The below chart provides the gross returns for the longer term time periods.

Draft 11-12-2025

Private Equity Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/2002	Plan	Index	Plan	Index	Plan	Index	Plan	Index
Nonhazardous		6.49%	10.22%	4.07%	11.25%	16.36%	21.24%	12.65%	14.84%
Hazardous		7.06%	10.22%	4.46%	11.25%	16.46%	21.24%	12.71%	14.84%
Insurance	7/1/2002								
Nonhazardous		2.14%	10.22%	4.02%	11.25%	16.25%	21.24%	12.99%	14.84%
Hazardous		1.88%	10.22%	3.88%	11.25%	16.28%	21.24%	12.88%	14.84%

Note: Current Pension and Insurance benchmark is Russell 3000 + 3%, lagged 1 quarter. Plan returns are reported gross of fees.

Real Estate

For the fiscal year, the Pension and Insurance Real Estate portfolios posted gross returns ranging from 5.07 to 5.18%, which exceeded the benchmark return of 1.17%.

Real Estate Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/1984	Plan	Index	Plan	Index	Plan	Index	Plan	Index
Nonhazardous		5.07%	1.17%	(2.64%)	(5.07%)	5.50%	2.01%	7.34%	4.71%
Hazardous		5.07%	1.17%	(2.63%)	(5.07%)	5.52%	2.01%	7.34%	4.71%
Insurance	5/1/2009								
Nonhazardous		5.18%	1.17%	(2.44%)	(5.07%)	5.37%	2.01%	7.30%	4.71%
Hazardous		5.18%	1.17%	(2.43%)	(5.07%)	5.37%	2.01%	7.30%	4.71%

Note: Current Pension and Insurance benchmark is the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity (NCREIF ODCE) Index, lagged 1 quarter. Plan returns are reported gross of fees.

Real Return

For the fiscal year, the Pension and Insurance Real Return portfolios posted gross returns ranging from 14.16% to 15.74%, which exceeded the benchmark return of 5.35%.

Real Return Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/2011	Plan	Index	Plan	Index	Plan	Index	Plan	Index
Nonhazardous		15.41%	5.35%	15.04%	6.22%	14.43%	9.93%	7.59%	5.01%
Hazardous		15.74%	5.35%	15.47%	6.22%	14.70%	9.93%	7.74%	5.01%
Insurance	7/1/2011								
Nonhazardous		14.68%	5.35%	13.97%	6.22%	13.47%	9.45%	7.22%	5.05%
Hazardous		14.16%	5.35%	13.46%	6.22%	13.14%	9.45%	7.13%	5.05%

Note: Current Pension and Insurance benchmark is CPI + 3%. Plan returns are reported gross of fees.

Cash

For the fiscal year, the Pension Cash CERS Nonhazardous and Hazardous portfolios slightly underperformed the benchmark by 0.07%, with a return of 4.81% compared to the FTSE 3-Month US Treasury Bill which returned 4.88%. For the Insurance Cash, both CERS Nonhazardous and Hazardous portfolios slightly underperformed the benchmark by 0.08%, with a return of 4.80%.

Draft 11-12-2025

Liquidity Performance									
As of June 30, 2025									
	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	1/1/1988	Plan	Index	Plan	Index	Plan	Index	Plan	Index
Nonhazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.13%	2.01%
Hazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.13%	2.01%
Insurance	7/1/1992								
Nonhazardous		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%
Hazardous		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%

Note: Current Pension and Insurance benchmark is FTSE 3-month Treasury Bill.

Additional Schedules

The following schedules contain information on the assets under management for each firm CERS employs and assets managed by Investment Staff, external investment-related expenses, commissions paid, and portfolio summaries for each of the Pension and Insurance Plans for the fiscal year ended June 30, 2025.

Investment Managers & Assets Under Management by Plan and Asset Class					
As of June 30, 2025 (\$ in Thousands)					
Advisor/Asset Class	Pension		Insurance		CERS Total
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	
Core Fixed Income	\$1,643,420	\$629,792	\$574,197	\$252,970	\$3,100,379
Loomis, Sayles & Company Core	457,017	166,817	170,742	77,711	872,287
NISA Investment Advisors	481,934	175,912	196,180	89,288	943,314
Internally Managed by KPPA	704,469	287,063	207,275	85,971	1,284,778
Private Equity	\$558,226	\$202,702	\$208,589	\$116,051	\$1,085,568
Ares	\$10,928	\$3,730	\$4,794	\$2,593	\$22,045
Bay Hills	102,438	32,837	29,822	16,089	181,186
Black Diamond	36,448	12,440	20,816	11,259	80,963
Blackstone	8,638	4,174	4,949	2,962	20,723
Crestview	23,209	7,643	7,204	3,891	41,947
CVC	13,880	4,738	6,103	3,301	28,022
DAG	16,127	5,021	1,668	893	23,709
Harvest	19,580	6,046	10,906	6,554	43,086
H.I.G.	7,970	3,308	4,578	2,655	18,511
Horsley Bridge	34,188	10,643	3,534	1,892	50,257
Keyhaven	12,608	4,203	5,646	3,052	25,509
Leonard Green	26,438	10,755	17,814	10,698	65,705
Levine Leichtman	28,928	9,048	16,542	9,954	64,472
Middle Ground	96,900	31,681	26,530	13,737	168,848
Strategic Value Partners	71,157	23,394	21,470	11,220	127,241
Triton	17,068	5,826	7,486	4,049	34,429
Vista	29,867	11,459	18,727	11,252	71,305
Internally Managed by KPPA	1,854	15,756	—	—	17,610
Public Equity	\$5,112,835	\$1,833,188	\$1,881,915	\$883,984	\$9,711,922
American Century	268,108	95,510	96,399	43,640	503,657
Axiom	82,608	29,428	30,670	13,884	156,590
BlackRock	508,195	184,194	209,125	108,566	1,010,080
Franklin Templeton	224,400	79,940	78,177	35,391	417,908
JP Morgan	250,938	89,652	90,927	41,346	472,863
Lazard	316,621	112,792	115,248	52,173	596,834
LSV	336,937	120,029	121,679	55,085	633,730
Next Century	93,629	33,826	35,545	17,640	180,640
Northern Trust	214,272	77,412	80,327	39,865	411,876
Pzena	121,129	43,150	44,177	19,999	228,455
River Road	250,583	90,530	90,017	44,674	475,804
TRP US Structured Eq	161,525	57,814	58,932	26,868	305,139

Draft 11-12-2025

Investment Managers & Assets Under Management by Plan and Asset Class					
As of June 30, 2025 (\$ in Thousands)					
Advisor/Asset Class	Pension		Insurance		CERS Total
	Nonhazardous	Hazardous	Nonhazardous	Hazardous	
Westfield	294,031	106,227	103,140	51,186	554,584
Internally Managed by KPPA	1,989,859	712,684	727,552	333,667	3,763,762
Real Estate	\$522,865	\$166,247	\$191,721	\$105,230	\$986,063
Barings	74,583	23,584	26,089	14,318	138,574
Fundamental	\$25,158	\$7,955	\$8,800	\$4,829	\$46,742
Harrison Street	138,990	43,474	52,094	28,494	263,052
Lubert-Adler	11,510	3,605	3,571	1,948	20,634
Mesa West	42,916	13,536	21,900	12,089	90,441
Prologis	168,968	53,429	54,543	29,932	306,872
Stockbridge	59,057	18,832	24,724	13,620	116,233
Internally Managed by KPPA	1,683	1,832	—	—	3,515
Real Return	\$579,984	\$207,462	\$210,690	\$99,941	\$1,098,077
AMERRA	28,666	9,051	9,488	5,238	52,443
Arctos	67,657	28,585	32,178	11,533	139,953
BTG Pactual	12,399	3,973	3,648	2,004	22,024
Ceres Farms	37,845	13,297	17,133	8,438	76,713
IFM	43,539	14,993	15,245	7,855	81,632
ITE	54,455	19,749	25,040	11,919	111,163
Maritime Partners	64,470	25,788	27,630	11,052	128,940
Prisma	61,214	19,390	20,007	11,209	111,820
Strategic Value Partners	28,666	10,279	12,085	5,835	56,865
Tortoise	180,995	62,330	48,096	24,786	316,207
Internally Managed by KPPA	78	27	140	72	317
Specialty Credit	\$2,068,421	\$738,950	\$779,454	\$363,159	\$3,949,984
Adams Street	191,383	65,873	69,849	36,560	363,665
Arrowmark	398,602	131,772	160,947	87,682	779,003
Benefit Street	72,621	24,053	26,829	14,632	138,135
Blue Torch	93,716	31,643	32,787	17,234	175,380
CapitalSpring	71,562	23,701	23,253	12,682	131,198
Cerberus	123,367	40,860	40,087	21,863	226,177
Columbia Threadneedle	201,498	92,553	99,202	13,134	406,387
Manulife	187,585	75,382	59,241	18,706	340,914
Marathon	289,612	95,158	101,699	55,590	542,059
Shenkman	141,196	58,885	55,327	26,474	281,882
Waterfall	197,371	65,980	74,583	39,159	377,093
White Oak	99,908	33,090	35,650	19,443	188,091
Other	64,007	20,310	24,347	13,225	121,889
Total Assets Under Management	\$10,549,758	\$3,798,651	\$3,870,913	\$1,834,560	\$20,053,882

External Investment Expenses - Pension Asset Class/Type Breakdown								
For the fiscal year ended June 30, 2025 (\$ in Thousands)								
CERS Nonhazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$8,690	\$2,670	\$831	\$12,152	\$—	\$3,358	\$4,421	\$32,122
Performance/Incentive Fees	455	4,298	126	16,785	—	2,010	123	23,797
Securities Lending Fees	116	—	44	55	—	10	—	225
Securities Lending Fee Rebate	5,902	—	1,891	3,200	—	445	—	11,438
Miscellaneous Fees & Expenses	151	1,835	10	21,428	—	1,033	3,658	28,115
Administration	—	—	—	—	2,457	—	—	2,457
Consultant Fees	—	—	—	—	868	—	—	868
Custodial Fees	—	—	—	—	527	—	—	527
	\$15,314	\$8,803	\$2,902	\$53,620	\$3,852	\$6,856	\$8,202	\$99,549

Draft 11-12-2025**External Investment Expenses - Pension Asset Class/Type Breakdown**

For the fiscal year ended June 30, 2025 (\$ in Thousands)

CERS Hazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$3,079	\$886	\$297	\$4,186	\$—	\$1,232	\$1,395	\$11,075
Performance/Incentive Fees	162	1,514	45	5,569	—	779	39	8,108
Securities Lending Fees	42	—	16	23	—	3	—	84
Securities Lending Fee Rebate	2,119	—	675	1,335	—	153	—	4,282
Miscellaneous Fees & Expenses	53	615	4	7,353	—	374	1,156	9,555
Administration	—	—	—	—	814	—	—	814
Consultant Fees	—	—	—	—	250	—	—	250
Custodial Fees	—	—	—	—	311	—	—	311
	\$5,455	\$3,015	\$1,037	\$18,466	\$1,375	\$2,541	\$2,590	\$34,479

NOTE: Miscellaneous expenses include Partnership Expenses, Commissions on Future Contracts, Fee for Long balance, and etc. The Governmental Accounting Standards Board recognizes that it may not be possible or cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses of the Plan. CERS has displayed all investment related fees and expenses identifiable and captured by our custodial bank, BNY Mellon and Investment staff.

External Investment Expenses - Insurance Asset Class/Type Breakdown

For the fiscal year ended June 30, 2025 (\$ in Thousands)

CERS Nonhazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$3,169	\$1,254	\$322	\$4,332	\$—	\$1,279	\$1,610	\$11,966
Performance/Incentive Fees	171	1,207	50	6,187	—	861	44	8,520
Securities Lending Fees	33	—	15	24	—	3	—	75
Securities Lending Fee Rebate	1,628	—	631	1,417	—	124	—	3,800
Miscellaneous Fees & Expenses	55	754	4	7,922	—	401	1,243	10,379
Administration	—	—	—	—	865	—	—	865
Consultant Fees	—	—	—	—	242	—	—	242
Custodial Fees	—	—	—	—	489	—	—	489
	\$5,056	\$3,215	\$1,022	\$19,882	\$1,596	\$2,668	\$2,897	\$36,336

CERS Hazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$1,511	\$700	\$150	\$2,169	\$—	\$575	\$883	\$5,988
Performance/Incentive Fees	79	669	23	3,349	—	361	24	4,505
Securities Lending Fees	17	—	7	6	—	1	—	31
Securities Lending Fee Rebate	806	—	294	378	—	64	—	1,542
Miscellaneous Fees & Expenses	26	408	2	4,171	—	186	682	5,475
Administration	—	—	—	—	463	—	—	463
Consultant Fees	—	—	—	—	67	—	—	67
Custodial Fees	—	—	—	—	233	—	—	233
	\$2,439	\$1,777	\$476	\$10,073	\$763	\$1,187	\$1,589	\$18,304

NOTE: Miscellaneous expenses include Partnership Expenses, Commissions on Future Contracts, Fee for Long balance, and etc. The Governmental Accounting Standards Board recognizes that it may not be possible or cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses of the Plan. CERS has displayed all investment related fees and expenses identifiable and captured by our custodial bank, BNY Mellon and Investment staff.

External Expenses

For the fiscal year ended June 30, 2025 (\$ in Thousands)

Expenses	CERS Nonhazardous		CERS Hazardous	
	Fees Paid	Share of Total	Fee Paid	Share of Total
Portfolio Management				
Pension Plans	\$86,491	63.65%	29,552	55.99%
Insurance Plans	31,730	23.35%	16,431	31.13%

Draft 11-12-2025

External Expenses				
For the fiscal year ended June 30, 2025 (\$ in Thousands)	CERS Nonhazardous		CERS Hazardous	
Securities Lending				
Pension Plans	11,663	8.58%	4,366	8.27%
Insurance Plans	3,875	2.85%	1,573	2.98%
Custody				
Pension Plans	868	0.64%	311	0.59%
Insurance Plans	489	0.36%	233	0.44%
Consultant				
Pension Plans	527	0.39%	250	0.47%
Insurance Plans	242	0.18%	67	0.13%
Total Pension Plans	99,549	73.26%	34,479	65.32%
Total Insurance Plans	36,336	26.74%	18,304	34.68%
Total Expenses	\$135,885	100.00%	\$52,783	100.00%

Schedule of Commissions Paid (in whole \$)			
For the fiscal year ended June 30, 2025			
CERS Nonhazardous			
Assets	Total Shares	Commissions Paid	Price per Share
U.S. Equities	40,260,457	\$729,502	0.0181
Non U.S. Equities	194,075,269	\$948,401	0.0049
Total	234,335,726	1,677,903	0.0072
CERS Hazardous			
Assets	Total Shares	Commissions Paid	Price per Share
U.S. Equities	15,912,662	\$289,771	0.0182
Non U.S. Equities	73,896,313	\$362,628	0.0049
Total	89,808,975	652,399	0.0073

Fair Values (FV)						
For the fiscal year ended June 30, 2025 (\$ in Thousands)						
Pension Plans	CERS Nonhazardous		CERS Hazardous		Total	
	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV
Equity						
Public Equity	\$5,112,914	48.47%	\$1,833,216	48.26%	\$6,946,130	48.41%
Private Equity	\$598,551	5.67%	\$215,309	5.67%	\$813,860	5.67%
Fixed Income						
Core Fixed Income	\$1,321,158	12.52%	\$482,239	12.70%	\$1,803,397	12.57%
Specialty Credit	\$2,068,423	19.61%	\$738,949	19.45%	\$2,807,372	19.57%
Cash	\$322,052	3.05%	\$147,478	3.88%	\$469,530	3.27%
Inflation Protected						
Real Estate	\$543,196	5.15%	\$172,873	4.55%	\$716,069	4.99%
Real Return	\$583,464	5.53%	\$208,587	5.49%	\$792,051	5.52%
Total Portfolio	\$10,549,758		\$3,798,651		\$14,348,409	

Insurance Plans	CERS Nonhazardous		CERS Hazardous		Total	
	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV
Equity						
Public Equity	\$1,881,916	48.62%	\$883,984	48.18%	\$2,765,900	48.48%
Private Equity	\$227,009	5.86%	\$126,031	6.87%	\$353,040	6.19%
Fixed Income						
Core Fixed Income	\$491,722	12.70%	\$223,800	12.20%	\$715,522	12.54%
Specialty Credit	\$779,456	20.14%	\$363,160	19.79%	\$1,142,616	20.03%
Cash	\$82,360	2.13%	\$29,115	1.59%	\$111,475	1.95%
Inflation Protected						
Real Estate	\$196,756	5.08%	\$107,976	5.89%	\$304,732	5.34%

Draft 11-12-2025

Fair Values (FV)						
For the fiscal year ended June 30, 2025 (\$ in Thousands)						
	CERS Nonhazardous		CERS Hazardous		Total	
Real Return	\$211,694	5.47%	\$100,494	5.48%	\$312,188	5.47%
Total Portfolio	\$3,870,913		\$1,834,560		\$5,705,473	



Certification of Actuarial Results

Re: Certification for the Actuarial Results as of June 30, 2025.

Dear Board of Trustees:

Actuarial valuations are prepared annually as of June 30, for the County Employees Retirement System (CERS). These reports describe the current actuarial condition of the System and document the calculated employer contribution requirements as well as the changes in the financial condition since the prior actuarial valuation.

The Board of Trustees for the County Employees Retirement System must certify the employer contribution rates for CERS for the fiscal year beginning July 1, 2026 and ending June 30, 2027. The contribution requirements determined by the June 30, 2025 actuarial valuations are intended to be used by the Board for recommending these required contributions effective July 1, 2026.

These contributions are calculated based on the membership data and plan assets as of June 30, 2025. These calculations are also based on the benefit provisions in effect as of June 30, 2025.

FINANCING OBJECTIVES AND FUNDING POLICY

The Kentucky Public Pensions Authority (KPPA) administers pension and health insurance funds to provide for monthly retirement income and retiree health insurance benefits. The total employer contribution requirement is comprised of a contribution to each respective fund.

The employer contribution for CERS is determined in accordance with Section 78.635 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 June 30, 2019 over a closed 30-year amortization period (24 years remaining as of June 30, 2025). Gains and losses incurring in years after June 30, 2019 are amortized as separate, closed 20-year amortization bases.

If the contributions made are equal to the Actuarially Determined Contribution (ADC), and if all actuarial assumptions are met, there will not be an unfunded accrued liability at the end of the 24-year period remaining from the original closed 30-year amortization base. Accordingly, the ADC under the funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, assumption changes, or actuarial losses, it should increase over time, until it reaches at least 100%. As of June 30, 2025, the funded ratios for the pension and health insurance plans are as follows:

Funding Level As of June 30										
System	2025		2024		2023		2022		2021	
	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance
CERS Nonhazardous	61.4%	106.5%	58.4%	122.3%	56.1%	131.5%	52.0%	132.1%	51.8%	85.4%
CERS Hazardous	57.0%	90.9%	54.0%	100.5%	51.4%	100.7%	47.6%	101.0%	46.7%	84.3%

Funding Level As of June 30



System	2020		2019		2018		2017		2016	
	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance
CERS Nonhazardous	49.4%	78.5%	49.1%	70.7%	52.7%	76.7%	52.8%	66.4%	59.0%	69.6%
CERS Hazardous	45.1%	78.2%	45.3%	75.8%	48.4%	74.6%	48.1%	66.9%	57.7%	72.9%

ASSUMPTIONS AND METHODS

The Boards of Trustees, in consultation with the actuary, set the actuarial assumptions and methods used in the actuarial valuation. In general, the assumptions used in the June 30, 2025 actuarial valuations were adopted for first use in the June 30, 2023 actuarial valuations and are based on the experience study conducted through June 30, 2022.

In our opinion, all the assumptions and methods used for funding purposes adopted by the Board's Trustees satisfy the requirements in the Actuarial Standards of Practice that are applicable for actuarial valuations of public retirement systems.

It is also our opinion that the actuarial assumptions used to perform these valuations are internally consistent and reasonably reflect the anticipated future experience of the Systems. 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 requirements, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

ADDITIONAL DISCLOSURES

The benefit structure is outlined in this section of the annual report. GRS prepared the following schedules in the actuarial section: Summary of Actuarial Valuation Results, Recommended Employer Contribution Rates, Summary of Actuarial Unfunded Liabilities, the Solvency Test, the Summary of Active Member Valuation Data, the Summary of Retired Member Valuation Data, Summary of the Assumptions and Methods, and the Summary of the Benefit Provisions.

In addition, GRS prepared the following schedules in the financial section in accordance with *GASB Statement No. 67*: Net Pension Liability Schedule, Discount Rate Sensitivity Analysis, Schedule of Changes in the Employers' Net Pension Liability, Schedule of Employers' Net Pension Liability, and the Schedule of Employers' Contributions.

DATA

Member data for retired, active and inactive members was supplied as of June 30, 2025, by KPPA staff. The staff also supplied asset information as of June 30, 2025. 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 KPPA.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Retirement Systems as of June 30, 2025. All of our work conforms with generally accepted actuarial principles and practices, and 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.



To the best of our knowledge, this report is complete and accurate and is in accordance with generally recognized actuarial practices and methods. All of the undersigned are Enrolled Actuaries and 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 KPPA 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.

Sincerely,

Gabriel, Roeder, Smith & Co.

Daniel J. White, FSA, EA, MAAA
Senior Consultant

Janie Shaw, ASA, EA, MAAA
Consultant

Krysti Kiesel, ASA, MAAA
Consultant



Draft 11-12-2025

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of the Actuarial Experience Study. In general, the assumptions and methods used in the June 30, 2025 valuation are based on the most recent actuarial experience study performed as of June 30, 2022, submitted, and adopted by the Boards in May 2023.

- 1. Actuarial Cost Method:** The actuarial valuation was prepared using the entry age normal cost (EANC) method as required by state statute. Under this method, the present value of future benefits is determined for each member and allocated equitably as a level percentage of payroll from the member's entry age into the plan to the assumed age of exit from the plan. The portion of the present value of future benefits allocated to the current valuation year is called the normal cost. The portion of the present value of future benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. Relative to the pension fund and the insurance fund, an employer contribution has been established to pay for both the normal cost and the amount needed to amortize the unfunded actuarial accrued liability (UAAL).
- 2. UAAL Amortization Method:** Effective for the June 30, 2019 valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as separated closed 20-year amortization bases. This amortization cost is calculated using a 2.00% payroll growth assumption for the CERS Funds.
- 3. Asset Valuation Method:** The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between market value and expected market value.
- 4. Retiree Insurance Funding Policy:** Effective for the June 30, 2019 valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as separate closed 20-year amortization bases. This amortization cost is calculated using a 2.00% payroll growth assumption for the CERS Funds.
- 5. Investment Return Assumption:** The future investment earnings of plan assets are assumed to accumulate at a rate of 6.50% per annum. This rate consists of a 2.50% price inflation component and a 4.00% real rate of return component. This assumption was adopted in 2023.
- 6. Salary Increase Assumptions:** Active member salaries are assumed to increase at the rates provided in Table 1. The rates include a price inflation and productivity component, and an additional increase due to promotion based upon plan experience. The price inflation component is 2.50% for all plans and the productivity component is 0.80% for the nonhazardous plan and 1.05% for the hazardous plan. This assumption was adopted in 2023.

Service	CERS Nonhazardous	CERS Hazardous
0	10.30%	19.05%
1	7.30%	9.05%
2	6.30%	7.05%
3	5.30%	6.05%
4	5.05%	5.80%
5	4.80%	5.55%
6	4.55%	5.55%
7	4.30%	5.05%
8	4.05%	5.05%
9	4.05%	4.55%

Draft 11-12-2025

Table 1. Salary Increase Assumptions

Service	CERS Nonhazardous	CERS Hazardous
10	3.80%	4.55%
11	3.80%	4.05%
12	3.55%	4.05%
13	3.55%	4.05%
14	3.55%	3.80%
15	3.30%	3.80%
16 & Over	3.30%	3.55%

- 7. Payroll Growth Assumption:** For purposes of determining the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll in CERS (Nonhazardous and Hazardous) is assumed to increase at the rate of 2.00% per annum. This assumption was adopted in 2017.
- 8. Retiree Cost of Living Adjustments (COLA):** SB2 (2013), passed in the 2013 Legislative Regular Session, only allows the Cost of Living Adjustments (COLAs) to be awarded on a biennial basis if the State Legislature so authorizes and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.
- 9. Health Care Cost Trend Rate:** The costs for retiree health care are assumed to increase according to the assumptions provided in Table 2.

Table 2: Health Care Cost Trend Rate (See footnotes 1-2)

Year	Non-Medicare Plans ⁽¹⁾	Medicare Plan ⁽¹⁾	Dollar Contribution ⁽²⁾
2027	7.35%	12.00%	1.50%
2028	7.20%	8.00%	1.50%
2029	7.05%	8.00%	1.50%
2030	6.90%	7.50%	1.50%
2031	6.75%	7.00%	1.50%
2032	6.50%	6.50%	1.50%
2033	6.25%	6.00%	1.50%
2034	6.00%	5.50%	1.50%
2035	5.75%	5.00%	1.50%
2036	5.50%	4.50%	1.50%
2037	5.25%	4.25%	1.50%
2038	5.00%	4.25%	1.50%
2039	4.75%	4.25%	1.50%
2040	4.50%	4.25%	1.50%
2041 and	4.25%	4.25%	1.50%

⁽¹⁾ 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.

⁽²⁾ Applies to members participating on or after July 1, 2003. All increases are assumed to occur on July 1.

- 10. Retirement Rate Assumptions:** The probability, or the likelihood, that a member will retire at a specified age or level of service is provided in Table 3. These assumptions were adopted in 2023.

Draft 11-12-2025**Table 3a: Retirement Rate Assumptions CERS (See footnotes 1 - 3)**

Age	Nonhazardous				Service	Hazardous			
	Normal Retirement		Early Retirement ⁽¹⁾			Members participating before 9/1/2008 ⁽²⁾		Members participating between 9/1/2008 and 1/1/2014 ⁽³⁾	Members participating after 1/1/2014 Male ⁽³⁾
	Male	Female	Male	Female		Age 55-61	Age 62+		
Under 45	35.00%	27.00%	—%	—%	5	17.00%	—%	—%	—%
45	35.00%	27.00%	—%	—%	6	17.00%	—%	—%	—%
46	35.00%	27.00%	—%	—%	7	17.00%	—%	—%	—%
47	35.00%	27.00%	—%	—%	8	17.00%	—%	—%	—%
48	35.00%	27.00%	—%	—%	9	17.00%	—%	—%	—%
49	35.00%	27.00%	—%	—%	10	17.00%	—%	—%	—%
50	30.00%	27.00%	—%	—%	11	17.00%	—%	—%	—%
51	30.00%	27.00%	—%	—%	12	17.00%	—%	—%	—%
52	30.00%	27.00%	—%	—%	13	17.00%	—%	—%	—%
53	30.00%	27.00%	—%	—%	14	17.00%	—%	—%	—%
54	30.00%	27.00%	—%	—%	15	17.00%	—%	—%	—%
55	30.00%	27.00%	4.00%	5.00%	16	17.00%	—%	—%	—%
56	30.00%	27.00%	4.00%	5.00%	17	17.00%	—%	—%	—%
57	30.00%	27.00%	4.00%	5.00%	18	17.00%	—%	—%	—%
58	30.00%	27.00%	4.00%	5.00%	19	17.00%	—%	—%	—%
59	30.00%	27.00%	4.00%	5.00%	20	30.00%	—%	—%	—%
60	30.00%	27.00%	4.00%	8.00%	21	22.50%	—%	—%	—%
61	30.00%	27.00%	4.00%	9.00%	22	18.00%	—%	—%	—%
62	30.00%	40.00%	15.00%	20.00%	23	21.00%	—%	—%	—%
63	30.00%	35.00%	15.00%	18.00%	24	24.00%	—%	—%	—%
64	30.00%	30.00%	15.00%	16.00%	25	27.00%	—%	21.60%	16.00%
65	30.00%	30.00%	—%	—%	26	30.00%	—%	24.00%	16.00%
66	30.00%	27.00%	—%	—%	27	33.00%	—%	26.40%	16.00%
67	30.00%	27.00%	—%	—%	28	36.00%	—%	28.80%	16.00%
68	30.00%	27.00%	—%	—%	29	39.00%	—%	31.20%	16.00%
69	30.00%	27.00%	—%	—%	30+	39.00%	—%	31.20%	100.00%
70	30.00%	27.00%	—%	—%		—%	—%	—%	—%
71	30.00%	27.00%	—%	—%		—%	—%	—%	—%
72	30.00%	27.00%	—%	—%		—%	—%	—%	—%
73	30.00%	27.00%	—%	—%		—%	—%	—%	—%
74	30.00%	27.00%	—%	—%		—%	—%	—%	—%
75	100.00%	100.00%	—%	—%		—%	—%	—%	—%

(1) The annual rate of retirement is 11% for male members and 12% for female members with 25-26 years of service.

(2) The annual rate of retirement is 100% at age 62.

(3) The annual rate of retirement is 100% at age 60.

(4) Nonhazardous System: There is a 1% increase in the first two years a member becomes eligible under the age of 65. For members hired after 7/1/2003, the rates shown above are multiplied by 80% if the member is under age 65 to reflect the different retiree health insurance benefit.

(5) Hazardous System: For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 62 to reflect the different retiree health insurance benefit.

11. Mortality Assumptions:

Pre-retirement mortality: PUB-2010 General Mortality table, for the Nonhazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Post-retirement mortality (non-disabled): System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Post-retirement mortality (disabled): PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010. These mortality assumptions were adopted in 2023.

Draft 11-12-2025

Table 4A provides the life expectancy for a non-disabled retiree in future years based on the assumption with full generational projection and Table 4B provides sample annual rates of mortality in the base year of each table (2023 for the retired member mortality rates and 2010 for the active member and disabled member mortality rates).

Table 4a: Life Expectancy for an Age 65 Retiree in Years

Gender	Year of Retirement				
	2025	2030	2035	2040	2045
Male	19.8	20.2	20.6	21.0	21.3
Female	22.4	22.7	23.1	23.4	23.7

Table 4b: Sample Annual Rate of Mortality

Age	Active Member Mortality		Active Member Mortality		Retired Member Mortality		Disabled Member Mortality	
	Nonhazardous		Hazardous					
	Males	Females	Males	Females	Males	Females	Males	Females
20	0.04%	0.01%	0.04%	0.02%	0.03%	0.01%	0.62%	0.35%
22	0.03%	0.01%	0.04%	0.02%	0.03%	0.01%	0.53%	0.29%
32	0.04%	0.02%	0.04%	0.03%	0.04%	0.02%	0.59%	0.46%
42	0.08%	0.04%	0.07%	0.06%	0.07%	0.04%	1.14%	1.13%
52	0.18%	0.10%	0.14%	0.10%	0.32%	0.21%	2.73%	2.38%
62	0.37%	0.22%	0.32%	0.19%	0.94%	0.55%	4.02%	3.08%
72	0.84%	0.60%	0.98%	0.60%	2.38%	1.48%	6.52%	4.86%

12. Withdrawal Rates: The probability, or likelihood, of active members terminating employment prior to retirement is provided in Table 5. The rates below include the pre-retirement mortality rates described in item #11. These assumptions were adopted in 2023.

Table 5: Selected Rates of Termination Prior to Retirement

Year of Service	CERS Nonhazardous	CERS Hazardous
1	20.00%	20.00%
2	17.92%	10.48%
3	14.35%	8.33%
4	12.26%	7.06%
5	10.78%	6.18%
6	9.63%	5.47%
7	8.69%	4.91%
8	7.90%	4.43%
9	7.21%	4.01%
10	6.60%	3.66%
11	6.06%	3.32%
12	5.57%	3.02%
13	5.12%	2.76%
14	4.70%	2.51%
15	4.32%	2.28%
16	3.97%	2.07%
17	3.63%	1.86%
18	3.32%	1.68%
19	3.04%	1.50%
20	2.75%	1.33%
21	2.48%	—%
22	2.23%	—%
23	2.00%	—%
24	1.77%	—%
25	1.55%	—%
26+	—%	—%

Draft 11-12-2025

- 13. Rates of Disablement:** CERS provide disability benefits for those individuals meeting specific qualifications established by state law. This assumption provides the probability, or likelihood, that a member will become disabled during the course of employment for various age levels. These assumptions were adopted in 2023.

Table 6: Sample Rates of Disablement			
		CERS Nonhazrdous	CERS Hazrdous
Nearest Age	Probability	Probability	Probability
20	0.04%		0.06%
30	0.06%		0.11%
40	0.13%		0.24%
50	0.37%		0.67%
60	0.97%		1.75%

Assumption Changes Since Prior Valuation: 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 an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period and the ultimate trend assumption was increased for all plans as a result of this review.

Draft 11-12-2025

Summary of Actuarial Valuation Results

Summary of Actuarial Valuation Results		
	CERS Nonhazardous	CERS Hazardous
Recommended Contribution Rate (FY 2026)		
Pension Fund Contribution	17.14%	31.52%
Insurance Fund Contribution	0.29%	3.20%
Actuarially Determined Employer Contributions Rate ⁽¹⁾ , payable as a percentage of payroll	17.43%	34.72%
Amortization Cost to be Allocated, if applicable	N/A	N/A
Funded Status as of Valuation Date As of June 30, 2025 (in Whole \$)		
Pension Fund		
Actuarial Liability	\$16,174,005,715	\$6,301,845,834
Actuarial Value of Assets	9,933,705,336	3,592,716,988
Unfunded Liability on Actuarial Value of Assets	6,240,300,379	2,709,128,846
Funding Ratio on Actuarial Value of Assets	61.42%	57.01%
Market Value of Assets	10,490,132,265	3,796,462,074
Unfunded Liability on Market Value of Assets	\$5,683,873,450	\$2,505,383,760
Funding Ratio on Market Value of Assets	64.86%	60.24%
Insurance Fund		
Actuarial Liability	\$3,562,876,208	\$1,939,809,337
Actuarial Value of Assets	3,793,782,246	1,763,479,375
Unfunded Liability on Actuarial Value of Assets	(230,906,038)	176,329,962
Funding Ratio on Actuarial Value of Assets	106.48%	90.91%
Market Value of Assets	4,011,291,021	1,862,028,671
Unfunded Liability on Market Value of Assets	(\$448,414,813)	\$77,780,666
Funding Ratio on Market Value of Assets	112.59%	95.99%
Member Data (See Footnotes)		
Number of Active Members	81,863	9,927
Total Annual Payroll (Active Members) ⁽²⁾	\$3,336,806,507	\$806,462,406
Average Annual Pay (Active Members)	\$40,761	\$81,239
Number of Retired Members & Beneficiaries	73,570	12,074
Average Annual Retirement Allowance	12,306	28,203
Number of Vested Inactive Members	50,069	1,814
Number of Active Members Due to Refund	70,243	2,777
⁽¹⁾ Rates do reflect the CERS phase-in provisions, which limit the increases to the employer contribution rates to 12% over the prior fiscal year through June 30, 2028. However, the actuarially determined employer contribution rates are below this threshold for FYE2027, and therefore, the rates shown above are equal to the actuarially determined rates.		

Recommended Employer Contribution Rates

Recommended Employer Contribution Rates						
As of June 30						
CERS Nonhazardous Employers						
Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2016	2017-2018	3.70%	10.78%	14.48%	4.70%	19.18%
2017	2018-2019	5.85%	15.99%	21.84%	6.21%	28.05%
2018	2019-2020	5.80%	16.72%	22.52%	4.76%	27.28%
2019	2020-2021	6.63%	17.18%	23.81%	5.43%	29.24%
2020	2021-2022	6.46%	17.42%	23.88%	4.17%	28.05%
2021	2022-2023	6.30%	17.10%	23.40%	3.39%	26.79%
2022	2023-2024	6.06%	17.28%	23.34%	—%	23.34%
2023	2024-2025	5.29%	14.42%	19.71%	—%	19.71%
2024	2025-2026	5.22%	13.40%	18.62%	—%	18.62%

Draft 11-12-2025

Recommended Employer Contribution Rates

As of June 30

2025	2026-2027	5.03%	12.11%	17.14%	0.29%	17.43%
------	-----------	-------	--------	--------	-------	--------

CERS Hazardous Employers

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2016	2017-2018	4.40%	17.80%	22.20%	9.35%	31.55%
2017	2018-2019	6.78%	28.91%	35.69%	12.17%	47.86%
2018	2019-2020	6.35%	30.63%	36.98%	9.52%	46.50%
2019	2020-2021	11.36%	30.66%	42.02%	9.86%	51.88%
2020	2021-2022	11.00%	32.23%	43.23%	8.73%	51.96%
2021	2022-2023	10.71%	32.10%	42.81%	6.78%	49.59%
2022	2023-2024	10.34%	30.77%	41.11%	2.58%	43.69%
2023	2024-2025	9.77%	26.72%	36.49%	2.12%	38.61%
2024	2025-2026	9.48%	24.52%	34.00%	1.73%	35.73%
2025	2026-2027	9.18%	22.34%	31.52%	3.20%	34.72%

The insurance fund contribution rates and the employer contribution rates for CERS Nonhazardous and CERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2016 through 2025 annual valuations. However, in the case of CERS Nonhazardous and CERS Hazardous, in 2006 the actuary recommended a five-year phase-in of the rate which requires the payment of the insurance benefit normal cost with a five-year phase-in of the unfunded accrued liability (UAL) associated with the insurance funds. In 2008 this recommendation was changed to a ten-year phase-in from the initial starting date. This phase-in was complete and the full actuarial rates were paid in FYE 2018. HB 362 (passed during the 2018 legislative session) limited the employer contribution rate increases to 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028. SB 249 (passed during the 2020 legislative session) froze the contribution rates for one year so that the rates for FYE 2021 were equal to FYE 2020. As of FYE 2023, the CERS contributions rates were fully phased-in and the actual employer contribution rates equaled the actuarially determined rates shown above.

Summary of Actuarial Unfunded Liabilities

Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

CERS Nonhazardous Pension Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$11,076,457	\$6,535,372	\$6,106,187	\$4,541,084	\$4,970,270	59.00%	55.13%
2017	12,803,509	6,764,873	\$6,687,237	6,038,636	6,116,272	52.84%	52.23%
2018	13,191,505	6,950,225	\$7,018,963	6,241,280	6,172,542	52.69%	53.21%
2019	14,356,114	7,049,527	\$7,159,921	7,306,587	7,196,192	49.10%	49.87%
2020	14,610,867	7,220,607	\$7,027,327	7,390,260	7,583,540	49.42%	48.10%
2021	14,894,907	7,715,884	\$8,565,652	7,179,023	6,329,254	51.80%	57.51%
2022	15,674,220	8,148,912	\$7,963,586	7,525,308	7,710,634	51.99%	50.81%
2023	15,296,428	8,585,072	\$8,672,597	6,711,356	6,623,831	56.12%	56.70%
2024	15,776,491	9,211,735	\$9,596,244	6,564,757	6,180,248	58.39%	60.83%
2025	\$16,174,006	9,933,705	\$10,490,132	\$6,240,300	\$5,683,873	61.42%	64.86%

CERS Nonhazardous Insurance Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$2,988,121	\$2,079,811	\$1,943,757	\$908,310	\$1,044,364	69.60%	65.05%
2017	3,355,151	2,227,401	2,212,536	1,127,750	1,142,616	66.39%	65.94%
2018	3,092,623	2,371,430	2,414,126	721,193	678,497	76.68%	78.06%
2019	3,567,947	2,523,249	2,569,511	1,044,698	998,435	70.72%	72.02%
2020	3,392,086	2,661,351	2,581,613	730,735	810,473	78.46%	76.11%
2021	3,450,485	2,947,312	3,246,801	503,172	203,683	85.42%	94.10%
2022	2,391,990	3,160,084	3,079,984	(768,094)	(687,994)	132.11%	128.76%

Draft 11-12-2025

Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

2023	2,560,387	3,366,332	3,398,375	(805,945)	(837,988)	131.48%	132.73%
2024	2,901,345	3,549,422	3,707,277	(648,077)	(805,932)	122.34%	127.78%
2025	\$3,562,876	\$3,793,782	\$4,011,291	(\$230,906)	(\$448,415)	106.48%	112.59%

CERS Hazardous Pension Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$3,704,456	\$2,139,119	\$2,003,669	\$1,565,337	\$1,700,787	57.74%	54.09%
2017	4,649,047	2,238,320	2,217,996	2,410,726	2,431,051	48.15%	47.71%
2018	4,792,548	2,321,721	2,348,337	2,470,827	2,444,211	48.44%	49.00%
2019	5,245,365	2,375,106	2,413,708	2,870,258	2,831,657	45.28%	46.02%
2020	5,431,298	2,447,885	2,379,704	2,983,413	3,051,595	45.07%	43.81%
2021	5,629,458	2,628,621	2,914,408	3,000,837	2,715,050	46.69%	51.77%
2022	5,861,691	2,788,714	2,718,234	3,072,977	3,143,457	47.58%	46.37%
2023	5,849,996	3,008,147	3,035,192	2,841,849	2,814,804	51.42%	51.88%
2024	6,070,200	3,279,623	3,416,897	2,790,577	2,653,303	54.03%	56.29%
2025	\$6,301,855	\$3,592,717	\$3,796,462	\$2,709,129	\$2,505,384	57.01%	60.24%

CERS Hazardous Insurance Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$1,558,818	\$1,135,784	\$1,062,602	\$423,034	\$496,216	72.86%	68.17%
2017	1,788,433	1,196,780	1,189,001	591,653	599,431	66.92%	66.48%
2018	1,684,028	1,256,306	1,280,982	427,722	403,046	74.60%	76.07%
2019	1,732,879	1,313,659	1,340,714	419,221	392,165	75.81%	77.37%
2020	1,740,971	1,362,028	1,321,117	378,943	419,854	78.23%	75.88%
2021	1,751,203	1,475,635	1,627,824	275,568	123,379	84.26%	92.95%
2022	1,538,131	1,553,761	1,522,671	(15,630)	15,460	101.02%	98.99%
2023	1,604,147	1,615,349	1,634,192	(11,202)	(30,045)	100.70%	101.87%
2024	1,668,056	1,676,141	1,752,366	(8,085)	(84,310)	100.48%	105.05%
2025	\$1,939,809	\$1,763,479	\$1,862,029	\$176,330	\$77,781	90.91%	95.99%

Solvency Test

Solvency Test

As of June 30 (\$ in Thousands)

CERS Nonhazardous Pension Plan

Valuation Date	Actuarial Liabilities				% of Actuarial Liabilities Covered by Actuarial Assets		
	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	(1)	(2)	(3)
2016	\$1,231,027	\$6,785,530	\$3,059,900	\$6,535,372	100.00%	78.20%	—%
2017	1,277,432	7,731,682	3,794,396	6,764,873	100.00%	71.00%	—%
2018	1,269,287	8,196,719	3,725,500	6,950,225	100.00%	69.30%	—%
2019	1,280,679	8,905,545	4,169,890	7,049,527	100.00%	64.80%	—%
2020	1,312,554	9,088,237	4,210,077	7,220,607	100.00%	65.00%	—%
2021	1,324,826	9,397,968	4,172,112	7,715,883	100.00%	68.00%	—%
2022	1,335,758	10,021,345	4,317,117	8,148,912	100.00%	68.00%	—%
2023	1,341,594	9,791,605	4,163,230	8,585,073	100.00%	74.00%	—%

Draft 11-12-2025

Solvency Test

As of June 30 (\$ in Thousands)

2024	1,384,947	10,056,035	4,335,509	9,211,735	100.00%	77.80%	—%
2025	\$1,454,966	10,251,856	\$4,467,183	\$9,933,705	100.00%	82.70%	—%

CERS Nonhazardous Insurance Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$—	\$1,484,937	\$1,503,184	\$2,079,811	100.00%	100.00%	39.60%
2017	—	1,603,438	1,751,713	2,227,401	100.00%	100.00%	35.60%
2018	—	1,525,322	1,567,301	2,371,430	100.00%	100.00%	54.00%
2019	—	1,830,692	1,737,255	2,523,249	100.00%	100.00%	39.90%
2020	—	1,746,160	1,645,926	2,661,351	100.00%	100.00%	55.60%
2021	—	1,835,734	1,614,751	2,947,312	100.00%	100.00%	68.80%
2022	—	1,055,375	1,336,615	3,160,084	100.00%	100.00%	100.00%
2023	—	1,256,529	1,303,858	3,366,332	100.00%	100.00%	100.00%
2024	—	1,510,962	1,390,383	3,549,422	100.00%	100.00%	100.00%
2025	\$—	1,893,770	\$1,669,106	\$3,793,782	100.00%	100.00%	100.00%

CERS Hazardous Pension Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$428,713	\$2,388,712	\$887,031	\$2,139,119	100.00%	71.60%	—%
2017	458,808	2,910,601	1,279,638	2,238,320	100.00%	61.10%	—%
2018	442,637	3,151,057	1,198,853	2,321,721	100.00%	59.60%	—%
2019	458,559	3,399,954	1,386,852	2,375,106	100.00%	56.40%	—%
2020	454,801	3,606,091	1,370,407	2,447,885	100.00%	55.30%	—%
2021	457,391	3,777,313	1,394,754	2,628,621	100.00%	57.50%	—%
2022	468,325	3,915,964	1,477,402	2,788,714	100.00%	59.30%	—%
2023	476,005	3,905,983	1,468,008	3,008,147	100.00%	64.80%	—%
2024	509,070	4,019,097	1,542,033	3,279,623	100.00%	68.90%	—%
2025	\$539,330	\$4,147,267	\$1,615,249	\$3,592,717	100.00%	73.60%	—%

CERS Hazardous Insurance Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$—	\$879,360	\$679,458	\$1,135,784	100.00%	100.00%	37.70%
2017	—	994,764	793,669	1,196,780	100.00%	100.00%	25.50%
2018	—	1,001,717	682,311	1,256,306	100.00%	100.00%	37.30%
2019	—	1,072,861	660,018	1,313,659	100.00%	100.00%	36.50%
2020	—	1,154,389	586,582	1,362,028	100.00%	100.00%	35.40%
2021	—	1,217,527	533,676	1,475,635	100.00%	100.00%	48.40%
2022	—	1,045,022	493,109	1,553,761	100.00%	100.00%	100.00%
2023	—	1,163,315	440,832	1,615,349	100.00%	100.00%	100.00%
2024	—	1,237,542	430,514	1,676,141	100.00%	100.00%	100.00%
2025	\$—	\$1,395,064	\$544,746	\$1,763,479	100.00%	100.00%	67.60%

Draft 11-12-2025

Member Valuation

Summary of Active Member Valuation Data

As of June 30 (\$ in Thousands)

CERS Nonhazardous Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Covered Payroll ⁽¹⁾	Annual Average Pay	% Increase in Average Pay	Average Age	Average Years of Service Credit
2016	1,095	80,664	\$2,352,762	\$29	2.70%	47.9	9.4
2017	1,096	82,198	\$2,452,407	30	2.29%	47.9	9.4
2018	1,092	81,818	\$2,466,801	30	1.06%	47.7	9.2
2019	1,094	81,506	\$2,521,860	31	2.62%	47.7	9.1
2020	1,087	81,250	\$2,565,391	32	2.05%	47.8	9.1
2021	1,084	77,367	\$2,528,735	33	3.52%	48.0	9.4
2022	1,084	77,849	\$2,691,171	35	5.76%	47.6	9.1
2023	1,086	78,810	\$2,898,813	37	6.40%	47.3	8.8
2024	1,078	80,440	\$3,137,814	39	6.05%	47.0	8.6
2025	1,091	81,863	\$3,336,807	\$41	4.49%	46.9	8.5

CERS Hazardous Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Covered Payroll ⁽¹⁾	Annual Average Pay	% Increase in Average Pay	Average Age	Average Years of Service Credit
2016	246	9,084	\$492,851	\$54	2.90%	39.1	10.6
2017	250	9,495	541,633	57	5.14%	39.2	10.5
2018	247	9,263	533,618	58	0.99%	38.5	10.2
2019	243	9,474	559,353	59	2.49%	38.6	10.1
2020	243	9,419	568,558	60	2.24%	38.4	10.0
2021	241	9,173	578,355	63	4.45%	38.4	10.0
2022	240	9,184	620,934	68	7.23%	38.3	10.0
2023	239	9,205	677,988	74	8.94%	38.1	9.8
2024	239	9,678	743,133	77	4.25%	37.7	9.6
2025	239	9,927	\$806,462	\$81	5.80%	37.5	9.4

⁽¹⁾ Annual payroll included in the Schedule of Active Member Valuation Data is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ending June 30, 2025.

Summary of Retired Member Valuation Data

As of June 30 (\$ in Thousands)

CERS Nonhazardous Schedule of Retired Member Valuation Data

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances Added	Annualized Retirement Allowances Removed	Annualized Retirement Allowances ⁽¹⁾	% Increase in Allowances	Average Annual Allowance
2016	4,409	721	56,339	\$49,487	\$5,822	\$661,217	7.07%	\$12
2017	4,141	1,467	59,013	47,074	40,823	667,468	0.95%	11
2018	4,650	1,725	61,938	57,343	14,436	710,374	6.43%	11
2019	4,472	1,871	64,539	53,392	16,649	747,117	5.17%	12
2020	3,550	2,675	65,414	40,409	24,066	763,459	2.19%	12
2021	4,350	2,558	67,206	51,859	23,756	791,562	3.68%	12
2022	4,693	3,010	68,889	58,456	29,341	820,678	3.68%	12
2023	4,753	2,710	70,932	62,416	27,922	855,173	4.20%	12
2024	4,203	2,750	72,385	55,348	27,329	883,192	3.28%	12
2025	4,109	2,924	73,570	\$51,878	\$29,734	\$905,336	2.51%	\$12

Draft 11-12-2025

Summary of Retired Member Valuation Data

As of June 30 (\$ in Thousands)

CERS Hazardous Schedule of Retired Member Valuation Data

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances Added	Annualized Retirement Allowances Removed	Annualized Retirement Allowances ⁽¹⁾	% Increase in Allowances	Average Annual Allowance
2016	604	75	8,563	\$14,642	\$1,494	\$215,302	6.50%	\$25
2017	576	141	8,998	15,102	3,724	226,680	5.28%	25
2018	779	190	9,587	22,292	3,297	245,675	8.38%	26
2019	608	172	10,023	16,096	2,957	258,813	5.35%	26
2020	621	192	10,452	19,621	3,643	274,791	6.17%	26
2021	651	245	10,858	18,939	4,855	288,876	5.13%	27
2022	674	301	11,231	19,629	6,539	301,966	4.53%	27
2023	672	300	11,603	21,528	5,964	317,529	5.15%	27
2024	548	298	11,853	17,709	6,150	329,089	3.64%	28
2025	590	369	12,074	\$18,628	\$7,188	\$340,528	3.48%	\$28

⁽¹⁾ The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section. Headcounts and hazardous benefits for members receiving benefits in both the nonhazardous and hazardous fund have been included in the hazardous funds' summaries above. Additional \$30,741,000 in CERS nonhazardous annual benefits not included in summary above for June 30, 2025.

Summary of Benefit Provisions CERS Plans

Plan Funding

State statute requires active members to contribute 5% for nonhazardous and 8% for hazardous of creditable compensation. For members participating on or after July 1, 2003 an additional 1% for nonhazardous and 2% for hazardous of creditable compensation is required. This additional amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 78.635.

Membership Eligibility

For non-school board employers, all regular full-time positions that average 100 or more hours of work per month over a fiscal or calendar year. For school board employers, all regular full-time positions that average 80 hours of work per month over the actual days worked during the school year.

Retirement Eligibility for Nonhazardous Employees

Age	Years of Service	Allowance Reduction
Tier 1 Members Whose Participation Began Before 9/1/2008		
65	1 Month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service)
Tier 3 Members Whose Participation Began On or After 1/1/2014		
65	5	None
57	Rule of 87	None

Draft 11-12-2025

Retirement Eligibility for Hazardous Employees

Age	Years of Service	Allowance Reduction
Tier 1 Members Whose Participation Began Before 9/1/2008		
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.
Tier 3 Members Whose Participation Began On or After 1/1/2014		
60	5	None
Any	25	None

Benefit Formula for Nonhazardous

Tier 1: Members whose participation began before 9/1/2008

Average of the five highest years of compensation	CERS 2.20% if:	Member begins participating prior to 8/1/2004	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	CERS 2.00% if:	Member begins participating on or after 8/1/2004 but before 9/1/2008.	

If a member retires with less than four years of service credit, the member's benefit is equal to the actuarially equivalent of two times their member contribution balance with interest.

Benefit Formula for Nonhazardous

Tier 2: Members whose participation began on or after 9/1/2008 but before 1/1/2014

Final Compensation	Benefit Factor		Years of Service
Average of the last five complete years of compensation	CERS increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 years		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	*Service	Multiplier	
	10 years or less	1.10%	
	10-20 years	1.30%	
	20-26 years	1.50%	
	26-30 years	1.75%	

Benefit Formula for Hazardous for Tier 1: Members whose participation began before 9/1/2008

Final Compensation	Benefit Factor		Years of Service
Average of the three highest years of compensation	CERS 2.50% if:	Member begins participating prior to 9/1/2008	Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
If a member retires with less than four years of service, the member's benefit is equal to the actuarially equivalent of two times their member contribution balance with interest.			

Benefit Formula for Hazardous

Tier 2: Members whose participation began on or after 9/1/2008 but before 1/1/2014

Final Compensation	Benefit Factor		Years of Service
Average of the three highest complete years of compensation	CERS increasing percent based on service at retirement*		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
	*Service	Multiplier	
	10 years or less	1.30%	
	10-20 years	1.50%	
	20-25 years	2.25%	
	25+ years	2.50%	

Draft 11-12-2025

Benefit Formula

Tier 3: Members whose participation began on or after 1/1/2014

Accumulated Account Balance / Actuarial Factor = Monthly Life Annuity

	Member Contributions	Employer Pay Credit	Base Annual Interest	Upside Sharing Interest (FY 2025)	Actuarial Factor
CERS Nonhazardous	5.00%	4.00%	4.00%	4.42%	See www.kyret.ky.gov for most recent Actuarial Factors
CERS Hazardous	8.00%	7.50%	4.00%	4.58%	

Note: Accumulated Account Balance is composed of member contributions, employer pay credit, annual interest and annual upside sharing interest. For additional information on the calculation of the annual interest for Tier 3 see Upside Sharing Interest in Note B.

Note: Please see Plan Provisions for additional details.

Post-retirement Death Benefits

If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

Disability Benefits

Members participating before 8/1/2004 may retire on account of disability provided the member has at least 60 months of service credit and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula.

Members participating on or after 8/1/2004 but before 1/1/2014 may retire on account of disability provided the member has at least 60 months of service credit. Benefits are computed as the greater of 20% for nonhazardous and 25% for hazardous of member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service.

Members participating on or after 1/1/2014 may retire on account of disability provided the member has at least 60 months of service credit. The hypothetical account which includes member contributions, employer contributions and interest credits can be withdrawn from the System as a lump sum or an annuity equal to the greater of 20% for nonhazardous and 25% of hazardous of the member's monthly final rate of pay or the annuitized hypothetical account into a single life annuity option.

Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for special benefits.

Pre-Retirement Death Benefits

The beneficiary of a deceased active member is eligible for a monthly benefit if the member died while in the line of duty. The beneficiary of a deceased active member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased active member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's contributions and any accumulated interest.

Cost Of Living Adjustment (COLA)

SB2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Insurance Benefits

For members participating prior to July 1, 2003, the retirement system pays a percentage of the monthly premium for single coverage based upon the service credit accrued at retirement. Members participating on or after July 1, 2003 and before September 1, 2008 are required to earn at least 10 years of service credit in order to be eligible for insurance benefits at retirement. Members participating on or after September 1, 2008 are required to earn at least 15 years of service credit in order to be eligible for insurance benefits at retirement.

Draft 11-12-2025

The monthly health insurance contribution will be \$10 for nonhazardous and \$15 for hazardous for each year of earned service increased by the CPI prior to July 1, 2009, and by 1.5% annually from July 1, 2009.

Effective January 1, 2023, members will receive an additional dollar contribution of \$5 for every year of nonhazardous service a member attains over 27 years and every year of hazardous service a Tier 1 attains over 20 years and a Tier 2 attains over 25 years. This additional dollar contribution does not increase by 1.5% annually and is only payable for non-Medicare retirees. Also, it is only payable when the applicable insurance fund is at least 90% funded on an actuarial value of asset basis as of the last actuarial valuation.

Effective January 1, 2026, the monthly health insurance contribution for members who are not eligible for Medicare benefits and have attained over 27 years for nonhazardous and 20 years of for hazardous (25 years of service if hired on or after September 1, 2008) of service will be \$40 for nonhazardous and \$50 for hazardous for each year of earned service. The monthly benefit will be increased by 1.5% annually from July 1, 2026.

Refunds

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Interest On Accounts

For employees participating prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%, for employees participating on or after September 1, 2008 but before January 1, 2014, interest will be credited at a rate of 2.5%. For employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4.0%.

Benefit Changes Since The Prior Valuation

There have been no benefit changes since the prior valuation.

Draft 11-12-2025**Plan Statistics****Definitions**

Active members are those members who are currently employed by a participating agency and contributing to CERS as a condition of employment.

Inactive members are those members who are no longer employed with a participating agency but have not yet retired or taken a refund of contributions.

Retired members include both members and beneficiaries who are receiving a monthly benefit from CERS.

A single member may have multiple accounts. For these tables, persons who participate in both Hazardous and Nonhazardous plans will appear in each plan in which they have service credit.

These tables do not include individuals receiving payments under dependent child accounts, Qualified Domestic Relations Orders (QDRO), or multiple beneficiary accounts.

CERS Nonhazardous Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	85,912	81,427	59,466	226,805
2017	86,873	84,410	62,262	233,545
2018	86,536	87,167	65,415	239,118
2019	86,334	90,990	68,146	245,470
2020	84,932	96,610	70,126	251,668
2021	81,600	101,418	73,501	256,519
2022	81,548	107,279	75,517	264,344
2023	82,471	112,935	77,341	272,747
2024	83,956	118,064	78,976	280,996
2025	85,606	122,757	80,397	288,760

CERS Hazardous Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	10,044	3,084	8,639	21,767
2017	10,188	3,267	9,100	22,555
2018	10,135	3,404	9,698	23,237
2019	10,291	3,526	10,133	23,950
2020	10,174	3,804	10,618	24,596
2021	9,933	4,151	11,138	25,222
2022	9,987	4,422	11,513	25,922
2023	10,031	4,665	11,886	26,582
2024	10,548	4,833	12,141	27,522
2025	10,818	5,033	12,420	28,271

County Employees Retirement System Membership Totals As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	95,956	84,511	68,105	248,572
2017	97,061	87,677	71,362	256,100
2018	96,671	90,571	75,113	262,355
2019	96,625	94,516	78,279	269,420
2020	95,106	100,414	80,744	276,264
2021	91,533	105,569	84,639	281,741
2022	91,535	111,701	87,030	290,266
2023	92,502	117,600	89,227	299,329
2024	94,504	122,897	91,117	308,518
2025	96,424	127,790	92,817	317,031

Draft 11-12-2025

Participating Employers

Principal Participating Employers in CERS As of June 30, 2025

Fiscal Year	Rank	Covered Employees	% of Total System
JEFFERSON COUNTY BOARD OF EDUCATION	1	5,266	5.58%
LOUISVILLE JEFFERSON COUNTY METRO GOVERNMENT	2	4,778	5.07%
FAYETTE COUNTY BOARD OF EDUCATION	3	2,206	2.34%
LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT	4	1,816	1.93%
JUDICIAL DEPARTMENT ADMINISTRATIVE OFFICE OF THE COURTS	5	1,488	1.58%
BOONE COUNTY BOARD OF EDUCATION	6	1,139	1.21%
HARDIN COUNTY BOARD OF EDUCATION	7	1,088	1.15%
SCOTT COUNTY BOARD OF EDUCATION	8	993	1.05%
WARREN COUNTY BOARD OF EDUCATION	9	972	1.03%
BULLITT COUNTY BOARD OF EDUCATION	10	945	1.00%
ALL OTHERS		73,631	78.06%
Total		94,322	100.00%

Schedule of Participating Employers in CERS As of June 30, 2025

Agency Classification	Number of Agencies	Covered Employees
Airport Boards	6	567
Ambulance Services	20	469
Area Development Districts	14	764
Boards of Education	171	47,081
Cities	222	10,846
Community Action Agencies	21	2,895
Conservation Districts	48	60
County Attorneys	74	545
County Clerks	16	577
Development Authorities	7	12
Fire Departments	27	1,272
Fiscal Courts	118	11,556
Hospitals & Clinics (incl. Dental)	1	348
Housing Authorities	39	418
Jailers	2	74
Libraries	86	1,343
Other Retirement Systems	2	2
P1 State Agencies	4	1,489
Parks and Recreation	7	59
Planning Commissions	16	209
Police Departments	2	15
Riverport Authorities	5	78
Sanitation Districts	8	330
Sheriff Departments	12	803
Special Districts & Boards	46	1,410
Tourist Commissions	25	216
Urban Government Agencies	2	6,594
Utility Boards	120	4,290
Total	1,121	94,322
Total Employees By Tier Levels		
Tier 1		20,912
Tier 2		11,296
Tier 3		62,114

Draft 11-12-2025**Member Monthly Benefit**

Average Monthly Benefit by Length of Service in CERS As of June 30, 2025 (in Whole \$)					
Service Credit Range	CERS Nonhazardous		CERS Hazardous		
	Number of Accounts	Average Monthly Benefit	Number of Accounts	Average Monthly Benefit	
Under 5 years	12,293	\$192	1,398	\$503	
5 or more but less than 10	11,783	350	1,174	717	
10 or more but less than 15	12,156	549	1,156	1,289	
15 or more but less than 20	10,601	848	1,392	1,946	
20 or more but less than 25	13,755	1,062	5,133	2,786	
25 or more but less than 30	15,559	1,983	1,658	3,827	
30 or more but less than 35	3,356	2,744	422	4,593	
35 or more	894	3,837	87	5,719	
Total	80,397	\$998	12,420	\$2,321	

Note: These tables reflect the Average Monthly Pension Benefit. A single member may have multiple accounts, which contribute to one pension. These tables do not reflect dependent child accounts, Qualified Domestic Relations Order (QDRO) accounts or multiple beneficiary accounts.

Fiduciary Net Position

Fiduciary Net Position - CERS						
As of June 30 (\$ in Thousands)						
Fiscal Year	Nonhazardous			Hazardous		
	Pension	Insurance	Total	Pension	Insurance	Total
2016	\$6,141,396	\$1,908,550	\$8,049,946	\$2,010,177	\$1,056,097	\$3,066,274
2017	6,739,142	2,160,553	8,899,695	2,227,679	1,179,313	3,406,992
2018	7,086,322	2,346,767	9,433,089	2,361,047	1,268,272	3,629,319
2019	7,242,975	2,486,458	9,729,433	2,429,613	1,324,809	3,754,422
2020	7,110,889	2,498,051	9,608,940	2,395,688	1,305,132	3,700,820
2021	8,670,667	3,141,786	11,812,453	2,934,421	1,607,811	4,542,232
2022	8,062,346	2,981,224	11,043,570	2,736,928	1,503,977	4,240,905
2023	8,781,440	3,289,533	12,070,973	3,055,797	1,613,586	4,669,383
2024	9,717,626	3,585,894	13,303,520	3,439,860	1,729,403	5,169,263
2025	\$10,625,575	\$3,875,848	\$14,501,423	\$3,822,051	\$1,836,440	\$5,658,491

Note: For additional historical data for all charts presented, please visit our website for previous annual reports at <https://kyret.ky.gov/Publications/Pages/Annual-Reports.aspx>

Draft 11-12-2025

Changes in Fiduciary Net Position

Changes in Fiduciary Net Position - CERS Nonhazardous Pension Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Members' Contributions	\$133,987	\$150,714	\$160,370	\$159,064	\$168,994	\$165,698	\$186,648	\$147,769	\$161,176	\$167,151
Employers' Contributions	282,767	331,493	355,473	393,302	475,311	472,196	606,772	697,634	764,747	677,432
Health Insurance Contributions (HB1)	7,687	9,158	10,826	11,801	5	(1)	(60)	(30)	(86)	(68)
Net Investment Income (Loss)	(40,799)	825,901	578,377	394,558	56,682	1,784,231	(500,996)	815,417	1,002,646	1,107,012
Northern Trust Settlement	—	—	361	44	—	—	—	—	—	—
Pension Spiking	1,339	2,061	2,544	151	105	32	35	46	31	(2)
Total Additions	384,981	1,319,327	1,107,951	958,920	701,097	2,422,156	292,399	1,660,836	1,928,514	1,951,524
Deductions										
Benefit Payments	651,247	687,460	726,568	766,221	795,960	826,749	858,260	894,351	940,514	993,357
Refunds	13,754	14,430	14,608	14,387	14,918	13,862	19,789	23,263	25,267	24,377
Administrative Expenses	19,078	19,614	19,592	21,659	22,304	21,767	22,670	24,128	26,547	25,841
Capital Project Expenses	307	77	—	—	—	—	—	—	—	—
Total Deductions	684,385	721,581	760,768	802,267	833,182	862,378	900,719	941,742	992,328	1,043,575
Net Increase (Decrease) in Fiduciary Net Position	(\$299,404)	\$597,746	\$347,183	\$156,653	(\$132,085)	\$1,559,778	(\$608,321)	\$719,094	\$936,186	\$907,949

Changes in Fiduciary Net Position - CERS Nonhazardous Insurance Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employers' Contributions	\$108,269	\$117,310	\$120,798	\$135,570	\$124,740	\$124,697	\$118,550	\$101,121	\$2,765	\$825
Net Investment Income (Loss)	(1,422)	259,586	197,520	133,697	8,656	619,593	(170,699)	306,003	380,512	397,265
Retired Reemployed (HB1)	3,567	3,402	3,821	4,085	4,528	5,206	4,816	4,922	7,378	12,017
Member Drug Reimbursement	—	1	11	6	4	3	1	—	—	—
Premiums Received from Retirees	629	707	637	616	596	555	534	294	262	74
Humana Gain Share Payment	—	—	—	3,574	—	20,676	8,912	5,951	10,445	—
Northern Trust Settlement	—	—	75	9	—	—	—	—	—	—
Health Insurance Contribution (HB1)	—	—	—	—	12,959	13,614	15,985	17,782	20,736	22,774
Total Additions	111,043	381,006	322,862	277,557	151,483	784,344	(21,901)	436,073	422,098	432,954
Deductions										
Health Insurance Premiums	122,713	124,573	131,631	133,005	135,094	136,263	134,428	123,587	122,209	137,430
Administrative Expenses	726	789	761	877	903	884	933	937	930	910
Self-Funded Healthcare Costs	—	3,635	4,248	3,979	3,887	3,462	3,288	3,240	2,585	4,654
Excise Tax Insurance	—	6	6	6	6	—	12	—	13	7
Total Deductions	123,439	129,003	136,646	137,867	139,890	140,609	138,661	127,764	125,737	143,001
Net Increase (Decrease) in Fiduciary Net Position	(\$12,396)	\$252,003	\$186,216	\$139,690	\$11,593	\$643,735	(\$160,562)	\$308,309	\$296,361	\$289,954

Draft 11-12-2025

Changes in Fiduciary Net Position - CERS Hazardous Pension Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Members' Contributions	\$51,554	\$60,102	\$61,089	\$58,661	\$63,236	\$62,367	\$69,565	\$56,988	\$61,438	\$65,847
Employers' Contributions	104,952	114,315	124,953	137,664	168,201	172,089	221,968	308,036	321,225	305,978
Health Insurance Contributions (HB1)	1,418	1,708	2,173	2,458	1	2	(104)	(20)	(59)	(59)
Net Investment Income (Loss)	(9,021)	270,473	192,174	132,970	15,992	600,730	(175,431)	281,965	355,852	396,987
Northern Trust Settlement	—	—	111	14	—	—	—	—	—	—
Pension Spiking	762	1,632	2,707	387	242	116	60	186	68	53
Total Additions	149,665	448,230	383,207	332,154	247,672	835,304	116,058	647,155	738,524	768,806
Deductions										
Benefit Payments	213,448	226,985	244,119	259,008	275,802	290,000	305,790	319,594	343,583	376,348
Refunds	2,879	2,315	4,214	2,854	3,814	4,662	5,766	6,568	8,540	8,005
Administrative Expenses	1,337	1,421	1,504	1,726	1,981	1,910	1,995	2,124	2,338	2,262
Capital Project Expenses	26	7	—	—	—	—	—	—	—	—
Total Deductions	217,690	230,728	249,837	263,588	281,597	296,572	313,551	328,286	354,461	386,615
Net Increase (Decrease) in Fiduciary Net Position	(\$68,025)	\$217,502	\$133,370	\$68,566	(\$33,925)	\$538,732	(\$197,493)	\$318,869	\$384,063	\$382,191

Changes in Fiduciary Net Position - CERS Hazardous Insurance Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employers' Contributions	\$66,757	\$50,743	\$55,027	\$61,106	\$56,739	\$58,451	\$58,374	\$48,792	\$20,556	\$17,734
Net Investment Income (Loss)	1,102	142,929	109,004	72,580	2,237	322,817	(78,453)	148,739	183,407	187,237
Retired Reemployed (HB1)	862	794	975	1,166	1,158	1,348	1,530	1,611	2,088	2,216
Premiums Received from Retirees	(106)	(301)	(265)	(53)	(32)	(149)	(271)	(546)	(151)	(269)
Humana Gain Share	—	—	—	506	—	2,990	1,259	914	1,637	—
Northern Trust Settlement	—	—	40	5	—	—	—	—	—	—
Health Insurance Contributions (HB1)	—	—	—	—	2,760	3,096	3,758	4,278	5,038	5,764
Total Additions	68,615	194,165	164,781	135,310	62,862	388,553	(13,803)	203,788	212,575	212,682
Deductions										
Health Insurance Premiums	68,518	70,407	74,844	78,190	81,849	85,151	89,319	93,485	96,052	104,552
Administrative Expenses	480	381	376	434	462	466	502	522	522	524
Self-Funded Healthcare Costs	—	160	603	149	228	257	210	172	184	569
Total Deductions	68,998	70,948	75,823	78,773	82,539	85,874	90,031	94,179	96,758	105,645
Net Increase (Decrease) in Fiduciary Net Position	(\$383)	\$123,216	\$88,958	\$56,537	(\$19,677)	\$302,679	(\$103,834)	\$109,609	\$115,817	\$107,037

Draft 11-12-2025

Schedule of Benefit Expenses

The following tables include individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. A single member may have multiple accounts which contribute to one pension. This table represents all individuals receiving a benefit including dependent children, Qualified Domestic Relations Order (QDRO) accounts and multiple beneficiary accounts. If a member has died or a disability decision is pending, the monthly benefit amount is reflected as zero until the account status changes.

Schedule of Benefit Expenses - CERS Nonhazardous				
As of June 30 (in whole \$)				
	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments
Fiscal Year 2016				
Average Benefit	\$623	\$1,045	\$874	\$626
Number of Accounts	14,014	39,066	5,118	1,268
Total Monthly Benefits	\$8,724,563	\$40,823,334	\$4,472,723	\$793,726
% of Total Monthly Benefits	15.92%	74.48%	8.16%	1.45%
Fiscal Year 2017				
Average Benefit	\$634	\$1,050	\$883	\$616
Number of Accounts	14,792	40,873	5,280	1,318
Total Monthly Benefits	\$9,374,583	\$42,912,604	\$4,661,375	\$811,542
% of Total Monthly Benefits	16.23%	74.29%	8.07%	1.41%
Fiscal Year 2018				
Average Benefit	\$647	\$1,062	\$892	\$645
Number of Accounts	15,713	42,918	5,425	1,359
Total Monthly Benefits	\$10,169,605	\$45,560,863	\$4,838,284	\$875,980
% of Total Monthly Benefits	16.55%	74.15%	7.87%	1.43%
Fiscal Year 2019				
Average Benefit	\$668	\$1,067	\$901	\$657
Number of Accounts	16,710	44,594	5,479	1,363
Total Monthly Benefits	\$11,167,300	\$47,580,052	\$4,934,518	\$895,303
% of Total Monthly Benefits	17.29%	73.68%	7.64%	1.39%
Fiscal Year 2020				
Average Benefit	\$673	\$1,070	\$904	\$667
Number of Accounts	17,378	45,973	5,405	1,370
Total Monthly Benefits	\$11,693,581	\$49,186,433	\$4,888,554	\$913,574
% of Total Monthly Benefits	17.54%	73.76%	7.33%	1.37%
Fiscal Year 2021				
Average Benefit	\$684	\$1,074	\$909	\$688
Number of Accounts	18,581	47,970	5,518	1,432
Total Monthly Benefits	\$12,717,667	\$51,532,707	\$5,016,308	\$984,964
% of Total Monthly Benefits	18.10%	73.35%	7.14%	1.40%
Fiscal Year 2022				
Average Benefit	\$701	\$1,082	\$914	\$723
Number of Accounts	19,172	49,431	5,444	1,470
Total Monthly Benefits	\$13,435,298	\$53,468,946	\$4,977,131	\$1,062,739
% of Total Monthly Benefits	18.42%	73.30%	6.82%	1.46%
Fiscal Year 2023				
Average Benefit	\$717	\$1,095	\$920	\$753
Number of Accounts	19,864	50,658	5,303	1,516
Total Monthly Benefits	\$14,247,555	\$55,453,257	\$4,876,441	\$1,141,532
% of Total Monthly Benefits	18.82%	73.23%	6.44%	1.51%
Fiscal Year 2024				
Average Benefit	\$731	\$1,105	\$920	\$772
Number of Accounts	20,511	51,693	5,255	1,517
Total Monthly Benefits	\$14,984,125	\$57,136,784	\$4,836,003	\$1,170,758
% of Total Monthly Benefits	19.18%	73.13%	6.19%	1.50%
Fiscal Year 2025				
Average Benefit	\$740	\$1,113	\$928	\$798

Draft 11-12-2025**Schedule of Benefit Expenses - CERS Nonhazardous****As of June 30 (in whole \$)**

Number of Accounts	21,001	52,660	5,214	1,522
Total Monthly Benefits	\$15,548,549	\$58,626,471	\$4,840,324	\$1,214,704
% of Total Monthly Benefits	19.38%	73.07%	6.03%	1.51%

Schedule of Benefit Expenses - CERS Hazardous**As of June 30 (in whole \$)**

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments
Fiscal Year 2016				
Average Benefit	\$1,494	\$2,453	\$1,137	\$975
Number of Accounts	2,269	5,485	742	143
Total Monthly Benefits	\$3,388,890	\$13,452,235	\$843,463	\$139,353
% of Total Monthly Benefits	19.01%	75.47%	4.73%	0.78%
Fiscal Year 2017				
Average Benefit	\$1,509	\$2,473	\$1,138	\$997
Number of Accounts	2,394	5,764	794	149
Total Monthly Benefits	\$3,612,099	\$14,255,349	\$903,238	\$148,515
% of Total Monthly Benefits	19.09%	75.35%	4.77%	0.78%
Fiscal Year 2018				
Average Benefit	\$1,542	\$2,505	\$1,141	\$1,110
Number of Accounts	2,540	6,189	811	158
Total Monthly Benefits	\$3,917,668	\$15,503,185	\$925,221	\$175,316
% of Total Monthly Benefits	19.09%	75.55%	4.51%	0.85%
Fiscal Year 2019				
Average Benefit	\$1,546	\$2,522	\$1,163	\$1,166
Number of Accounts	2,655	6,488	822	168
Total Monthly Benefits	\$4,104,061	\$16,365,945	\$956,017	\$195,932
% of Total Monthly Benefits	18.98%	75.69%	4.42%	0.91%
Fiscal Year 2020				
Average Benefit	\$1,590	\$2,554	\$1,174	\$1,205
Number of Accounts	2,771	6,864	814	169
Total Monthly Benefits	\$4,406,958	\$17,527,561	\$955,266	\$203,646
% of Total Monthly Benefits	19.08%	75.90%	4.14%	0.88%
Fiscal Year 2021				
Average Benefit	\$1,615	\$2,569	\$1,169	\$1,253
Number of Accounts	2,908	7,211	846	173
Total Monthly Benefits	\$4,698,033	\$18,522,964	\$988,745	\$216,818
% of Total Monthly Benefits	19.23%	75.83%	4.05%	0.89%
Fiscal Year 2022				
Average Benefit	\$1,649	\$2,586	\$1,173	\$1,329
Number of Accounts	2,979	7,494	858	182
Total Monthly Benefits	\$4,910,951	\$19,377,298	\$1,006,030	\$241,826
% of Total Monthly Benefits	19.23%	75.88%	3.94%	0.95%
Fiscal Year 2023				
Average Benefit	\$1,690	\$2,616	\$1,196	\$1,437
Number of Accounts	3,061	7,784	853	188
Total Monthly Benefits	\$5,171,930	\$20,360,195	\$1,020,135	\$270,089
% of Total Monthly Benefits	19.28%	75.91%	3.80%	1.01%
Fiscal Year 2024				
Average Benefit	\$1,714	\$2,658	\$1,190	\$1,480
Number of Accounts	3,106	7,982	860	193
Total Monthly Benefits	\$5,324,806	\$21,215,847	\$1,023,549	\$285,623
% of Total Monthly Benefits	19.12%	76.18%	3.68%	1.03%
Fiscal Year 2025				
Average Benefit	\$1,728	\$2,681	\$1,214	\$1,538
Number of Accounts	3,165	8,222	846	187

Draft 11-12-2025**Schedule of Benefit Expenses - CERS Hazardous****As of June 30 (in whole \$)**

Total Monthly Benefits	\$5,468,649	\$22,044,236	\$1,026,763	\$287,580
% of Total Monthly Benefits	18.97%	76.47%	3.56%	1.00%

Active Refunds**Active Refunds Report For the Period ended June 30, 2025 (in Whole \$)**

System	Tier	Active Termination Refunds		Active Death Refunds		Totals	
		Number of Refunds	Amount of Refunds	Number of Refunds	Amount of Refunds	Number of Refunds	Amount of Refunds
CERS Nonhazardous	1	184	1,950,826	171	280,329	355	2,231,155
	2	152	799,823	38	200,105	190	999,928
	3	2,216	20,988,003	124	541,422	2,340	21,529,425
	Total	2,552	23,738,652	333	1,021,856	2,885	24,760,508
CERS Hazardous	1	10	211,191	4	7,884	14	219,075
	2	14	288,409	1	4,845	15	293,254
	3	212	6,548,552	2	16,545	214	6,565,097
	Total	236	7,048,152	7	29,274	243	7,077,426
Totals		2,788	\$30,786,804	340	\$1,051,130	3,128	\$31,837,934

Analysis of Initial Retirees**Analysis of Initial Retirees As of June 30 (in Whole \$)**

	CERS Nonhazardous	CERS Hazardous
Fiscal Year 2016		
Number of Accounts	4,151	522
Average Service Credit (months)	190	212
Average Final Compensation	\$34,632	\$58,977
Average Monthly Benefit	\$932	\$2,303
Average System Payment for Health Insurance	\$501	\$1,277
Fiscal Year 2017		
Number of Accounts	4,151	544
Average Service Credit (months)	191	203
Average Final Compensation	\$34,779	\$58,384
Average Monthly Benefit	\$940	\$2,236
Average System Payment for Health Insurance	\$510	\$1,247
Fiscal Year 2018		
Number of Accounts	4,570	696
Average Service Credit (months)	195	211
Average Final Compensation	\$37,683	\$65,407
Average Monthly Benefit	\$1,027	\$2,528
Average System Payment for Health Insurance	\$531	\$1,300
Fiscal Year 2019		
Number of Accounts	4,283	541
Average Service Credit (months)	193	198
Average Final Compensation	\$37,412	\$64,646
Average Monthly Benefit	\$997	\$2,366
Average System Payment for Health Insurance	\$513	\$1,231
Fiscal Year 2020		
Number of Accounts	3,584	580
Average Service Credit (months)	189	221
Average Final Compensation	\$36,968	\$67,994
Average Monthly Benefit	\$935	\$2,715

Draft 11-12-2025

Analysis of Initial Retirees As of June 30 (in Whole \$)		
	CERS Nonhazardous	CERS Hazardous
Average System Payment for Health Insurance	\$539	\$1,361
Fiscal Year 2021		
Number of Accounts	3,967	531
Average Service Credit (months)	194	209
Average Final Compensation	\$38,245	\$68,216
Average Monthly Benefit	\$987	\$2,589
Average System Payment for Health Insurance	\$543	\$1,326
Fiscal Year 2022		
Number of Accounts	3,975	496
Average Service Credit (months)	198	205
Average Final Compensation	\$39,244	\$70,218
Average Monthly Benefit	\$1,048	\$2,691
Average System Payment for Health Insurance	\$576	\$1,336
Fiscal Year 2023		
Number of Accounts	4,003	498
Average Service Credit (months)	194	216
Average Final Compensation	\$41,262	\$77,761
Average Monthly Benefit	\$1,101	\$3,029
Average System Payment for Health Insurance	\$625	\$1,503
Fiscal Year 2024		
Number of Accounts	3,553	387
Average Service Credit (months)	197	213
Average Final Compensation	\$42,017	\$80,498
Average Monthly Benefit	\$1,111	\$3,096
Average System Payment for Health Insurance	\$676	\$1,601
Fiscal Year 2025		
Number of Accounts	3,391	432
Average Service Credit (months)	193	212
Average Final Compensation	\$44,807	\$86,397
Average Monthly Benefit	\$1,068	\$2,850
Average System Payment for Health Insurance	\$673	\$1,401
<i>Note: This table represents all individuals who had an initial retirement date within the fiscal year.</i>		

Payment Options

Payment Options Selected by Retired Members As of June 30, 2025 (in Whole \$)							
	Basic	Other	Certain	Pop Up	Adjustment	Survivorship	Annuity
CERS Hazardous							
Number of Accounts	34,455	25	11,658	12,191	2,296	19,629	143
Monthly Benefits	\$29,480,894	\$39,677	\$11,018,609	\$15,512,401	\$3,243,989	\$20,912,118	\$22,360
CERS Hazardous							
Number of Accounts	2,075	38	1,145	4,778	593	3,790	1
Monthly Benefits	\$4,231,356	\$67,402	\$2,549,544	\$12,546,713	\$1,023,782	\$8,407,236	\$1,194
CERS Total							
Number of Accounts	36,530	63	12,803	16,969	2,889	23,419	144
Monthly Benefits	\$33,712,250	\$107,079	\$13,568,153	\$28,059,114	\$4,267,771	\$29,319,354	\$23,554
<i>The information in this table represents accounts administered by KPPA. A single member may have multiple accounts, which contribute to one pension.</i>							

Employer Contribution Rates

In CERS both the employee and the employer contribute a percentage of creditable compensation to CERS.

Draft 11-12-2025

The employee contribution rate is set by state statute. Nonhazardous employees contribute 5% while Hazardous duty members contribute 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

CERS employer contribution rates are determined by the CERS Board under Kentucky Revised Statutes 78.635 based on an annual actuarial valuation. During the 2018 Regular Session of the Kentucky General Assembly, HB 362 capped CERS employer contribution rate increases to no more than 12% per year over the prior fiscal year for the period of July 1, 2018 to June 30, 2028, or until the actuarial recommended contribution was met. Fiscal year 2022 was the last year for the 12% cap for CERS. The actual pension and insurance employer contribution rates that were paid are shown below.

Employer Contribution Rates (%) As of June 30										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
CERS Nonhazardous										
Actual Rate	17.06%	18.68%	19.18%	21.48%	24.06%	24.06%	26.95%	26.79%	23.34%	19.71%
CERS Hazardous										
Actual Rate	32.95%	31.06%	31.55%	35.34%	39.58%	39.58%	44.33%	49.59%	43.69%	38.61%

Insurance Contracts

CERS provides medical insurance and other managed care coverage for eligible retired members.

Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement in order to obtain the insurance coverage. CERS provides access to health insurance coverage through the Kentucky Employees' Health Plan (KEHP) for recipients until they reach age 65 and/or become Medicare eligible. After a retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by CERS. A retired member's spouse and/or dependents may also be covered on health insurance through CERS.

Insurance Benefits Paid to Retirees & Beneficiaries Participating in a CERS Health Insurance Plan As of June 30, 2025 (in Whole \$)		
	CERS Nonhazardous	CERS Hazardous
Number	37,461	9,115
Average Service Credit (Months)	268	278
Average Monthly System Payment for Health Insurance	\$305	\$1,093
Average Monthly Member Payment for Health Insurance	\$33	\$46
Total Monthly Payment for Health Insurance	\$13,072,362	\$8,863,256

Insurance Contracts by Type As of June 30										
CERS Nonhazardous	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	235	222	231	214	210	218	225	234	241	248
KEHP Couple/Family	465	462	510	530	519	508	543	524	506	464
KEHP Single	8,164	8,313	8,802	8,912	8,751	8,685	8,692	8,721	8,562	8,340
Medicare without Prescription	2,499	2,462	2,389	2,278	2,183	2,081	1,958	1,921	1,826	1,730
Medicare with Prescription	23,007	24,247	25,476	26,848	27,786	28,472	29,001	29,542	30,026	26,679
CERS Hazardous	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	378	395	422	430	425	473	468	491	477	461
KEHP Couple/Family	2,321	2,387	2,571	2,648	2,816	2,894	2,961	3,047	3,050	3,021
KEHP Single	1,595	1,645	1,712	1,746	1,731	1,768	1,810	1,893	1,899	1,671
Medicare without Prescription	114	125	119	121	116	120	134	138	144	122
Medicare with Prescription	2,969	3,205	3,388	3,658	3,911	4,103	4,284	4,455	4,565	3,840
CERS Total	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	613	617	653	644	635	691	693	725	718	709
KEHP Couple/Family	2,786	2,849	3,081	3,178	3,335	3,402	3,504	3,571	3,556	3,485
KEHP Single	9,759	9,958	10,514	10,658	10,482	10,453	10,502	10,614	10,461	10,011
Medicare without Prescription	2,613	2,587	2,508	2,399	2,299	2,201	2,092	2,059	1,970	1,852
Medicare with Prescription	25,976	27,452	28,864	30,506	31,697	32,575	33,285	33,997	34,591	30,519

Draft 11-12-2025

Acronym Glossary for County Employees Retirement System

As of December 5, 2024

Phrase	Acronym
Actuarially Determined Contribution	ADC
Actuarial Accrued Liability	AAL
Annual Comprehensive Financial Report	ACFR
Board of Trustees	Board
Collateralized Mortgage Obligations	CMO
Commonwealth of Kentucky	Commonwealth
Consumer Price Index	CPI
County Employees Retirement System	CERS
Cost of Living Adjustment	COLA
Department of Employee Insurance	DEI
Emerging Market Debt	EMD
Entry Age Normal Cost Method	EANC
Exchange Traded Funds	ETFs
Fair Value	FV
Fiscal Year (Ended)	FY(E)
Gabriel, Roeder, Smith & Co.	GRS
Generally Accepted Accounting Principles	GAAP
Geometric Average Net Investment Return	GANIR
Governmental Accounting Standards Board	GASB
House Bill	HB
Investment Management Agreement	IMA
Investment Policy Statement	IPS
Internal Revenue Service	IRS
Information Technology	IT
Judicial Form Retirement System	JFRS
Kentucky Administrative Regulations	KAR
Kentucky Employees' Health Plan	KEHP
Kentucky Employees Retirement Systems	KERS
Kentucky Public Pensions Authority	KPPA
Kentucky Retirement Systems	KRS
Kohlberg, Kravis, Roberts	KKR
Management's Discussion and Analysis	MD&A
Net Asset Value	NAV
Net OPEB Liability	NOL
Net Pension Liability	NPL
Not Rated	NR
Other Postemployment Benefits	OPEB
Pacific Alternative Asset Management Company	PAAMCO
Perimeter Park West Incorporated	PPW
Qualified Domestic Relations Order	QDRO
Required Supplementary Information	RSI
Senate Bill	SB
Short Term Investment Funds	STIFs
State Police Retirement System	SPRS
Summary Annual Financial Report	SAFR
Total Pension Liability	TPL
Teachers' Retirement System	TRS
Unfunded Actuarial Accrued Liability	UAAL
Unfunded Accrued Liability	UAL
Unrelated Business Income	UBI

Draft 11-12-2025



COUNTY EMPLOYEES RETIREMENT SYSTEM
1260 LOUISVILLE ROAD, FRANKFORT, KY 40601

CERS members are current and former employees of county and city local governments, eligible local agencies and nonteaching school board staff.

Photo, front cover: Kentucky State Capitol rotunda. The building is undergoing renovations to modernize infrastructure and enhance accessibility while preserving its historic significance.



DRAFT 11-12-2025

Kentucky Retirement Systems (KRS)

A component unit and pension trust fund of the Commonwealth of Kentucky



KRS

Kentucky Retirement Systems

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2025

Available at **kyret.ky.gov**

Prepared by Kentucky Public Pensions
Authority's Division of Accounting



DRAFT 11-12-2025

TABLE OF CONTENTS

INTRODUCTION

Letter of Transmittal	5
Governance	8
Agency Structure	9
Professional Awards	10

FINANCIAL

Report of Independent Auditors	11
Management's Discussion & Analysis	12
Basic Financial Statements	14
Combining Statement of Fiduciary Net Position	14
Combining Statement of Changes in Fiduciary Net Position	15
Notes to the Financial Statements	
Note A. Summary Of Significant Accounting Policies	16
Note B. Description & Contribution Information	18
Note C. Cash, Short-term Investments & Securities Lending Collateral	22
Note D. Investments	23
Note E. Securities Lending Transactions	36
Note F. Risk Of Loss	37
Note G. Contingencies	37
Note H. Income Tax Status	37
Note I. Financial Reporting For (GASB 67) Pension Plans And (GASB 74) Postemployment Benefit Plans	37
Note J. Legislation	42
Note K. Litigation	43
Note L. Reciprocity Agreement	46
Note M. Reimbursement Of Retired Reemployed Health Insurance, Active Member Health Insurance Contributions, And Retired Reemployed Employer Contributions	46
Note N. General Fund Appropriations	46
Note O. Prisma Daniel Boone Fund	47
Note P. Subsequent Events	47
Note Q. Related Party	47

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Employers' Net Pension Liability	48
Schedule of Changes in Employers' Total Pension Liability	49
Notes to Schedule of Employers' Contributions	52
Schedule of Employers' Contributions Pension	52
Schedule of Employers' Net OPEB Liability	53
Schedule of Changes in Employers' Net OPEB Liability	55
Notes to Schedule of Employers' OPEB Contributions	59
Schedule of Employers' OPEB Contributions	60
Money Weighted Rates of Return	62

DRAFT 11-12-2025

OTHER SUPPLEMENTARY INFORMATION

Schedule of Administrative Expenses	62
Schedule of Direct Investment Expenses	63
Schedule of Professional Consultant Fees	63
Report on Internal Control	64

INVESTMENTS

Investment Overview	65
Investment Strategies	66
Investment Objectives	67
Investment Results	68
Benchmarks	68
Long-Term Results	69
Public Equity	70
Core Fixed Income	71
Specialty Credit	73
Private Equity	74
Real Estate	74
Real Return	75
Cash	75
Additional Schedules	75

ACTUARIAL

Certification of Actuarial Results	81
Summary of Actuarial Assumptions	84
Summary of Actuarial Valuation Results	89
Recommended Employer Contribution Rates	89
Summary of Actuarial Unfunded Liabilities	91
Solvency Test	93
Member Valuation	95
Summary of Benefit Provisions KERS & SPRS Plans	96

STATISTICAL

Plan Statistics	100
Participating Employers	101
Member Monthly Benefit	102
Fiduciary Net Position	102
Changes in Fiduciary Net Position	104
Schedule of Benefit Expenses	108
Active Refunds	111
Analysis of Initial Retirees	111
Payment Options	112
Employer Contribution Rates	113

DRAFT 11-12-2025

STATISTICAL

Insurance Contracts

113

Glossary

114

DRAFT 11-12-2025



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road · Frankfort, Kentucky 40601
kyret.ky.gov · Phone: 502-696-8800 · Fax: 502-696-8822



To our Members, Benefit Recipients, Employers and the Board of Trustees

December 4, 2025

On behalf of the Kentucky Public Pensions Authority (KPPA) we are honored to present the Annual Comprehensive Financial Report (ACFR) of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, for the Fiscal Year Ended (FYE) June 30, 2025.

Responsibility for the accuracy, completeness, and fairness of the information presented rests ultimately with KPPA management which, along with the Executive Director and staff, assist the KPPA Board in its responsibilities. Because the cost of internal control should not exceed anticipated benefits, KPPA relies on a comprehensive framework of internal controls to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Eide Bailly, LLP has issued an unmodified ("clean") opinion on the KRS financial statements for the FYE June 30, 2025. The Independent Auditors' report is located in the Financial Section of this report.

The Management's Discussion and Analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

KPPA is the special-purpose government responsible for the day-to-day administration of the County Employees Retirement System (CERS) and the Kentucky Retirement Systems (KRS), comprising the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS).

Beginning with FYE 2024, KPPA produces separate ACFRs for CERS and KRS. Supported by research and recommendations from KPPA management, this aligns with guidance from the Government Accounting Standards Board (GASB) and authority under state statute.

KPPA also produces a single Summary Annual Financial Report (SAFR) that provides an overview of information in the CERS and KRS ACFRs, as well as insights into the combined systems.

This approach aims to enhance transparency and reporting by providing information relevant to each system's members, the public, and stakeholders.

KPPA Executive Director's Message Ryan Barrow

Asset Growth

Double-digit investment returns, employer contributions, and General Fund appropriations authorized by the Legislature in Fiscal Year (FY) 2025 contributed to improved funding and record asset levels for all pension and insurance plans. The systems saw a \$3 billion increase in the market value of all plans for the 12 months ended June 30. Total assets by market value stood at \$29.8 billion, compared with \$26.8 billion as of the same date in 2024.

Net returns for all pension and insurance portfolios exceeded 11% in FY 2025, marking the third year in a row that CERS and KRS pension and insurance portfolio net returns neared or exceeded double digits.

DRAFT 11-12-2025

This asset growth not only moves the systems toward the target of full funding by 2049, it also helps the systems fulfill the promises made to retirees, and in turn helps local communities. Every year, KPPA pays more than \$2 billion in ongoing pension benefits, with 93% of that money going to Kentucky residents making retirement benefits an important economic driver for the Commonwealth.

Continuous Improvement

One of our core values at KPPA is to instill a culture of continuous improvement in everything we do. Furthering that value, KPPA in FY 2025 launched a Leadership Academy in February. Fourteen participants from various divisions attended monthly leadership training sessions and met regularly with assigned mentors. Training topics included personality assessment and team building; empathy and integrity; time management; delegation skills; and effective communication. In November, participants attended the Commonwealth's two-day LEAD Conference. The program concluded in December 2025 with final presentations and a graduation ceremony.

Other Notes

- On the budget front, KPPA began the process to secure funds to modernize and enhance the aging business system that helps support Self Service and powers systems serving our members.
- We conducted our first multi-day in-person trustee education forum since the pandemic. The IMPACT Forum, which stands for Investments, Management, Pensions, Advisory, Compliance, and Training, provided the annual statutory training required of our Trustees.
- We published separate Annual Comprehensive Financial Reports for CERS and KRS for the first time in FY 2024 and received the GFOA Certificate of Achievement for Excellence in Financial Reporting for each report.
- We have implemented, or are in the process of implementing, aspects of the 2024 – 2028 Strategic Plan including surveys, member outreach, account auditing, and use of artificial intelligence (AI).

KRS Chief Executive Officer's Message John Chilton

The KERS Nonhazardous and SPRS pension plans continue to benefit from additional funding approved by the Kentucky General Assembly over and above the money allocated to fund the full actuarially recommended contributions for all KERS and SPRS plans.

Recent biennial budgets included \$1.14 billion in additional allocations to pay down the unfunded liabilities of those two pensions. In the 2024 session, legislators approved House Bill 1, which allocated an additional \$100 million for the KERS Nonhazardous pension plan – \$50 million each in FYs 2025 and 2026 – and an additional \$50 million for the SPRS pension plan, \$25 million each in FYs 2025 and 2026.

In addition, House Bill 6 allocated \$250 million each in FYs 2025 and 2026 to pay down the KERS Nonhazardous pension's unfunded liability.

Investment returns have also played an important role in improved funding. The KERS Nonhazardous and Hazardous pension and insurance plans and the SPRS pension and insurance plans all turned in net investment returns of 11% or better during FY 2025. It's the third year in a row that KRS pension and insurance portfolio net returns have neared or exceeded 10%.

Considering the level of risk in each portfolio, all system pension and insurance portfolios are in the top 5% of peer public pension funds in terms of Sharpe ratio over the most recent one-, three-, and five-year periods. The Sharpe ratio measures how much investment return a portfolio earns compared to how much risk is in the portfolio. This is a testament to the work of the KRS Investment Committee and the Office of Investments to construct portfolios that maximize returns while minimizing risk.

These additional allocations and strong investment returns are helping to improve the funded ratios for both pension plans. After reaching funding lows in 2017 and 2018, the KERS Nonhazardous and SPRS pension plans have more than doubled in the years since. All pension plans are on track to be fully funded by 2049.

DRAFT 11-12-2025

Acknowledgments

The preparation of this report has been a collaborative effort of KPPA Executive Management and the Accounting Division, Communications Division, Office of Investments, and the KRS CEO. The contents have been reviewed by the Internal Audit Division. KPPA is responsible for all the information in the report and confidently presents it as a basis for understanding the stewardship of the system.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'Ryan Barrow'.

Ryan Barrow
KPPA Executive Director

A handwritten signature in dark ink, appearing to read 'M. Lamb'.

Michael B. Lamb, CPA
KPPA Chief Financial Officer

DRAFT 11-12-2025

GOVERNANCE

As of December 4, 2025

The Kentucky Retirement Systems (KRS) is governed by a nine member board of trustees, consisting of three elected members and six gubernatorial appointees serving four-year terms. Two of the elected members represent the Kentucky Employees Retirement System (KERS) and one elected member represents the State Police Retirement System (SPRS). KRS has four representatives on the KPPA Board in addition to employing a Chief Executive Officer who serves as a legislative and executive advisor and a General Counsel who provides legal services.

KRS BOARD OF TRUSTEES

Lynn Hampton, Chair
C. Prewitt Lane, Vice Chair

General Counsel: Dentons Bingham Greenebaum
Three (3) Elected Trustees
Six (6) Appointed by Governor

LEADERSHIP:

Every April, the trustees elect a Chair and Vice Chair and affirm who will serve on the KPPA Board in compliance with state law.



KPPA Board Member

Lynn Hampton
Chair
Term ends June 17, 2026



KPPA Board Member

C. Prewitt Lane
Vice Chair
Term ends June 17, 2027



John E. Chilton
Chief Executive
Officer

CHIEF EXECUTIVE OFFICER (CEO):

The CEO works with the trustees and KPPA staff to carry out the statutory provisions of the systems.

ELECTED BY MEMBERSHIP:

Every four years, two eligible KERS members and one eligible SPRS member are elected to serve on the Board of Trustees.



KPPA Chair

Keith Peercy
Term ends March 31, 2027
Elected by SPRS



Dr. Crystal Miller
Term ends March 31, 2026
Elected by KERS



David Adkins
Term ends March 31, 2026
Elected by KERS

KPPA BOARD:

By law, the KRS Board Chair and Investment Committee Chair serve on this Board. The KRS Chair also appoints one elected trustee and one appointed trustee to the KPPA Board.

APPOINTED BY GOVERNOR:

The Governor appoints six individuals to serve on the Board of Trustees.



Pamela F. Thompson
Term ends June 17, 2027



Ramsey Bova
Term ends June 17, 2026



Mary G. Eaves
Term ends June 21, 2027



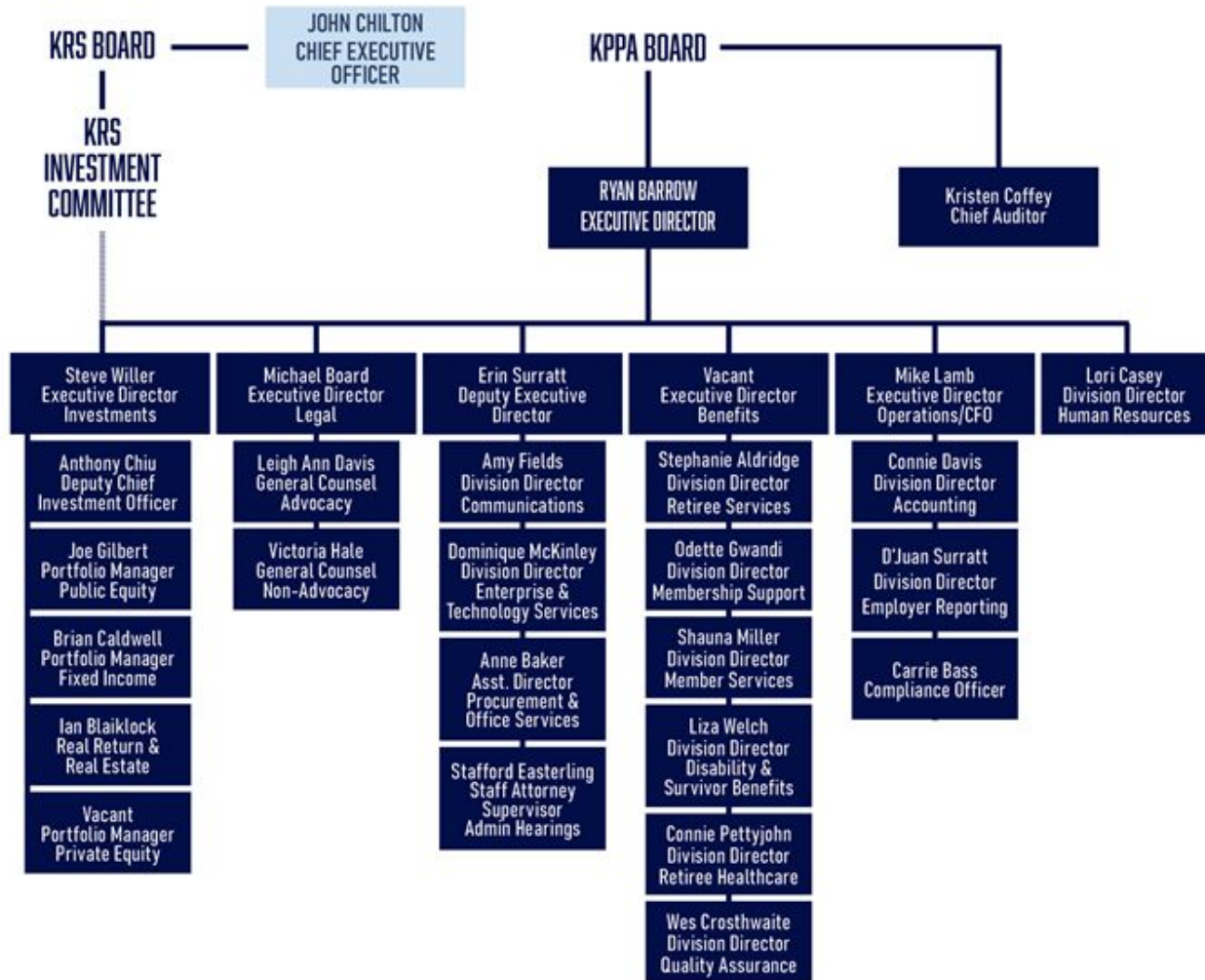
KPPA Board Member

William Summers V
Term ends June 17, 2026

DRAFT 11-12-2025**AGENCY STRUCTURE**

As of December 4, 2025

The Kentucky Public Pensions Authority (KPPA) oversees the operations of the Kentucky Employees Retirement System (KERS) and State Police Retirement System (SPRS) by providing administrative support, investment management, and conducting daily activities on behalf of the Kentucky Retirement Systems (KRS) Board of Trustees and KPPA Board. KPPA is led by an Executive Director who is appointed by the KPPA Board to work with the KRS Chief Executive Officer to carry out the statutory provisions of the systems.

**CONSULTANTS****Legal Services**

Stoll Keenon Ogden, PLLC
Reinhart Boerner Van Deuren, SC
Frost Brown Todd, LLC
Faegre Drinker Biddle & Reath, LLP
Kellerman Law
McClain Law Group
Ice Miller, LLP
Umberg Zipser, LLP

Actuarial Services

Gabriel, Roeder, Smith & Co.

Auditing Services

Eide Bailly, LLP

Fiduciary Review Counsel

Ice Miller, LLP

Investment Consultants

Wilshire
Albourne
Mercer

Master Custodian

BNY Mellon

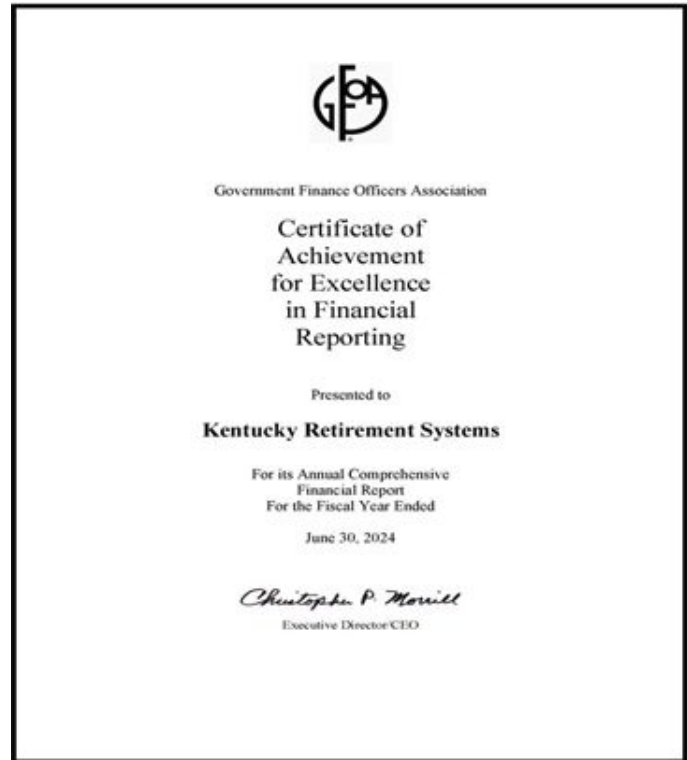
Refer to the Investments Section for additional information regarding Investment Advisors (pages 75-76) and Schedules of Fees and Expenses (pages 76-78).

DRAFT 11-12-2025

Professional Awards

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

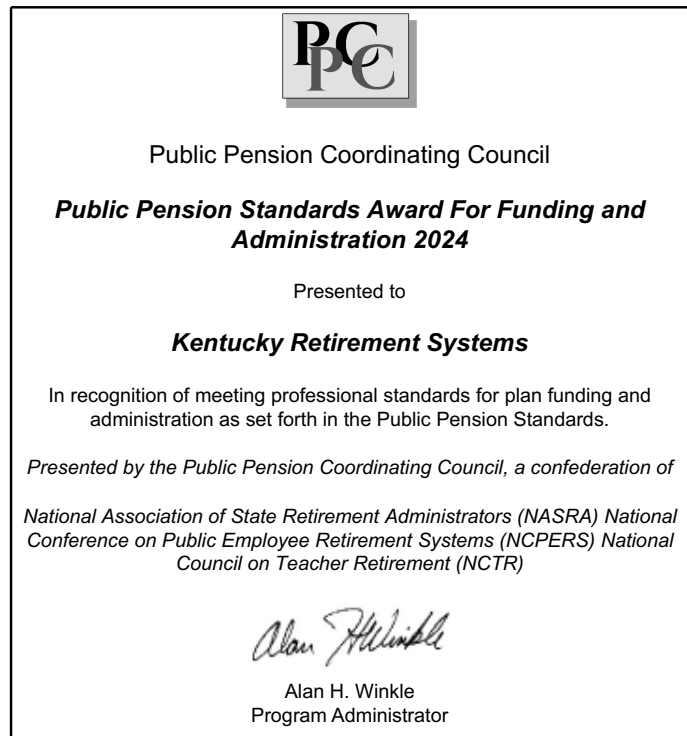
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kentucky Retirement Systems for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2024. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports and is valid for a period of one year. This is the 26th award earned by KRS. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized document. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our 2025 report will continue to meet the Certificate of Achievement Program's requirements, and we will be submitting it to the GFOA for their consideration.



PUBLIC PENSIONS STANDARDS AWARD FOR FUNDING AND ADMINISTRATION

The Public Pension Coordinating Council awarded the Public Pensions Standards Award for Funding and Administration to the Kentucky Retirement Systems (KRS) for 2025. This is the second award earned by KRS.

The Public Pension Coordinating Council established the Public Pension Standards to reflect expectations for public retirement system management, administration, and funding. The Standards serve as a benchmark to measure public defined benefit plans. The Award for Funding and Administration is a distinguished national award recognizing pension programs meeting professional standards for plan design and administration as set forth in the Public Pension Standards. This award is valid for a period of one year. We believe KRS will continue to meet these standards, and we will be applying for the award next year.



DRAFT 11-12-2025

REPORT OF INDEPENDENT AUDITORS TO BE INSERTED

DRAFT 11-12-2025

Management's Discussion & Analysis (Unaudited, \$ In Millions)

INTRODUCTION

Management's Discussion and Analysis (MD&A) provides insight into the financial performance of KRS for the fiscal year ended June 30, 2025. It is meant to be read in the context of the accompanying Letter of Transmittal in the Introduction, the Basic Financial Statements and the Notes to those statements, the Required Supplementary Information (RSI), and additional material following this section. Together, this information provides a comprehensive picture of KRS' financial position.

KRS comprises the Kentucky Employee Retirement System (KERS) and the State Police Retirement System (SPRS). KERS includes hazardous and nonhazardous defined benefit pension and OPEB plans for Kentucky state employees. SPRS is a single employer system providing benefits to Kentucky State Police troopers. Governance of both KERS and SPRS is vested with the nine-member KRS Board of Trustees (the KRS Board). Daily system activities, including investment management, benefits counseling, legal services, accounting, and payroll functions, are performed by a staff of professional employees of the Kentucky Public Pensions Authority (KPPA), which is the special-purpose government responsible for the administration of KRS.

FINANCIAL HIGHLIGHTS AND ANALYSIS

The following are the Condensed Comparative Statements of Fiduciary Net Position and Condensed Comparative Statements of Changes in Fiduciary Net Position of KRS for the fiscal years ended June 30, 2025, 2024, and 2023.

Condensed Summary of Fiduciary Net Position As of June 30			
	FY 2025	FY 2024	FY 2023
ASSETS			
Cash, Short-term Investments, and Receivables	\$695	\$615	\$1,256
Investments, at fair value	9,653	8,322	6,413
TOTAL ASSETS	10,348	8,937	7,669
TOTAL LIABILITIES	466	324	238
FIDUCIARY NET POSITION	\$9,882	\$8,613	\$7,431

Condensed Summary of Changes in Fiduciary Net Position As of June 30			
	FY 2025	FY 2024	FY 2023
ADDITIONS			
Member Contributions	\$148	\$137	\$117
Employer Contributions	321	369	320
Actuarially Accrued Liability Contributions (AALC)	866	987	986
General Fund Appropriations	325	240	240
Total Contributions	1,660	1,733	1,663
Net Investment Income	985	776	541
Other Additions	—	10	5
TOTAL ADDITIONS	2,645	2,519	2,209
DEDUCTIONS			
Benefits and Refunds	1,217	1,192	1,182
Other Deductions	159	145	156
TOTAL DEDUCTIONS	1,376	1,337	1,338
NET INCREASE	\$1,269	\$1,182	\$871
FIDUCIARY NET POSITION			
BEGINNING OF THE PERIOD	8,613	7,431	6,560
END OF PERIOD	\$9,882	\$8,613	\$7,431

DRAFT 11-12-2025

Management's Discussion & Analysis (Unaudited, \$ In Millions)

Fiduciary Net Position

The Fiduciary Net Position of KRS was \$8,613 at the beginning of the fiscal year and increased by 14.73% to \$9,882 as of June 30, 2025. The \$1,269 increase is primarily attributable to the appreciation of the fair value of investments, continued AALC payments, and additional funding from the Kentucky General Assembly.

Contributions

Total contributions reported for fiscal year 2025 were \$1,660 compared to \$1,733 in fiscal year 2024, a decrease of 4.21% or \$73. This decrease was driven by a decrease in the employer contribution rates from the prior year to the current year.

Investments

The KRS pension and insurance portfolios investment returns averaged 11.4% for the fiscal year ended June 30, 2025, compared to 10.6% for the fiscal year ended June 30, 2024. The continued positive performance is due to the notable returns from the Public Equity portfolio and the outpacing of the Real Return portfolios over their benchmarks. See investment results beginning on page 68 of the investment section.

The fair value of investments, as of June 30, 2025, were \$9,653, an increase of \$1,331 from the prior year, and net investment income was \$985 for the current fiscal year, compared to \$776 for the prior fiscal year.

Investment returns are reported net of fees and investment expenses, including carried interest. Investment fees and expenses totaled \$81 for fiscal year 2025 compared to \$65 in the prior fiscal year.

	1-Year Return			Fair Value of Investments			Investment Fees & Expenses			Net Investment Income		
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Pension												
KERS Nonhazardous	11.2%	9.5%	7.0%	\$5,001	\$4,100	\$2,964	\$39	\$29	\$20	\$493	\$356	\$220
KERS Hazardous	11.9%	11.1%	9.5%	1,120	1,008	830	10	9	7	121	102	77
SPRS	11.0%	9.6%	7.6%	725	635	469	6	4	3	72	57	41
Insurance												
KERS Nonhazardous	11.8%	11.1%	9.9%	\$1,806	\$1,649	\$1,311	\$16	\$13	\$11	\$195	\$167	\$128
KERS Hazardous	11.2%	11.2%	9.3%	713	662	599	7	7	5	74	67	53
SPRS	11.3%	11.0%	9.5%	288	268	240	3	3	2	30	27	21
Average/Total	11.4%	10.6%	8.8%	\$9,653	\$8,322	\$6,413	\$81	\$65	\$48	\$985	\$776	\$540

Asset allocation is the primary driver of long-term investment performance and is designed to achieve an optimal long-term asset mix. The investment policy statement (IPS) of the KRS board has established the following asset allocation guidelines as of June 30, 2025. See also the investment overview beginning on page 65 of the investment section.

KERS Nonhazardous Pension & SPRS Pension Plans				KERS Hazardous Pension & all KRS Insurance Plans		
Asset Class	Target	Minimum	Maximum	Target	Minimum	Maximum
Public Equity	30%	20%	40%	40%	25%	50%
Private Equity	6%	3%	9%	8%	4%	12%
Core Fixed Income	27%	22%	35%	10%	8%	15%
Specialty Credit	20%	15%	25%	25%	20%	30%
Cash	2%	—%	5%	2%	—%	5%
Real Estate	5%	3%	7%	7%	4%	10%
Real Return	10%	7%	13%	8%	5%	11%
	100%			100%		

DRAFT 11-12-2025

Management's Discussion & Analysis (Unaudited, \$ In Millions)

Deductions

Benefits and refunds paid for fiscal year 2025 totaled \$1,217 compared to \$1,192 in fiscal year 2024, a 2.10% increase, due to the slight increase in retired membership of the systems.

ACTUARIAL HIGHLIGHTS

The actuarial accrued liability (AAL) is the measure of the cost of benefits that have been earned to date, but not yet paid, and is calculated using the entry age normal cost method (EANC) as required by state statute. The difference in value between the AAL and the actuarial value of assets is defined as the unfunded actuarial accrued liability (UAAL).

Schedule of Unfunded Actuarial Accrued Liability (UAAL) As of June 30												
	KERS Nonhazardous						KERS Hazardous					
	Pension			Insurance			Pension			Insurance		
	2025	2024	2023	2025	2024	2023	2025	2024	2023	2025	2024	2023
Actuarial Accrued Liability (AAL)	\$16,839	\$16,648	\$16,304	\$2,475	\$2,095	\$1,877	\$1,488	\$1,443	\$1,363	\$420	\$420	\$380
Actuarial Value of Assets	4,810	4,122	3,552	1,818	1,712	1,533	1,076	985	891	700	700	652
Unfunded Actuarial Accrued Liability (UAAL)	\$12,029	\$12,526	\$12,752	\$657	\$383	\$344	\$412	\$458	\$472	(\$279)	(\$279)	(\$273)
Funded Ratio	28.57%	24.76%	21.79%	73.45%	81.73%	81.66%	72.34%	68.28%	65.40%	166.43%	166.43%	171.87%

Schedule of Unfunded Actuarial Accrued Liability (UAAL) As of June 30						
	SPRS					
	Pension			Insurance		
	2025	2024	2023	2025	2024	2023
Actuarial Accrued Liability (AAL)	\$1,130	\$1,092	\$1,067	\$251	\$244	\$233
Actuarial Value of Assets	700	590	560	263	245	234
Unfunded Actuarial Accrued Liability (UAAL)	\$431	\$502	\$507	(\$12)	(\$1)	(\$1)
Funded Ratio	61.88%	54.03%	52.46%	104.85%	100.46%	100.62%

Please refer to Note I and the RSI of the Financial Section, as well as the Actuarial Section for more analysis of the funding status, asset values, actuarial assumptions, and actuarially determined employer contributions.

INFORMATION REQUESTS

This financial report is designed to provide a general overview of KRS' financial position. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

ATTN: Director of Accounting
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

DRAFT 11-12-2025**Basic Financial Statements**

KRS Combining Statement of Fiduciary Net Position								
As of June 30, 2025, with Comparative Totals as of June 30, 2024 (\$ in Thousands)								
	Pension			Insurance			KRS	KRS
ASSETS	KERS	KERS		KERS	KERS		Total	Total
	Nonhazardous	Hazardous	SPRS	Nonhazardous	Hazardous	SPRS	2025	2024
CASH AND SHORT-TERM INVESTMENTS								
Cash Deposits	\$263	\$28	\$26	\$101	\$16	\$12	\$446	\$465
Short-term Investments	221,007	59,712	38,383	71,358	28,082	8,904	427,446	441,430
Total Cash and Short-term Investments	221,270	59,740	38,409	71,459	28,098	8,916	427,892	441,895
RECEIVABLES								
Accounts Receivable	89,217	4,019	2,995	5,631	444	220	102,526	116,626
Accounts Receivable - Investments	100,502	15,366	15,179	22,680	8,027	2,972	164,726	56,377
Total Receivables	189,719	19,385	18,174	28,311	8,471	3,192	267,252	173,003
INVESTMENTS, AT FAIR VALUE								
Core Fixed Income	1,321,111	108,938	192,126	185,737	71,714	26,046	1,905,672	1,672,118
Public Equities	1,634,223	488,519	239,772	778,997	308,751	124,098	3,574,360	3,092,032
Private Equities	204,983	64,641	28,351	110,299	44,588	19,915	472,777	474,267
Specialty Credit	1,007,415	279,612	141,502	450,538	173,745	72,263	2,125,075	1,726,445
Derivatives	17	(2)	1	—	11	(2)	25	(63)
Real Return	468,629	85,420	69,012	139,103	53,375	21,664	837,203	684,912
Real Estate	234,554	63,267	35,441	102,488	45,389	17,333	498,472	466,474
Securities Lending Collateral	129,611	29,538	19,073	39,153	15,518	6,208	239,101	205,574
Total Investments, at Fair Value	5,000,543	1,119,933	725,278	1,806,315	713,091	287,525	9,652,685	8,321,759
Total Assets	5,411,532	1,199,058	781,861	1,906,085	749,660	299,633	10,347,829	8,936,657
LIABILITIES								
Accounts Payable	4,662	1,276	236	3	—	—	6,177	5,691
Accounts Payable - Investments	133,975	19,574	19,699	33,057	10,039	3,953	220,297	112,582
Securities Lending Collateral	129,611	29,538	19,073	39,153	15,518	6,208	239,101	205,574
Total Liabilities	268,248	50,388	39,008	72,213	25,557	10,161	465,575	323,847
Total Fiduciary Net Position Restricted for Benefits	\$5,143,284	\$1,148,670	\$742,853	\$1,833,872	\$724,103	\$289,472	\$9,882,254	\$8,612,810
<i>See accompanying notes which are an integral part of these combining financial statements.</i>								

DRAFT 11-12-2025

KRS Combining Statement of Changes In Fiduciary Net Position								
For the fiscal year ended June 30, 2025 , with Comparative Totals as of June 30, 2024 (\$ in Thousands)								
	Pension			Insurance			KRS	KRS
	KERS	KERS		KERS	KERS		Total	Total
	Nonhazardous	Hazardous	SPRS	Nonhazardous	Hazardous	SPRS	2025	2024
ADDITIONS								
Member Contributions	\$104,830	\$22,096	\$6,006	\$12,295	\$2,176	\$418	\$147,821	\$136,995
Employer Contributions	154,409	70,768	52,975	38,863	2,159	1,888	321,062	368,848
Actuarially Accrued Liability Contributions	864,522	—	—	1,860	—	—	866,382	987,445
General Fund Appropriations	300,000	—	25,000	—	—	—	325,000	240,000
Other Additions	—	—	—	4	—	—	4	9,485
Total Contributions & Other Additions	1,423,761	92,864	83,981	53,022	4,335	2,306	1,660,269	1,742,773
INVESTMENT INCOME								
Net Appreciation in FV of Investments	\$363,949	\$92,561	\$52,053	\$147,310	\$56,743	\$22,884	\$735,500	\$553,411
Interest/Dividends	161,500	37,396	24,259	61,373	23,284	9,436	317,248	278,989
Securities Lending Income	6,775	1,655	1,119	2,535	766	345	13,195	8,524
Less: Investment Expense	23,822	6,541	3,341	10,280	4,681	1,878	50,543	43,491
Less: Performance Fees	9,022	2,232	1,076	3,575	1,810	695	18,410	13,592
Less: Securities Lending Fees, Expenses, and Rebates	6,093	1,495	1,008	2,293	690	312	11,891	7,641
Net Investment Income	493,287	121,344	72,006	195,070	73,612	29,780	985,099	776,200
Total Additions	1,917,048	214,208	155,987	248,092	77,947	32,086	2,645,368	2,518,973
DEDUCTIONS								
Benefit Payments	1,046,018	87,620	65,696	—	—	—	1,199,334	1,176,475
Refunds	11,154	6,212	346	—	—	—	17,712	16,046
Administrative Expenses	14,163	1,627	308	687	116	71	16,972	16,947
Healthcare Expenses	—	—	—	105,627	21,645	14,634	141,906	127,902
Total Deductions	1,071,335	95,459	66,350	106,314	21,761	14,705	1,375,924	1,337,370
Net Increase in Fiduciary Net Position Restricted for Pension Benefit	845,713	118,749	89,637	141,778	56,186	17,381	1,269,444	1,181,603
Total Fiduciary Net Position Restricted for Benefits								
Beginning of Period	4,297,571	1,029,921	653,216	1,692,094	667,917	272,091	8,612,810	7,431,207
End of Period	\$5,143,284	\$1,148,670	\$742,853	\$1,833,872	\$724,103	\$289,472	\$9,882,254	\$8,612,810

See accompanying notes, which are an integral part of these combining financial statements.

NOTE A. Summary of Significant Accounting Policies

Basis Of Accounting

KRS's combining financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Premium payments are recognized when due and payable in accordance with the insurance terms of the plan. Administrative and investment expenses are recognized when incurred. The net position represents the assets of the system available to pay pension benefits for retirees, active and inactive members, and health care premiums for current and future retirees.

Method Used To Value Investments

Investments are reported at fair value. Fair value is the price that would be received upon selling an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are reported at cost, which approximates fair value. See Investments Note D for further discussion of fair value measurements. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the dividend date. Gain (loss) on investments includes gains and losses

DRAFT 11-12-2025

on investments bought and sold as well as held during the fiscal year. Investment returns are recorded in all plans net of investment fees.

Investment Unitization

Within the plan accounting structure there are two primary types of accounts: Plan Accounts and Pool Accounts. Plan Accounts are the owners of the investment pool. An account is established for each plan and these accounts hold Units of Participation that represent the plan's invested value of the investment pool. Pool Accounts are accounts that hold the assets of the investment pool where all investment related activity and earnings occur. The pooled accounts are the investment strategies of the pool. Units of Participation are bought and sold as each plan contributes or withdraws cash or assets from the investment pool. The investment pool earnings are then allocated to plans utilizing a cost distribution method that allows for fluctuating prices experienced in capital markets. This involves earnings allocated to the plan accounts with an increase or decrease in cost on the Unit of Participation Holdings of the plan accounts. Correspondingly, the price of the Unit of Participation Holdings is updated to reflect change in fair value in the investment pool. Earnings are allocated based on the daily weighted average of Master Trust Units held by each plan account during each monthly earnings period. This method is commonly used when plans make multiple contributions or withdrawals from the investment pool throughout the month as it eliminates allocation distortion due to large end of month cash flows.

Estimates

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital/intangible Assets

Equipment and computer software costing more than \$3,000 are valued at historical cost, capitalized when put into service, and depreciated or amortized using the straight-line method over the estimated useful life of the assets, ranging from three to ten years. Improvements, which increase the useful life of the asset, are capitalized. Maintenance and repairs are charged as an expense when incurred. As of June 30, 2023, all capital/intangible assets were fully depreciated and or amortized. No additional capital/intangible assets have been capitalized since that date.

Accounts Receivable

Accounts Receivable consist of amounts due from employers. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible, they will be charged to operations when that determination is made. If amounts previously written off are collected, they will be credited to income when received.

The Investment Accounts Receivable and Investment Accounts Payable consist of investment management earnings and fee accruals, as well as all buys and sells of securities which have not closed as of the reporting date.

Benefits

Benefits are recognized when due and payable in accordance with the terms of the plan.

Expense Allocation

Administrative expenses are allocated to the system based on a hybrid allocation developed by management in conjunction with the KRS Board. The hybrid allocation is based on a combination of plan membership and direct plan expenses. All investment related expenses are allocated in proportion to the percentage of investment assets held by each plan.

Component Unit

KRS is a component unit of the Commonwealth of Kentucky (the Commonwealth) for financial reporting purposes.

KERS was created by the Kentucky General Assembly on July 1, 1956, pursuant to Kentucky Revised Statutes 61.515. SPRS was created by the Kentucky General Assembly on July 1, 1958, pursuant to Kentucky Revised Statutes 16.510. Six of the nine trustees are appointed by the Governor. The administrative budget of KPPA, which incorporates KRS administrative cost is subject to approval by the Kentucky General Assembly. KRS employer contribution rates are set by

DRAFT 11-12-2025

statute and subject to legislative approval. The methods used to determine the employer rates for KRS (KERS and SPRS) are specified in Kentucky Revised Statutes 61.565.

Perimeter Park West, Incorporated (PPW) is a legally separate entity functioning as a real estate holding company for the offices used by KPPA. PPW is governed by a three-member board selected by its sole shareholder, KRS.

Recent Accounting Pronouncements

GASB Statement Number 101, Compensated Absences. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024. Management determined this was immaterial to the financial statements.

GASB Statement Number 102, Certain Risk Disclosures. The requirements of the Statement will take effect for financial statements for fiscal years beginning after June 15, 2024. Management determined that there are no concentrations or constraints that meet the requirements of this disclosure.

GASB Statement Number 103, Financial Reporting Model Improvements. The requirements of the Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Management is evaluating the impact of the Statement to the financial report.

GASB Statement Number 104, Disclosure of Certain Capital Assets. The requirements of the Statement are effective for fiscal year that ends June 30, 2026, and all reporting periods thereafter. Management is evaluating the impact of the Statement to the financial report.

NOTE B. Description & Contribution Information

KRS - Kentucky Retirement System

KRS comprises the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS), and for financial reporting purposes, is composed of six Plans - three defined benefit pension Plans, and three OPEB plans, as discussed below. Each of the Pension and OPEB Plans are legally separated with benefits only eligible to be paid for each of the respective membership groups.

KERS was established by Kentucky Revised Statutes 61.515, to provide retirement, disability, and death benefits to system members. KERS, for financial reporting purposes, is composed of two pension Plans - KERS Nonhazardous Plan and KERS Hazardous Plan, and two corresponding OPEB Plans. Each of the Pension and OPEB plans are legally separated with benefits only eligible to be paid for each of the respective membership groups and are cost-sharing multiple-employer plans. The KERS Nonhazardous Plan was established to provide retirement benefits to all regular full-time members employed in positions of any state department, board, or agency directed by Executive Order to participate in KERS. The membership of the KERS Hazardous Plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officer, detective, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition.

SPRS is a single employer defined benefit pension Plan that was established by Kentucky Revised Statutes 16.510 to provide retirement benefits to all full-time state troopers employed in positions by the Kentucky State Police, and all positions are considered Hazardous. SPRS, for financial reporting purposes, is composed of the retirement Plan, and a corresponding OPEB Plan.

The OPEB Plans are part of the Kentucky Retirement Systems Insurance Trust Fund (Insurance Fund), established by Kentucky Revised Statutes 61.701 for eligible members receiving benefits from KERS Nonhazardous, KERS Hazardous, and SPRS. The Insurance Fund was created for the purpose of providing a trust separate from the retirement trusts, and for the purpose of providing hospital and medical insurance benefits.

The responsibility of the Plans within KRS is vested in the KRS Board. The KRS Board consists of nine 9 members. Six trustees are appointed by the governor and three are elected. Of the elected trustees, two are elected by KERS members and one is elected by SPRS members. Active, inactive and retired members of the appropriate system are invited to participate in the election of trustees. Of the six appointed trustees, three must have investment experience and three must have retirement experience as defined by statute. All appointments by the governor are subject to Senate confirmation. The two trustees elected by the KERS membership must be members of or retired from KERS. The one trustee elected by the SPRS membership must be a member of or retired from SPRS.

DRAFT 11-12-2025

Employer Contributions

For the fiscal year ended June 30, 2025, there were 330 participating employers in KERS, and SPRS is a single employer plan. The Commonwealth is required to contribute actuarially determined rates for KERS and SPRS pensions and insurance. The KRS Board recommends the rates each year following the annual actuarial valuation, but the rates are set by the legislature within the budget bill for each biennium. The contribution rates from July 1, 2023, through June 30, 2025, were set within HB 1, passed in the 2022 Regular Legislative Session, for KERS Nonhazardous, KERS Hazardous and SPRS employers.

The KERS Nonhazardous employer contribution rate shall include, (1) the normal cost contribution and (2) the prorated amount of the actuarially accrued liability assigned to each individual nonhazardous employer in accordance with Kentucky Revised Statutes 61.565(1)(d). Each employer pays the normal cost as a percentage of reported payroll plus a flat amount to cover the employer-specific actuarially accrued liability contribution for the fiscal year as determined by the annual valuation.

Per Kentucky Revised Statutes 61.565 and 16.645(18), normal contribution and past service contribution rates shall be determined by the KRS Board on the basis of the last annual valuation preceding July 1 of a new biennium. The KRS Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the KRS Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget for KERS and SPRS.

For the fiscal year ended June 30, 2025, participating employers of KERS Nonhazardous, KERS Hazardous and SPRS contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS Board for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings.

Contribution Rate Breakdown by Plan						
As of June 30, 2025						
	Pension		Insurance		Combined Total	
Plan	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates	Employer Contribution Rates	Actuarially Recommended Rates
KERS Nonhazardous *	6.99%	6.99%	1.45%	1.45%	8.44%	8.44%
KERS Hazardous	23.74%	23.74%	—%	—%	23.74%	23.74%
SPRS	65.79%	65.79%	2.31%	2.31%	68.10%	68.10%

* House Bill 8 passed during the 2021 legislative session required, beginning July 1, 2021, the KERS Nonhazardous employers pay the normal cost for all employees plus a flat amount which is equal to their assigned percentage of the annual dollar amount that is sufficient to amortize the total unfunded actuarial accrued liability of the system over a closed period. The percentage is based on the liability that was attributable to the agency as of June 30, 2019.

Benefit Tiers:

As of June 30, 2025, the date of the most recent actuarial valuation, membership consisted of:

Membership as of June 30, 2025 (in Whole \$)				
Item	KERS Nonhazardous	KERS Hazardous	SPRS	KRS Total
Members	146,022	20,001	3,397	169,420
Active Membership	34,093	4,954	863	39,910
Tier 1	11,179	973	275	12,427
Tier 2	4,644	694	183	5,521
Tier 3	18,270	3,287	405	21,962
Average Annual Salary	\$60,674	\$63,006	\$86,217	
Average Age	45.4	40.4	37.7	
Retired Membership	52,763	5,212	1,753	59,728
Tier 1	51,933	5,103	1,749	58,785
Tier 2	704	90	1	795
Tier 3	126	19	3	148
Average Annual Benefit	\$21,117	\$16,505	\$39,876	
Average Age	71.6	66.7	65.3	

DRAFT 11-12-2025

Membership as of June 30, 2025 (in Whole \$)				
Item	KERS Nonhazardous	KERS Hazardous	SPRS	KRS Total
Members	146,022	20,001	3,397	169,420
Inactive Members	59,166	9,835	781	69,782
Tier 1	31,626	2,201	261	34,088
Tier 2	9,720	1,619	129	11,468
Tier 3	17,820	6,015	391	24,226

TIER 1:

Members who began participating prior to September 1, 2008, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. These members are classified in the Tier 1 structure of benefits. Interest is paid each June 30 on members' accounts at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest.

TIER 2:

Members who began participating on or after September 1, 2008, and before January 1, 2014, are required to contribute 5% (Nonhazardous) or 8% (Hazardous) of their annual creditable compensation. Further, members also contribute an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 1:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of the June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest; however, the 1% Health Insurance Contribution (HIC) to the 401(h) account is non-refundable and is forfeited.

TIER 3:

Members who began participating on or after January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their monthly creditable compensation which is deposited into their account, and an additional 1% which is deposited to an account created for payment of health insurance benefits under 26 USC Section 401(h) in the Insurance Fund (see 105 KAR1:420), which is not refundable. Tier 3 member accounts are also credited with an employer pay credit in the amount of 4% (Nonhazardous) or 7.5% (Hazardous) of the member's monthly creditable compensation. The employer pay credit amount is deducted from the total employer contribution rate paid on the member's monthly creditable compensation. If a vested (60 months of service) member terminates employment and applies to take a refund, the member is entitled to the members contributions (less HIC) plus employer pay credit plus interest (for both employee contributions and employer pay). If a non-vested (less than 60 months) member terminates employment and applies to take a refund, the member is entitled to receive employee contributions (less HIC) plus interest (on employee contributions only).

Interest is also paid into the Tier 3 member's account. The account currently earns 4% interest credit on the member's accumulated account balance as of June 30 of the previous year. The member's account may be credited with additional interest if the five-year Geometric Average Net Investment Return (GANIR) exceeded 4%. If the member was actively employed and participating in the fiscal year, and if the GANIR for the previous five years exceeds 4%, then the member's account will be credited with 75% of the amount of the returns over 4% on the account balance as of June 30 of the previous year (Upside Sharing Interest). It is possible that one plan in KRS may get an Upside Sharing Interest, while another may not.

Upside Sharing Interest

Upside Sharing Interest is credited to both the member contribution balance and employer pay credit balance. Upside Sharing Interest is an additional interest credit. Member accounts automatically earn 4% interest annually. The GANIR is calculated on an individual plan basis.

The chart that follows shows the interest calculated on the members' balances as of June 30, 2024, and credited to each member's account on June 30, 2025.

DRAFT 11-12-2025

(A-B) = C x 75% = D then B + D = Interest (\$ in Thousands)						
	A	B	C	D		
Plan	5-Year Geometric Average Return	Less Guarantee Rate of 4%	Upside Sharing Interest	Upside Sharing Interest X 75% = Upside Gain	Interest Rate Earned (4% + Upside)	Total Interest Credited to Member Accounts
KERS Nonhazardous	8.21%	4.00%	4.21%	3.16%	7.16%	\$20,790
KERS Hazardous	9.71%	4.00%	5.71%	4.28%	8.28%	\$7,492
SPRS	8.65%	4.00%	4.65%	3.49%	7.49%	\$1,428

Insurance Fund Description

Eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans, eligible Medicare retirees are covered through contracts with Humana through a Medicare Advantage Plan. The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. For the fiscal year ended June 30, 2025, insurance premiums withheld from benefit payments for KRS' members were \$12.9 million and \$1.2 million for KERS Nonhazardous and Hazardous, respectively; and, \$0.4 million for SPRS.

Retiree Medical Insurance Coverage (by Plan Count)					
As of June 30, 2025					
	Single	Couple/Family	Parent	Medicare Without Prescription	Medicare With Prescription
KERS Nonhazardous	5,977	418	371	848	20,740
KERS Hazardous	549	458	102	59	1,658
SPRS	196	422	77	14	849
Total	6,722	1,298	550	921	23,247

Note: Medical Insurance coverage is provided based on the member's initial participation date and length of service. Members receive either a percentage or dollar amount for insurance coverage. The counts are the number of medical plans contracted with the Department of Employee Insurance or Medicare vendor and are not representative of the number of persons.

The amount of benefit paid by the Insurance Fund is based on years of service. For members who began participating prior to July 1, 2003, a percentage of the contribution rate is paid based on years of service with 100% of the contribution rate being paid with 20 years of service.

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum benefit are as follows:

Portion Paid by Insurance Fund	
As of June 30, 2025	
Years of Service	Paid by Insurance Fund (%)
20+ years	100.00%
15-19 years	75.00%
10-14 years	50.00%
4-9 years	25.00%
Less than 4 years	0.00%

Since the passage of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits have been calculated differently for members who began participating on or after July 1, 2003. Once members reach a minimum vesting period of 10 years, Nonhazardous employees whose participation began on or after July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service. Hazardous employees whose participation began on or after July 1, 2003, earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a Hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned Hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes.

House Bill 1 (2008 Kentucky General Assembly) changed the minimum vesting requirement for participation in the health insurance plan to 15 years for members whose participation began on or after September 1, 2008. This benefit is not protected under the inviolable contract provisions of Kentucky Revised Statutes 16.652, and 61.692. The Kentucky

DRAFT 11-12-2025

General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

The amount of benefit paid by the Insurance Fund is based on years of service. For members participating on or after July 1, 2003, the dollar amounts of the benefit per year of service are as follows:

Dollar Contribution for Fiscal Year 2025 For Member participation date on or after July 1, 2003	
	(in Whole \$)
KERS Nonhazardous	\$14.63
KERS Hazardous	\$21.94
SPRS	\$21.94

The Insurance Plan pays 100% of the contribution rate for hospital and medical insurance premiums for the spouse and dependents of members who die as a direct result of an act in the line of duty or from a duty-related injury.

Cost of Living Adjustment (COLA)

Prior to July 1, 2009, COLAs were provided to retirees annually equal to the percentage increase in the annual average of the consumer price index (CPI) for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. After July 1, 2009, the COLAs were to be limited to 1.50%.

In 2013, the General Assembly created a new law to govern how COLAs will be granted. Language included in Senate Bill 2 during the 2013 Regular Session states COLAs will only be granted in the future if the KRS Board determines that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided. The granting of COLAs for the KERS and SPRS membership is covered under Kentucky Revised Statutes 61.691. No COLA has been granted since July 1, 2011.

Note C. Cash, Short-Term Investments & Securities Lending Collateral

The provisions of *GASB Statement No. 28 Accounting and Financial Reporting for Securities Lending Transactions* require that cash received as collateral on securities lending transactions and investments made with that cash must be reported as assets on the financial statements. The non-cash collateral is not reported because the securities received as collateral are unable to be pledged or sold unless the borrower defaults. In accordance with *GASB Statement No. 28*, KRS classifies certain other investments, not related to the securities lending program, as short-term. Cash and short-term investments consist of the following:

Cash, Short-Term Investments, & Securities Lending Collateral		
As of June 30, 2025 (\$ in Thousands)		
KERS Nonhazardous	Pension	Insurance
Cash	\$263	\$101
Short-Term Investments	221,007	71,358
Securities Lending Collateral Invested	129,611	39,153
Total	\$350,881	\$110,612
KERS Hazardous	Pension	Insurance
Cash	\$28	\$16
Short-Term Investments	59,712	28,082
Securities Lending Collateral Invested	29,538	15,518
Total	\$89,278	\$43,616
SPRS	Pension	Insurance
Cash	\$26	\$12
Short-Term Investments	38,383	8,904
Securities Lending Collateral Invested	19,073	6,208
Total	\$57,482	\$15,124

DRAFT 11-12-2025

Note D. Investments

Kentucky Revised Statutes 61.650 specifically state that the KRS Board shall have the full and exclusive power to invest and reinvest the funds of the Plan(s) they govern. In addition, Kentucky Revised Statutes 61.645 require three (3) members of the KRS Board to have at least ten (10) years of investment experience as defined by the statutes. The KRS Board is required to establish an Investment Committee who is specifically charged with implementing the investment policies adopted by the KRS Board and to act on behalf of the KRS Board of Trustees on all investment-related matters. The KRS Board and the Investment Committee members are required to discharge their duty to invest the funds of the Plans in accordance with the "Prudent Person Standard" as set forth in Kentucky Revised Statutes 61.650 and to manage those funds consistent with the long-term nature of the trusts and solely in the interest of the members and beneficiaries. All internal Investment Staff, and investment consultants must adhere to the Code of Ethics and Standards of Professional Conduct of the CFA Institute and all Board Trustees must adhere to the Code of Conduct for Members of a Pension Scheme Governing Body of the CFA Institute. The KRS Board is authorized to adopt policies. The KRS Board has adopted an Investment Policy Statement (IPS) which defines the framework for investing the assets of the Plans. The IPS is intended to provide general principles for establishing the investment goals of the Plans, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Plans. A copy of the KRS Board's IPS can be found at kyret.ky.gov. By statutes, the KRS Board, through adopted written policies, shall maintain ownership and control over its assets held in its unitized managed custodial account. Additionally, the Investment Committee establishes specific investment guidelines that are summarized below and are included in the Investment Management Agreement (IMA) for each investment management firm.

Equity

Public Equity

Investments may be made in common stock; securities convertible into common stock; preferred stock of publicly traded companies on stock markets; asset class relevant Exchange Traded Funds (ETFs); or any other type of security contained in a manager's benchmark. Each individual equity account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Private Equity

Subject to the specific approval of the Investment Committee, Private Equity investments may be made for the purpose of creating a diversified portfolio of alternative investments under the Equity umbrella. Private Equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional equity investments. Accordingly, total net rates of return from Private Equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. Certain investments in this category are public market securities (ETFs) with the most similar risk/ return characteristics as a short-term proxy for private asset classes.

Fixed Income

Core Fixed Income

The Core Fixed Income accounts may include, but are not limited to, the following securities: U.S. government and agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; mortgages, including residential mortgage-backed securities; commercial mortgage-backed securities and whole loans; asset backed securities; and, asset class relevant ETFs. Each individual Core Fixed Income account has a comprehensive set of investment guidelines, which contains a listing of permissible investments, portfolio restrictions, and standards of performance.

Specialty Credit

Specialty Credit includes both publicly traded debt, and private credit. The Specialty Credit accounts may include, but are not limited to, the following types of securities and investments: non-investment grade U.S. corporate credit including both bonds and bank loans; non-investment grade non-U.S. corporate credit including bonds and bank loans; private debt; municipal bonds; non-U.S. sovereign debt; mortgages, including residential mortgage-backed securities; commercial mortgage backed securities and whole loans, asset backed securities and emerging market debt (EMD), including both sovereign EMD and corporate EMD; and asset class relevant ETFs. Each individual Specialty Credit account shall have a comprehensive set of investment guidelines for the account.

DRAFT 11-12-2025

Short-Term Investments

The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds, and collective short-term investment funds (STIFs), money market funds or instruments (including, but not limited to certificates of deposit, bank notes, deposit notes, bankers' acceptance and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.

Fixed income managers, who utilize cash equivalent securities as an integral part of their investment strategy, are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for Fixed Income managers shall be included in the investment manager's investment guidelines.

Inflation Protected

Real Estate and Real Return

Investments may be made in real estate equity and debt for the purposes of achieving the highest total rate of return possible consistent with a prudent level of risk and provide returns that have a positive correlation to inflation. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private real estate investment trusts (REITs), public real estate operating companies, and real estate related debt. Real Return investments are intended to provide both favorable stand alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real Return investments may include real assets, such as infrastructure, real estate, commodities, and natural resources, as well as financial assets that have a positive correlation to inflation.

Investment Expenses

In accordance with *GASB Statement No. 67 and No. 74, Financial Reporting for Pension Plans and Other Postemployment Benefit Plans other than Pension Plans*, management has exercised professional judgment to report investment expenses. It is not cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses. In fiscal year 2015, management changed Private Equity investment fees from a gross basis to a net basis. The KRS Board made the decision to enhance transparency reporting. Prior to 2015, the majority of the Plans' Private Equity investment fees were netted against investment activity which is the standard used within the Private Equity sector. The Plans' reported net investment income has always included these fees regardless of the reporting method used. During the 2017 Regular Session of the Kentucky General Assembly, legislators passed SB 2 which requires the reporting of all investment fees and expenses. Management continues to work with managers to enhance fee and expense reporting.

Derivatives

Derivative instruments are financial contracts that have various effective dates and maturity dates and whose values depend on the values of one or more underlying assets, reference rates, or financial indices. External managers and Investment Staff are permitted to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Examples of such derivatives include, but are not limited to the following securities: foreign currency forward contracts; futures; options; and swaps.

For accounting and financial reporting purposes, all derivative instruments are considered investment derivative instruments. The derivatives have been segregated on the Combining Statement of Fiduciary Net Position for all the Pension and Insurance Plans.

In accordance with *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, KRS provides additional disclosure regarding its derivatives. The charts included represent the derivatives by types as of June 30, 2025. The chart shows the change in fair value of derivative types as well as the current fair value and notional value. The notional value is the reference amount of the underlying asset times its current spot price. The Plans hold investments in options, commitments, futures, and forward foreign exchange contracts.

DRAFT 11-12-2025

KERS Pension and Insurance Derivative Instruments

As of June 30, 2025 (\$ in Thousands)

Derivatives (by Type)	Net Appreciation (Depreciation) in Fair Value	Classification	Fair Value	Notional
KERS Nonhazardous - Pension				
FX Spots and Forwards	(\$13)	Investment	(\$13)	\$—
Futures	35	Investment	35	22,304
Commits and Options	(1)	Investment	(5)	—
Swaps	—	Investment	—	—
KERS Nonhazardous - Insurance				
FX Spots and Forwards	(\$9)	Investment	(\$9)	\$—
Futures	17	Investment	12	3,709
Commits and Options	(2)	Investment	(3)	—
Swaps	—	Investment	—	—
KERS Hazardous - Pension				
FX Spots and Forwards	(\$7)	Investment	(\$7)	\$—
Futures	7	Investment	7	1,813
Commits and Options	(1)	Investment	(2)	—
Swaps	—	Investment	—	—
KERS Hazardous - Insurance				
FX Spots and Forwards	\$—	Investment	\$—	\$—
Futures	11	Investment	11	1,739
Commits and Options	—	Investment	—	—
Swaps	—	Investment	—	—

SPRS Pension and Insurance Derivative Instruments

As of June 30, 2025 (\$ in Thousands)

Derivatives (by Type)	Net Appreciation (Depreciation) in Fair Value	Classification	Fair Value	Notional
SPRS Pension				
FX Spots and Forwards	(\$3)	Investment	(\$3)	\$—
Futures	5	Investment	5	3,211
Commits and Options	—	Investment	(1)	—
Swaps	—	Investment	—	—
SPRS Insurance				
FX Spots and Forwards	(\$2)	Investment	(\$2)	\$—
Futures	2	Investment	1	475
Commits and Options	—	Investment	(1)	—
Swaps	—	Investment	—	—

Derivative Instruments Subject to Counterparty Credit Risk

As of June 30, 2025

Counterparty	S & P Ratings	KERS Percentage of Net Exposure	KERS INS Percentage of Net Exposure	KERS Haz Percentage of Net Exposure	KERS Haz INS Percentage of Net Exposure	SPRS Percentage of Net Exposure	SPRS INS Percentage of Net Exposure
Bank of America	A-	0.08%	0.18%	0.03%	0.07%	0.01%	0.03%
Bank of New York Mellon	A	0.78%	1.27%	0.24%	0.47%	0.13%	0.20%
Barclays	BBB+	2.26%	4.37%	1.18%	0.06%	0.51%	1.02%
Brown Brothers Harriman	NR	0.07%	0.12%	0.02%	0.05%	0.01%	0.02%
Citigroup	BBB+	0.51%	0.99%	0.27%	—%	0.11%	0.23%
Goldman Sachs	BBB+	1.24%	2.32%	0.57%	0.24%	0.26%	0.50%
HSBC	A-	1.65%	3.22%	0.88%	0.01%	0.37%	0.76%
JPMorgan Chase	A	1.23%	2.42%	0.66%	0.01%	0.28%	0.57%
Morgan Stanley	A-	0.69%	1.34%	0.37%	—%	0.16%	0.32%
Royal Bank of Canada	AA-	1.16%	2.25%	0.61%	0.01%	0.26%	0.53%
Standard Chartered	BBB+	0.60%	1.17%	0.32%	—%	0.14%	0.28%
State Street	A	0.32%	0.63%	0.17%	—%	0.07%	0.15%

DRAFT 11-12-2025

Derivative Instruments Subject to Counterparty Credit Risk							
UBS	A-	1.11%	2.09%	0.54%	0.15%	0.24%	0.46%
Total		11.70%	22.37%	5.86%	1.07%	2.55%	5.07%

Custodial Credit Risk For Deposits

Custodial credit risk for deposits is the risk that may occur as a result of a financial institution's failure, whereby KRS deposits may not be returned. All non-investment related bank balances are held by JP Morgan Chase and each individual account is insured by the Federal Deposit Insurance Corporation (FDIC). None of these balances were exposed to custodial credit risk as they were either insured or collateralized at required levels.

Custodial Credit Risk for Deposits	
As of June 30, 2025 (\$ in Thousands)	
KERS Nonhazardous Pension	\$1,428
KERS Nonhazardous Insurance	104
KERS Hazardous Pension	28
KERS Hazardous Insurance	15
SPRS Pension	51
SPRS Insurance	19
Clearing	24
Excess Benefit	\$0
<i>Note: All the above balances are held at JPM Chase.</i>	

Custodial Credit Risk For Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, KRS will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of June 30, 2025, the currencies in the chart below were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in KERS's or SPRS's name. Below are total cash and securities held by Global Managers and consist of various currencies.

Custodial Credit Risk for Investments	
As of June 30, 2025 (\$ in Thousands)	
KERS	
KERS Nonhazardous Pension Foreign Currency	\$433,707
KERS Nonhazardous Insurance Foreign Currency	231,953
KERS Hazardous Pension Foreign Currency	136,654
KERS Hazardous Insurance Foreign Currency	90,525
SPRS	
SPRS Pension Foreign Currency	69,774
SPRS Insurance Foreign Currency	\$38,675

Investment Summary - GASB 40 As Of June 30, 2025 (\$ In Thousands)

Investment Summary As of June 30, 2025 (\$ in Thousands)	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
Type	Fair Value			Fair Value		
Core Fixed Income	\$1,321,111	\$108,938	\$192,126	\$185,737	\$71,714	\$26,046
Public Equities	1,634,223	488,519	239,772	778,997	308,751	124,098
Private Equities	204,983	64,641	28,351	110,299	44,588	19,915
Specialty Credit	1,007,415	279,612	141,502	450,538	173,745	72,263
Derivatives	17	(2)	1	—	11	(2)
Real Return	468,629	85,420	69,012	139,103	53,375	21,664
Real Estate	234,554	63,267	35,441	102,488	45,389	17,333
Short-Term Investments	221,007	59,712	38,383	71,358	28,082	8,904

DRAFT 11-12-2025

Investment Summary As of June 30, 2025 (\$ in Thousands)	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
Type	Fair Value			Fair Value		
Accounts Receivable (Payable), Net	(33,473)	(4,208)	(4,520)	(10,377)	(2,012)	(981)
Total	\$5,058,466	\$1,145,899	\$740,068	\$1,828,143	\$723,643	\$289,240

Credit Risk Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The debt security portfolios are managed by the Investment Staff and by external investment management firms. Each portfolio is required to be in compliance with a comprehensive set of investment guidelines that are assigned to them based upon the portfolio's specific mandate. In total, the Plans' debt securities portfolios are managed using the following guidelines adopted by the KRS Board:

- Bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities are permissible investments and may be held without restrictions.
- The duration of the core fixed income portfolios combined shall not vary from that of KRS' Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration or dollar duration except when the system's Investment Committee has determined a target duration to be used for an interim basis.
- The amount invested in the debt of a single corporation shall not exceed 5% of the total market value of fixed income assets, with certain limited exceptions.
- 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

Debt Securities - GASB 40 As of June 30, 2025 (\$ in Thousands)						
Type	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
AAA	\$58,706	\$5,285	\$8,618	\$9,272	\$3,329	\$1,364
AA+	5,210	675	802	1,122	297	192
AA	5,788	680	878	1,050	279	179
AA-	8,762	758	1,281	1,350	500	194
A+	19,736	1,743	2,891	3,003	1,096	437
A	30,834	2,627	4,499	4,843	1,818	692
A-	53,944	4,530	7,855	7,966	3,033	1,123
BBB+	51,908	4,648	7,615	8,154	2,951	1,192
BBB	45,494	5,243	6,842	8,944	2,627	1,404
BBB-	43,969	9,204	7,093	13,464	2,485	2,238
BB+	40,680	11,049	6,874	18,012	3,958	2,251
BB	53,185	14,787	8,740	24,838	5,799	2,747
BB-	67,301	18,842	11,119	31,901	7,421	3,554
B+	47,812	13,719	7,630	23,242	5,351	2,491
B	76,360	21,757	11,928	38,085	8,988	3,883
B-	61,050	17,506	9,385	31,230	7,380	3,115
CCC+	21,533	5,797	3,496	10,100	2,489	1,045
CCC	9,087	2,405	1,486	4,265	1,068	440
CCC-	800	207	133	369	94	39
CC	252	76	37	139	32	13
D	1,942	516	316	874	218	90
NR	1,002,298	192,595	133,197	299,453	149,212	55,984
Total Credit Risk Debt Securities	\$1,706,651	\$334,649	\$242,715	\$541,676	\$210,425	\$84,667
Government Agencies	22,793	1,981	3,333	3,598	1,321	522
Government Mortgage-Backed Securities	238,101	20,048	34,702	35,505	13,478	5,037
Government Issued Commercial Mortgage Backed	8,452	697	1,229	1,262	487	177
Government Collateralized Mortgage Obligations	4,265	676	679	1,015	211	188
Government Bonds	348,264	30,499	50,970	53,219	19,537	7,718

DRAFT 11-12-2025

Debt Securities - GASB 40

As of June 30, 2025 (\$ in Thousands)

Type	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
Total Credit Risk Debt Securities	\$2,328,526	\$388,550	\$333,628	\$636,275	\$245,459	\$98,309

Note: These ratings are based on Standard & Poor's (S&P) Global Ratings. Where S&P ratings are unavailable, equivalent Moody's Ratings are used as proxies.

Differences due to rounding.

Government Agencies, Government Mortgage-Backed Securities, Government Issued Commercial Mortgage Backed and Government Bonds are highly rated securities since they are backed by the US Government.

The NR reported indicates a rating has not been assigned.

Concentration Of Credit Risk Debt Securities

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer. The total debt securities portfolio is managed using the following general guidelines adopted by the KRS Board: bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities are permissible investments and may be held without restrictions. The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of the Plans' fixed income assets.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration measures the sensitivity of the market prices of fixed income securities to changes in the yield curve and can be measured using two methodologies: effective or modified duration. Effective duration uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price, and makes adjustments for any bond features that would retire the bonds prior to maturity. The modified duration, similar to effective duration, measures the sensitivity of the market prices to changes in the yield curve, but does not assume the securities will be called prior to maturity.

Interest Rate Risk - Modified Duration

As of June 30, 2025 (\$ in Thousands)

Type	Pension				Insurance			
	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration
KERS	Nonhazardous		Hazardous		Nonhazardous		Hazardous	
Asset Backed Securities	\$56,446	2.54	\$6,262	2.00	\$10,525	2.04	\$3,488	2.26
Financial Institutions	165,728	3.53	31,568	2.63	54,297	2.60	13,832	2.92
Collateralized Mortgage Obligations	12,473	2.82	1,757	1.95	2,615	2.11	597	3.02
Commercial Mortgage Backed Securities	15,716	5.09	1,794	4.54	2,950	4.62	857	5.12
Corporate Bonds - Industrial	410,509	3.61	95,373	3.07	162,890	3.02	39,768	3.20
Corporate Bonds - Utilities	61,774	5.44	8,411	4.87	14,245	4.84	4,147	5.07
Agencies	22,793	6.36	1,981	6.26	3,599	6.22	1,322	6.32
Government Bonds - Sovereign Debt	5,241	9.57	536	8.89	895	9.43	278	9.97
Mortgage Back Securities Pass-through - Not CMO's	238,910	5.59	20,165	5.57	35,665	5.58	13,512	5.60
Local Authorities - Municipal Bonds	12,359	7.91	1,586	7.83	2,558	7.84	666	7.94
Supranational - Multi-National Bonds	191	2.53	101	2.53	111	2.64	—	2.64
Treasuries	348,264	7.01	30,498	6.88	53,219	6.96	19,537	7.07
Unclassified	978,122	0.01	188,518	0.03	292,706	0.06	147,455	0.02
Total	\$2,328,526	2.90	\$388,550	2.06	\$636,275	2.17	\$245,459	1.78

DRAFT 11-12-2025

Interest Rate Risk - Modified Duration				
As of June 30, 2025 (\$ in Thousands)				
Type	Pension		Insurance	
	Fair Value	Weighted Avg Modified Duration	Fair Value	Weighted Avg Modified Duration
Asset Backed Securities	\$8,234	2.55	\$1,364	2.27
Financial Institutions	25,226	3.54	6,452	2.91
Collateralized Mortgage Obligations	1,946	2.68	471	1.81
Commercial Mortgage Backed Securities	2,376	5.02	485	4.39
Corporate Bonds - Industrial	65,056	3.63	18,551	3.20
Corporate Bonds - Utilities	9,418	5.39	1,943	4.99
Agencies	3,333	6.35	522	6.16
Government Bonds - Sovereign Debt	781	9.48	142	9.16
Mortgage Back Securities Pass-through - Not CMO's	34,828	5.59	5,066	5.57
Local Authorities - Municipal Bonds	1,900	7.90	440	7.80
Supranational - Multi-National Bonds	43	2.53	26	2.64
Treasuries	50,970	7.00	7,718	6.89
Unclassified	129,517	0.01	55,129	0.04
Total	\$333,628	3.03	\$98,309	1.89

Foreign Currency Risk

Foreign currency risk is the risk that occurs if exchange rates adversely affect the value of a non-U.S. dollar based investment or deposit within the portfolios. Currency risk exposure, or exchange rate risk, primarily resides with the portfolios Non-U.S. equity holdings, but also affects other asset classes. KRS doesn't have a formal policy to limit foreign currency risk; however, some individual managers are given the latitude to hedge some currency exposures. All foreign currency transactions are classified as Short-Term Investments. All gains and losses associated with these transactions are recorded in the Net Appreciation (Depreciation) in Fair Value of Investments on the combining financial statements.

Foreign Currency Risk						
As of June 30, 2025 (\$ in Thousands)						
Type	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
Australian Dollar	\$10,776	\$3,494	\$1,788	\$6,032	\$2,026	\$974
Brazilian Real	8,535	2,769	1,417	4,918	1,664	791
Canadian Dollar	19,637	6,117	3,185	11,012	4,001	1,709
Czech Koruna	6	2	1	6	2	1
Danish Krone	9,798	3,020	1,580	5,270	1,942	812
Egyptian Pound	173	53	28	76	28	12
Euro	140,629	45,533	22,291	69,699	31,582	13,489
Hong Kong Dollar	29,697	9,154	4,788	16,668	6,143	2,568
Hungarian Forint	2,820	869	455	1,547	570	238
Indian Rupee	14,505	4,551	2,362	7,916	2,830	1,239
Indonesian Rupiah	5,800	2,003	998	3,321	987	565
Israeli Shekel	5,870	1,810	946	3,264	1,203	503
Japanese Yen	51,951	16,058	8,389	28,357	10,405	4,378
Malaysian Ringgit	1,330	410	214	740	273	114
Mexican Peso	531	80	61	238	178	16
New Taiwan Dollar	19,236	5,930	3,102	10,458	3,854	1,611
New Zealand Dollar	713	379	161	473	2	112
Norwegian Krone	506	233	104	319	34	68
Philippine Peso	847	392	175	565	59	121
Polish Zloty	1,538	474	248	859	317	132
Pound Sterling	43,573	13,515	7,050	24,324	8,867	3,769
Romanian Leu	159	49	26	85	31	13
Singapore Dollar	1,572	185	166	731	600	38
South African Rand	1,182	364	191	613	226	94

DRAFT 11-12-2025

Foreign Currency Risk						
As of June 30, 2025 (\$ in Thousands)						
Type	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
South Korean Won	17,258	5,320	2,783	9,962	3,671	1,534
Swedish Krona	6,792	2,093	1,095	3,684	1,358	568
Swiss Franc	32,377	9,980	5,220	17,528	6,460	2,700
Thai Baht	3,789	1,168	611	2,096	773	323
Turkish Lira	1,610	496	259	904	333	139
UAE Dirham	497	153	80	288	106	44
Total Foreign Investment Securities	433,707	136,654	69,774	231,953	90,525	38,675
U.S. Dollar	4,624,759	1,009,245	670,294	1,596,190	633,118	250,565
Total Investment Securities	\$5,058,466	\$1,145,899	\$740,068	\$1,828,143	\$723,643	\$289,240

Fair Value Measurement And Applications (GASB 72)

In accordance with *GASB Statement No. 72, Fair Value Measurement and Application*, KRS provides this additional disclosure regarding the fair value of its Pension and Insurance investments. KRS categorizes its fair value measurements within the fair value hierarchy established by GAAP.

KRS Defined The Fair Value Hierarchy And Levels As Follows:

Level 1

Quoted prices (unadjusted) in an active market for identical assets or liabilities that KRS has the ability to access at the measurement date (e.g., prices derived from NYSE, NASDAQ, Chicago Board of Trade, and Pink Sheets). Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted prices (unadjusted) in an active market for identical assets or liabilities that KRS has the ability to access at the measurement date.

Level 2

Inputs (other than quoted prices included within Level 1) that are observable for an asset or liability, either directly or indirectly. These inputs can include matrix pricing, market corroborated pricing and inputs such as yield curves and indices.

Level 3

Unobservable inputs for an asset or liability, which generally results in using the best information available for the valuation of the assets or liabilities being reported.

Net Asset Value (NAV)

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (NAV). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed.

DRAFT 11-12-2025**Fair Value Measurements and Application - Pension**

As of June 30, 2025 (\$ in Thousands)

Asset Type	KERS Nonhazardous			Total	KERS Hazardous			Total	SPRS			Total
	Level				Level				Level			
	1	2	3	Fair Value	1	2	3	Fair Value	1	2	3	Fair Value
Public Equity												
Emerging Markets	\$72,265	\$—	\$—	\$72,265	\$22,276	\$—	\$—	\$22,276	\$11,652	\$—	\$—	\$11,652
US Equity	1,016,613	—	—	1,016,613	303,904	—	—	303,904	149,311	—	—	149,311
Non-US Equity	399,926	—	—	399,926	123,280	—	—	123,280	64,485	—	—	64,485
Total Public Equity	1,488,804	—	—	1,488,804	449,460	—	—	449,460	225,448	—	—	225,448
Fixed Income												
Agencies	—	6,620	—	6,620		546		546		963		963
Asset-Backed	—	45,662	—	45,662		5,458		5,458		6,677		6,677
Bank & Finance	—	78,512	141,891	220,403		9,486	44,308	53,794		11,911	21,112	33,023
Cash & Cash Equivalent		(198)		(198)		(13)		(13)		(28)		(28)
Corporate	404,601	448,693	1,585	854,879	37,591	86,927	486	125,004	58,862	71,481	232	130,575
Healthcare	—	17,340		17,340		2,370		2,370		2,646		2,646
Insurance		4,675		4,675		435		435		689		689
Municipals		10,137		10,137		836		836		1,474		1,474
Sovereign Debt		14,721		14,721		3,653		3,653		2,582		2,582
US Government	348,549	251,843		600,392	28,893	21,183		50,076	50,716	36,700		87,416
Total Fixed Income	753,150	878,005	143,476	1,774,631	66,484	130,881	44,794	242,159	109,578	135,095	21,344	266,017
Derivatives												
Futures	(20)			(20)	(12)			(12)	(5)	—	—	(5)
Foreign Exchange		(5)		(5)		(2)		(2)		(1)	—	(1)
Total Derivatives	(20)	(5)	—	(25)	(12)	(2)	—	(14)	(5)	(1)	—	(6)
Private Equity ETFs	43,074			43,074	8,864			8,864	11,725	—	—	11,725
Real Estate ETFs	32,098			32,098	12,911			12,911	2,505	—	—	2,505
Real Return	280,520			280,520	49,067			49,067	36,705	—		36,705
Total Investments at Fair Value	2,597,626	878,000	143,476	3,619,102	586,774	130,879	44,794	762,447	385,956	135,094	21,344	542,394
Investments Measured at NAV												
Specialty Credit	—	—	—	588,160	—	—	—	154,955	—	—	—	72,848
Private Equity	—	—	—	170,243	—	—	—	56,968	—	—	—	18,814
Real Estate	—	—	—	203,598	—	—	—	51,338	—	—	—	33,103
Real Return	—	—	—	198,869	—	—	—	38,284	—	—	—	33,775
Fixed Income	—	—	—	46,111	—	—	—	3,802	—	—	—	6,706
Non US Equity	—	—	—	154,056	—	—	—	41,722	—	—	—	15,712
Emerging Markets	—	—	—	1,097	—	—	—	338	—	—	—	177
US Equity	—	—	—	10,474	—	—	—	3,368	—	—	—	1,724
Total Investments Measured at NAV	—	—	—	1,372,608	—	—	—	350,775	—	—	—	182,859
Cash and Accruals	—	—	—	66,756	—	—	—	32,677	—	—	—	14,815

DRAFT 11-12-2025**Fair Value Measurements and Application - Pension**

As of June 30, 2025 (\$ in Thousands)

Asset Type	KERS Nonhazardous Level			Total Fair Value	KERS Hazardous Level			Total Fair Value	SPRS Level			Total Fair Value
	1	2	3		1	2	3		1	2	3	
Total Investments	\$2,597,626	\$878,000	\$143,476	\$5,058,466	\$586,774	\$130,879	\$44,794	\$1,145,899	\$385,956	\$135,094	\$21,344	\$740,068

Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.

Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.

DRAFT 11-12-2025

The investments measured at net asset value (NAV) are presented in the chart below:

Fair Value Measurements and Application - Pension												
As of June 30, 2025 (\$ in Thousands)												
Asset Type	KERS Nonhazardous				KERS Hazardous				SPRS			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Specialty Credit ⁽¹⁾	\$588,160	\$112,782	Daily - Quarterly	90 Days	\$154,955	\$26,080	Daily - Quarterly	90 Days	\$72,848	\$14,061	Daily - Quarterly	90 Days
Real Estate ⁽²⁾	203,598	26,676			51,338	7,607			33,103	3,190		
Real Return ⁽³⁾	198,869	81,432	Daily	30 - 60 Days	38,284	13,520	Daily	30 - 60 Days	33,775	12,647	Daily	30 - 60 Days
Private Equity ⁽⁴⁾	170,243	27,061			56,968	9,809			18,814	3,068		
Fixed Income ⁽⁵⁾	46,111		Daily		3,802		Daily		6,706		Daily	
Non US Equity ⁽⁵⁾	154,056		Daily		41,722		Daily		15,712		Daily	
Emerging Markets ⁽⁵⁾	1,097		Daily		338		Daily		177		Daily	
US Equity ⁽⁵⁾	10,474		Daily		3,368		Daily		1,724		Daily	
Total Investments Measured at NA	\$1,372,608	\$247,951			\$350,775	\$57,016			\$182,859	\$32,966		
⁽¹⁾ This type includes 12 specialty credit managers with multiple strategies. These managers may invest in U.S. or non-U.S. investment grade corporate credit, U.S. or non U.S. noninvestment grade corporate credit, including both bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities and whole loans, asset-backed securities and emerging market debt. ⁽²⁾ This type includes 12 real estate funds that invest primarily in U.S. commercial real estate; however, there is one manager who invests solely in non-U.S. commercial real estate. The fair value of the investments have been determined using the NAV per share of the Plan's ownership interest and in the partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the funds will be liquidated over the next 7 to 10 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share of the Plan's ownership interest in the partners' capital. Due to restrictions in the contract, redemptions are not likely until the assets of the fund are liquidated. ⁽³⁾ This type includes 17 real return managers that invest in multiple strategies such as infrastructure, agriculture, royalties, commodities, and natural resources. These investments are intended to provide both favorable risk-adjusted returns and correlation with inflation to help with the hedging of inflation for the broader plan. This group of managers also includes any hedge fund managers remaining in the portfolio which have all been terminated and are only awaiting payouts. ⁽⁴⁾ This type includes 30 managers with multiple strategies. These investments cannot be redeemed. Instead, the investments are distributed throughout the life of the investment. Distributions are received through the liquidation of the underlying assets of the fund. It is expected that each fund will remain invested for a period of 5 to 10 years. It is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investment in this asset class have been determined using recent observable transaction information ⁽⁵⁾ This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.												

DRAFT 11-12-2025**Fair Value Measurements and Application - Insurance**

As of June 30, 2025(\$ in Thousands)

Asset Type	KERS Nonhazardous Level			Total Fair Value	KERS Hazardous Level			Total Fair Value	SPRS Level			Total Fair Value
	1	2	3		1	2	3		1	2	3	
Public Equity												
Emerging Markets	\$39,531	\$—	\$—	\$39,531	\$14,569	\$—	\$—	\$14,569	\$6,089	\$—	\$—	\$6,089
US Equity	476,910	—	—	476,910	189,925	—	—	189,925	75,807	—	—	75,807
Non-US Equity	221,037	—	—	221,037	81,465	—	—	81,465	34,046	—	—	34,046
Total Public Equity	737,478	—	—	737,478	285,959	—	—	285,959	115,942	—	—	115,942
Fixed Income												
Agencies		1,047		1,047		404		404		147		147
Asset-Backed		9,117		9,117		2,899		2,899		1,173		1,173
Bank & Finance		15,500	78,136	93,636		4,457	16,996	21,453		2,422	8,071	10,493
Cash & Cash Equivalent		15		15		(8)		(8)		6		6
Corporate	59,056	146,421	935	206,412	20,939	38,265	210	59,414	7,808	17,737	92	25,637
Healthcare		3,926		3,926		1,139		1,139		534		534
Insurance		775		775		271		271		116		116
Municipals		1,550		1,550		599		599		217		217
Sovereign Debt		4,982		4,982		529		529		1,050		1,050
US Government	51,376	37,561		88,937	19,755	14,271		34,026	7,225	5,326		12,551
Total Fixed Income	110,432	220,894	79,071	410,397	40,694	62,826	17,206	120,726	15,033	28,728	8,163	51,924
Derivatives												
Futures	(16)			(16)	—				(4)			
Foreign Exchange		(3)		(3)		—	—			(1)		
Total Derivatives	(16)	(3)	—	(19)	—	—	—	—	(4)	(1)	—	(5)
Private Equity												
ETFs	33,632			33,632				—				—
Real Estate ETFs	21,440			21,440				—				—
Real Return	57,618			57,618	24,811			24,811	9,869			9,869
Total Investments at Fair Value	960,584	220,891	79,071	1,260,546	351,464	62,826	17,206	431,496	140,840	28,727	8,163	177,730
Investments Measured at NAV												
Specialty Credit	—	—	—	252,164	—	—	—	129,051	—	—	—	48,522
Private Equity	—	—	—	83,161	—	—	—	44,225	—	—	—	19,691
Real Estate	—	—	—	81,808	—	—	—	45,752	—	—	—	17,557
Real Return	—	—	—	73,661	—	—	—	29,165	—	—	—	11,713
Fixed Income	—	—	—	6,056	—	—	—	2,338	—	—	—	849
Non US Equity	—	—	—	45,629	—	—	—	24,317	—	—	—	8,792
Emerging Markets	—	—	—	627	—	—	—	231	—	—	—	97
US Equity	—	—	—	4,992	—	—	—	1,998	—	—	—	806
Total Investments Measured at NAV	—	—	—	548,098	—	—	—	277,077	—	—	—	108,027
Cash and Accruals	—	—	—	19,499	—	—	—	15,070	—	—	—	3,483
Total Investments	\$960,584	\$220,891	\$79,071	\$1,828,143	\$351,464	\$62,826	\$17,206	\$723,643	\$140,840	\$28,727	\$8,163	\$289,240

Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.

Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.

DRAFT 11-12-2025

The investments measured at net asset value (NAV) are presented in the chart below:

Fair Value Measurements and Application - Insurance													
As of June 30, 2025 (\$ in Thousands)													
Asset Type	KERS Nonhazardous				KERS Hazardous				SPRS				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	
Specialty Credit ⁽¹⁾	\$252,164	\$50,043	Daily - Quarterly	90 Days	\$129,051	\$12,855	Daily - Quarterly	90 Days	\$48,522	\$6,423	Daily - Quarterly	90 Days	
Real Estate ⁽²⁾	81,808	8,861			45,752	6,624			17,557	2,531			
Real Return ⁽³⁾	73,661	27,963	Daily	30 - 60 Days	29,165	11,599	Daily	30 - 60 Days	11,713	4,545	Daily	30 - 60 Days	
Private Equity ⁽⁴⁾	83,161	9,877			44,225	7,650			19,691	3,690			
Fixed Income ⁽⁵⁾	6,056		Daily		2,338		Daily		849		Daily		
Non US Equity ⁽⁵⁾	45,629		Daily		24,317		Daily		8,792		Daily		
Emerging Markets ⁽⁵⁾	627		Daily		231		Daily		97		Daily		
US Equity ⁽⁵⁾	4,992		Daily		1,998		Daily		806		Daily		
Total Investments Measured at NA	\$548,098	\$96,744			\$277,077	\$38,728			\$108,027	\$17,189			
⁽¹⁾ This type includes 12 specialty credit managers with multiple strategies. These managers may invest in U.S. or non-U.S. investment grade corporate credit, U.S. or non U.S. noninvestment grade corporate credit, including both bonds and bank loans, municipal bonds, non-U.S. sovereign debt, mortgages including residential mortgage backed securities, commercial mortgage backed securities and whole loans, asset-backed securities and emerging market debt. ⁽²⁾ This type includes 12 real estate funds that invest primarily in U.S. commercial real estate; however, there is one manager who invests solely in non-U.S. commercial real estate. The fair value of the investments have been determined using the NAV per share of the Plan's ownership interest and in the partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the funds will be liquidated over the next 7 to 10 years. Because it is not probable that any individual investment will be sold, the fair value of each individual investment has been determined using the NAV per share of the Plan's ownership interest in the partners' capital. Due to restrictions in the contract, redemptions are not likely until the assets of the fund are liquidated. ⁽³⁾ This type includes 17 real return managers that invest in multiple strategies such as infrastructure, agriculture, royalties, commodities, and natural resources. These investments are intended to provide both favorable risk-adjusted returns and correlation with inflation to help with the hedging of inflation for the broader plan. This group of managers also includes any hedge fund managers remaining in the portfolio which have all been terminated and are only awaiting payouts. ⁽⁴⁾ This type includes 30 managers with multiple strategies. These investments cannot be redeemed. Instead, the investments are distributed throughout the life of the investment. Distributions are received through the liquidation of the underlying assets of the fund. It is expected that each fund will remain invested for a period of 5 to 10 years. It is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investment in this asset class have been determined using recent observable transaction information ⁽⁵⁾ This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.													

DRAFT 11-12-2025

Money-weighted Rates Of Return

In accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, and GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, KRS provides this additional disclosure regarding its money-weighted rate of return for the period of June 30, 2025. The money-weighted rate of return is a method of calculating period-by-period returns on the Pension and Insurance Plans' investments that adjusts for the changing amounts actually invested. For the purposes of this statement, money-weighted rate of return is calculated as the internal rate of return on investments, net of investment expenses, then adjusted for the changing amounts actually invested. Please note this rate is different than the time-weighted returns reported in other sections.

Money-Weighted Rates of Return As of June 30, 2025						
	Pension			Insurance		
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
2025	11.24%	11.88%	10.97%	11.74%	11.17%	11.23%

Note E. Securities Lending Transactions

Kentucky Revised Statutes 61.650 and 386.020(2) permit the Systems to lend their securities to broker-dealers and other entities. KRS utilizes a securities lending program to temporarily lend securities to qualified agents in exchange for either cash collateral or other securities with an initial fair value of 102% or 105% of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral. The types of securities lent include U.S. Treasuries, U.S. Agencies, U.S. Corporate Bonds, U.S. Equities, Global Fixed Income Securities, and Global Equities Securities. Securities Lending transactions are accounted for in accordance with GASB 28. The net earnings for KERS (Pension and Insurance combined) and SPRS (Pension and Insurance combined) was \$1.2 million and \$0.1 million, respectively.

The IPS does not address any restrictions on the amount of loans that can be made. As of June 30, 2025, KRS had no credit risk exposure to borrowers because the collateral amounts received exceeded the amounts out on loan. The contracts with the custodial bank require them to indemnify KRS if the borrowers fail to return the securities and one or both of the custodial banks have failed to live up to their contractual responsibilities relating to the lending of securities.

All securities loans can be terminated on demand by either party to the transaction. BNY Mellon invests cash collateral as permitted by state statute and KRS Board policy. The agent, BNY Mellon, of the Funds cannot pledge or sell collateral securities received unless the borrower defaults. KRS maintains a conservative approach to investing the cash collateral with BNY Mellon, emphasizing capital preservation, liquidity, and credit quality.

Cash collateral is invested in guaranteed, short-term obligations of the U.S. government, select government agencies and repurchase agreements with qualified agents. KRS cannot pledge or sell collateral securities received unless the borrower defaults. BNY Mellon as the lending agent also indemnifies KRS from any financial loss associated with a borrower's default and collateral inadequacy.

As of June 30, 2025, the average days to maturity for loans was one day, and the weighted average investment maturity of cash collateral investments was one day. The trusts had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts the borrowers owed the trust, and no losses resulted during the period.

Security lending programs can entail interest rate risk and credit risk. KRS minimizes interest rate risk by limiting the term of cash collateral investments to several days. The credit risk is controlled by investing cash collateral in securities with qualities similar to the credit worthiness of lent securities.

As of June 30, 2025, the cash collateral received for the securities on loan for the KERS and SPRS Plans was \$213.8 million and \$25.3 million, respectively. The securities non-cash collateral received a total of \$322.5 million and \$38.1 million, respectively. The collateral volume of the total underlying securities was \$536.3 million for KERS and \$63.4 million for SPRS.

DRAFT 11-12-2025

Securities Lending Cash Collateral						
As of June 30, 2025 (\$ in Thousands)						
KERS Nonhazardous Pension	KERS Nonhazardous Insurance	KERS Hazardous Pension	KERS Hazardous Insurance	SPRS Pension	SPRS Insurance	KRS Total 2025
\$129,611	\$39,153	\$29,538	\$15,518	\$19,073	\$6,208	\$239,101

Note F. Risk of Loss

KRS and KPPA are exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Under the provisions of the Kentucky Revised Statutes, the Office of Claims and Appeals is vested with full power and authority to investigate, hear proof, and compensate persons for damages sustained to either person or property as a result of negligence of the agency or any of its employees. Awards are limited to \$250,000 for a single claim and \$400,000 in aggregate per occurrence. Awards and a pro rata share of the operating cost of the Office of Claims and Appeals are paid from the fund of the agency having a claim or claims before the Office of Claims and Appeals.

Claims against the KRS Board and the KPPA Board, or any of its staff as a result of an actual or alleged breach of fiduciary duty, are self-insured effective May 26, 2019.

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations. All medical expenses related to a work injury or illness are paid based upon appropriate statutory and regulatory reductions, and up to 66.67% of wages for temporary disability. Each agency pays premiums based on fund reserves and payroll. Settlements did not exceed insurance coverage in any of the past three fiscal years. Thus, no secondary insurance had to be utilized. There were no claims which were appealed to the Kentucky Workers' Compensation Board.

Note G. Contingencies

In the normal course of business, KRS is involved in litigation concerning the right of participants, or their beneficiaries, to receive benefits. KRS does not anticipate any material losses for the Systems as a result of the contingent liabilities. KRS is involved in other litigation; therefore, please see Note K. Litigation, for further information.

Note H. Income Tax Status

The Internal Revenue Service (IRS) has ruled that KERS and SPRS qualify under Section 401(a) of the Internal Revenue Code as tax exempt. KERS and SPRS are subject to income tax on any unrelated business income (UBI).

Note I. Financial Reporting for (GASB 67) Pension Plans and (GASB 74) Postemployment Benefit Plans

The following details actuarial information and assumptions utilized in determining the unfunded (overfunded) actuarial accrued liabilities for KRS. Please note that calculations for Total Pension Liability (TPL), net fiduciary position, Net Pension Liability (NPL), total OPEB liability, net OPEB fiduciary position, and Net OPEB Liability (NOL) are reported in the Plans' Required Supplementary Information (RSI) beginning on page 48 are based on June 30, 2024, actuarial valuations, rolled forward to June 30, 2025. The prior year valuations are used as the basis for the roll forward method and are applied to complete the current year pension and OPEB valuations as of the measurement date, June 30, 2025, in accordance with *GASB Statement No. 67*, paragraph 37, and *GASB Statement No. 74*, paragraph 41.

Financial Reporting For Pension Plan (GASB 67)

Basis of Calculations

The Systems' actuary Gabriel, Roeder, Smith & Co.(GRS) completed reports by plan in compliance with *GASB Statement No. 67 Financial Reporting for Pension Plans*. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2024. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June

DRAFT 11-12-2025

30, 2025, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*.

Assumptions

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return - 6.25% for KERS Hazardous, 5.25% for KERS Nonhazardous and SPRS.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, and 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Plan Provisions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2024.

Discount Rate

Single discount rates of 5.25% for the nonhazardous and SPRS plans and 6.25% for the hazardous plan were used to measure the total pension liability for the fiscal year ending June 30, 2025. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with *GASB Statement No. 74*, the 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) asset balance.

Additional Disclosures

This disclosure is based upon information, furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024" for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ending June 30, 2025.

Financial Reporting For Postemployment Benefit Plans (GASB 74)

GRS completed reports by plan in compliance with *GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans for the fiscal year ended June 30, 2025*. GRS will provide separate reports at a later date with additional accounting information determined in accordance with *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

DRAFT 11-12-2025

Basis of Calculations

The total OPEB liability, net OPEB liability (NOL), and sensitivity information are based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2025, using generally accepted actuarial principles.

Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2024, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

The Total OPEB Liability as of June 30, 2025, is determined using these updated assumptions.

Below is a summary of the principal assumptions used for the June 30, 2024, actuarial valuation:

- Investment Return - 6.50% for all plans.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0.00% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Health Care Trend Rates:
 - Pre-65 - Initial trend starting at 6.80% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
 - Post-65 - Initial trend starting at 8.50% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Plan Provisions

There have been no plan provision changes that would materially impact the total OPEB liability since June 30, 2024.

Implicit Employer Subsidy for Non-Medicare Retirees

The fully-insured premiums paid for 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. *GASB Statement No. 74* requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2025.

Plan	Fiscal Year 2025	Fiscal Year 2024	Change in Rate
KERS Nonhazardous	6.25%	6.00%	0.25%
KERS Hazardous	6.20%	5.99%	0.21%
SPRS	6.24%	6.08%	0.16%

Single discount rates of 6.25% for the KERS Nonhazardous plan, 6.20% for the KERS Hazardous plan, and 6.24% for SPRS were used to measure the total OPEB liability for the fiscal year ending June 30, 2025. They are based on the expected rate of return on OPEB plan investments of 6.50% and municipal bond rate of 5.20% as reported in Bond Buyer's "20-Bond Go index" as of June 30, 2025.

DRAFT 11-12-2025

Based on the stated assumptions and the projection of cash flows as of each fiscal year ended, the plan's fiduciary net position and future contributions were projected to be sufficient to finance the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on insurance plan investments was applied to all periods of the projected benefit payments paid from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the plan's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the plan's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The projection of cash flows used to determine the single discount rate must include an assumption regarding actual employer contributions made each future year. Future contributions are projected assuming that the entire actuarially determined employer contribution is received by each plan each future year, calculated in accordance with the current funding policy.

Additional Health Care Contributions (IRC 401(h) Subaccount)

Based on guidance issued by GASB in connection with *GASB Statement No. 74*, the 1% of pay Tier 2 and Tier 3 members contribute to a 401(h) subaccount in is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) asset balance in the respective pension plans and are included in the OPEB fiduciary net position amounts in the below tables. Additionally, these member contributions and associated investment income and administrative expenses are included in the reconciliation of the fiduciary net position.

Additional Disclosures¹

This disclosure is based upon information furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2024," for additional discussion of the nature of the actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions. These reports should be considered together as a complete report for the fiscal year ended June 30, 2025.

Target Asset Allocation

The long-term (10-year) expected rates of return were determined by using a building block method in which best estimated ranges of expected future real rates of return were developed for each asset class. The ranges were combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables on the following page.

¹ Note: Data and information regarding GASB 67 and GASB 74 reporting was provided by GRS Retirement Consulting.

DRAFT 11-12-2025

Target Asset Allocation

As of June 30, 2025

Asset Class	KERS Nonhazardous and SPRS Pension Plans Target Allocation	Long-Term Expected Real Rate of Return	KERS Hazardous and all KRS Insurance Plans Target Allocation	Long-Term Expected Real Rate of Return
Equity				
Public Equity	30.00%	4.15%	40.00%	4.15%
Private Equity	6.00%	7.90%	8.00%	7.90%
Fixed Income				
Core Fixed Income	27.00%	2.70%	10.00%	2.70%
Specialty Credit	20.00%	3.83%	25.00%	3.83%
Cash	2.00%	1.25%	2.00%	1.25%
Inflation Protected				
Real Estate	5.00%	4.75%	7.00%	4.75%
Real Return	10.00%	5.20%	8.00%	5.20%
Total	100.00%	4.00%	100.00%	4.29%

Note: Minor deviations are expected between the actuarial assumed rate of return and the expected rate of return reported in the above charts. The actuarial assumed rates of return are based on a review of economic assumptions completed periodically as warranted but not longer than every 2 years; whereas, the expected rate of return is calculated annually for GASB purposes by taking the current asset allocation and applying the most relevant long term market expectations (March 2025) for each asset class.

Sensitivity of the NPL to Changes in the Discount Rate Fiscal Year 2025

As of June 30, 2025 (\$ in Thousands)

	KERS Nonhazardous	KERS Hazardous	SPRS
	Current 5.25%	Current 6.25%	Current 5.25%
1% Decrease	\$13,551,721	\$524,105	\$524,049
Current Discount Rate	11,587,422	338,589	382,207
1% Increase	\$9,959,279	\$192,169	\$265,456

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Trend Rate

As of June 30, 2025 (\$ in Thousands)

	KERS Nonhazardous	KERS Hazardous	SPRS
	Single 6.25%	Single 6.20%	Single 6.24%
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate			
1% Decrease	\$1,166,773	(\$193,458)	\$41,599
Single Discount Rate	855,601	(253,231)	7,804
1% Increase	\$593,261	(\$302,658)	(\$20,470)
Sensitivity of the Net OPEB Liability (Asset) to Changes in the Current Healthcare Cost Trend Rate			
1% Decrease	\$618,941	(\$294,209)	(\$19,405)
Current Healthcare Cost Trend Rate	855,601	(253,231)	7,804
1% Increase	\$1,131,596	(\$204,647)	\$39,901

Development of Single Discount Rate for OPEB

As of June 30, 2025

	KERS Nonhazardous	KERS Hazardous	SPRS
Single Discount Rate	6.25%	6.20%	6.24%
Long-Term Expected Rate of Return	6.50%	6.50%	6.50%
Long-Term Municipal Bond Rate ⁽¹⁾	5.20%	5.20%	5.20%

Note: 1. Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025.

DRAFT 11-12-2025

Schedule of Employers' NPL - KERS Nonhazardous

As of June 30, 2025 (\$ in Thousands)

Total Pension Liability (TPL)	\$16,648,847
Plan Fiduciary Net Position	\$5,061,425
Net Pension Liability	\$11,587,422
Ratio of Plan Fiduciary Net Position to TPL	30.40%
Covered Payroll ⁽¹⁾	\$2,081,792
Net Pension Liability as a Percentage of Covered Payroll	556.61%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.**Schedule of Employers' NPL - KERS Hazardous**

As of June 30, 2025 (\$ in Thousands)

Total Pension Liability (TPL)	\$1,476,069
Plan Fiduciary Net Position	\$1,137,480
Net Pension Liability	\$338,589
Ratio of Plan Fiduciary Net Position to TPL	77.06%
Covered Payroll ⁽¹⁾	\$288,682
Net Pension Liability as a Percentage of Covered Payroll	117.29%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.**Schedule of Employers' NPL - SPRS**

As of June 30, 2025 (\$ in Thousands)

Total Pension Liability (TPL)	\$1,123,489
Plan Fiduciary Net Position	\$741,282
Net Pension Liability	\$382,207
Ratio of Plan Fiduciary Net Position to TPL	65.98%
Covered Payroll ⁽¹⁾	\$75,855
Net Pension Liability as a Percentage of Covered Payroll	503.87%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.**Schedule of the Employers' Net OPEB Liability**

As of June 30, 2025 (\$ in Thousands)

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll	Net OPEB Liability as a Percentage of Covered Payroll
KERS Nonhazardous ⁽¹⁾	\$2,771,333	\$1,915,732	\$855,601	69.13%	\$2,087,763	40.98%
KERS Hazardous ⁽²⁾	\$482,062	\$735,293	(\$253,231)	152.53%	\$288,682	(87.72)%
SPRS ⁽¹⁾	\$298,847	\$291,043	\$7,804	97.39%	\$80,447	9.70%

⁽¹⁾ Covered Payroll is based on derived compensation using the provided employer contribution information.⁽²⁾ Covered Payroll is based on derived compensation using the provided employer contribution information. For 2021-2025, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plans for FYE 2021-2025.

Note J. Legislation

2025 Regular Session

The 2025 Regular Session of the Kentucky General Assembly adjourned on Friday, March 28, 2025. Highlights from the Session include the following:

BILLS OF DIRECT INTEREST TO KRS MEMBERS AND RETIREES**House Bill 30: Public Employee Benefits/Pension Spiking**

House Bill 30 amends the definition of bona fide promotion or career advancement to include increases in the rate of pay given to all employees of a specified class, commonly referred to as across-the-board raises, which will be exempt from pension spiking per Kentucky Revised Statute 61.598(4)(a). This applies to Tier 1 and Tier 2 members with retirement

DRAFT 11-12-2025

dates on or after July 1, 2024, per 105 Kentucky Administrative Regulation 1:142. Current law dictates how KPPA administers pension spiking, which is defined as salary increases above a set threshold, for salary that is used to calculate a member's retirement benefit.

Senate Bill 176: Statutory Committee Membership Appointments

Senate Bill 176 modifies the process for appointments to statutory committees, such as the Public Pension Oversight Board (PPOB). Senate Bill 176 provides that legislator appointments will be made in January of each odd-numbered year for a two-year term, vacancies will be filled within 30 days, and requires the Senate President and Speaker of the House to appoint co-chairs. These changes were effective June 27, 2025. The PPOB assists the General Assembly with its review, analysis, and oversight of the administration, benefits, investments, funding, laws and administrative regulations, and legislation pertaining to KPPA.

Senate Bill 183: Fiduciary Duties and Proxy Advisors

House Bill 183 requires state-administered retirement systems to take certain steps when utilizing proxy advisors related to shareholder-sponsored proposals and economic analysis. Most requirements in this legislation are currently in existing proxy voting policies. These will be reviewed to ensure compliance with Senate Bill 183. These changes were effective June 27, 2025.

Note K. Litigation

Seven Counties

Seven Counties Services, Inc. (Seven Counties) filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Western District of Kentucky (the Bankruptcy Court) in April 2013. Seven Counties provides mental health services for the Cabinet for Health and Family Services for the greater Louisville, Kentucky area and surrounding counties. Seven Counties participated in KERS for approximately twenty-five years. Seven Counties identified KERS as a creditor with a primary objective of discharging its continuing obligation to remit retirement contributions for approximately 1,300 employees and to terminate its participation in KERS. If Seven Counties is successful in discharging its obligations to KERS, the estimated member pension and insurance actuarial accrued liability is in the range of \$145 to \$150 million. KERS opposed Seven Counties' attempt to discharge its obligations and terminate its participation. KERS asserted that Seven Counties is a Governmental Unit properly participating in KERS by Executive Order issued in 1978 and thus ineligible for Chapter 11 relief. Consequently, Seven Counties would remain statutorily obligated to continue participation and remit contributions. On May 30, 2014, the Bankruptcy Court held that Seven Counties was not a Governmental Unit and could move forward with its Chapter 11 bankruptcy case. The Bankruptcy Court further held that Seven Counties' statutory obligation to participate in and remit contributions to KERS was a "contract" eligible for rejection. KRS appealed this decision.

On August 24, 2018, the U.S. Court of Appeals for the Sixth Circuit (the Sixth Circuit) issued a two to one Opinion affirming the decision that Seven Counties is eligible to file for bankruptcy under Chapter 11. However, the Sixth Circuit went on to state, "lacking state court precedent characterizing the nature of the relationship between Seven Counties and KERS, we certify that question to the Kentucky Supreme Court." KERS filed a petition to have the Opinion Reheard En Banc by the entire Sixth Circuit. On October 5, 2018, the Sixth Circuit issued an order holding the petition in abeyance pending a response from the Kentucky Supreme Court on the certified question of law. On November 1, 2018, the Supreme Court of Kentucky issued an Order granting certification of the question. The certified question of law was briefed by the parties and oral arguments were held before the Supreme Court of Kentucky on March 6, 2019. On August 29, 2019, the Supreme Court of Kentucky ruled that Seven Counties' participation in and its contributions to KERS are based on a statutory obligation. The Supreme Court of Kentucky's ruling was forwarded to the Sixth Circuit for further consideration.

On July 20, 2020, the Sixth Circuit Court of Appeals issued an Opinion stating that they affirmed their previous determination that Seven Counties was eligible to file a Chapter 11 bankruptcy case. The Sixth Circuit also reversed the conclusion that Seven Counties can reject its obligation to participate as an executory contract and that Seven Counties need not maintain its statutory contribution obligation during the pendency of the bankruptcy. The Sixth Circuit dismissed Seven Counties' cross appeal and remanded the case for further proceedings consistent with the opinion. KERS again filed a petition to have the Opinion regarding Seven Counties' ability to file a Chapter 11 bankruptcy Reheard En Banc by the entire Sixth Circuit. This petition was denied in an Order dated September 11, 2020. The case was remanded back to the Bankruptcy Court.

The parties were able to stipulate to the principal amount of Seven Counties unpaid employer contributions for the post-petition time-frame of April 6, 2014 through February 5, 2015. A limited hearing occurred in February 2022 regarding whether interest is applicable to the stipulated amount. The Bankruptcy Court entered an order that set the amount of the contributions, but did not order Seven Counties to pay that amount. The order was silent regarding the application of

DRAFT 11-12-2025

interest. Both Seven Counties and KERS appealed the Bankruptcy Court's order to the United States District Court where it will be joined with the pending appeal of the confirmation of Seven Counties' reorganization plan.

The United States District Court refused to hear the appeals stating that the Bankruptcy Court's order was not final and appealable. That left KERS in a position where no relief was possible; the Bankruptcy Court would not enter an order requiring payment, and the District Court would not hear an appeal. This forced KERS to once again appeal the United States Court of Appeals for the Sixth Circuit. The matter is now fully briefed before that court and parties are awaiting oral arguments.

The Sixth Circuit Court of Appeals agreed with the District Court, ruling that the Bankruptcy Court order was not final and appealable. The Sixth Circuit did however instruct the Bankruptcy Court that it had construed the 2020 ruling too narrowly and returned the case to the Bankruptcy Court for "expeditious resolution of the remaining issues." KRS has moved the Bankruptcy Court to resolve the issue of ordering Seven Counties to pay the stipulated amount and to allow KRS to pursue collecting contributions from February 2015 forward outside of the Bankruptcy Court. These motions are pending.

Mayberry

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant."

On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a "nominal defendant." Since then, the Franklin Circuit Court ruled on various Defendants' Motions to Dismiss, denying nearly all of them.

On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, "KKR Parties") amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain Officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing the Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals' decision to the Supreme Court of Kentucky.

On July 9, 2020, the Supreme Court of Kentucky issued an Opinion stating that the plaintiffs, as beneficiaries of a defined-benefit plan who have received all of their vested benefits so far and are legally entitled to receive their benefits for the rest of their lives, do not have a concrete stake in this case and therefore lack standing to bring this claim. The case was remanded to the circuit court with directions to dismiss the complaint. Thereafter, plaintiffs filed a motion seeking to amend their complaint to add parties (Tier 3 members of the Retirement Systems) and claims that would purportedly correct the standing defect identified by the Supreme Court of Kentucky. Furthermore, the Attorney General of the Commonwealth of Kentucky sought leave to intervene in this action through a motion filed July 20, 2020, and an Intervening Complaint on July 22, 2020. The Defendants filed motions seeking to have the case dismissed.

On December 28, 2020, Franklin Circuit Court issued an Order dismissing the Complaint filed by the Plaintiffs, denied Plaintiffs' Motion to file a Second Amended Complaint, and granted the Office of the Attorney General's Motion to Intervene. A variety of additional motions and pleadings were filed, including an original action by the Tier 3 Group. This original action is still in the initial stages and is pending with Franklin Circuit Court. (Tia Taylor, et al. v KKR & Co. L.P., et al.)

On January 12, 2021, Franklin Circuit Court issued a scheduling Order granting the Attorney General until February 1, 2021 to file an Amended Intervening Complaint, granting the Tier 3 Group until February 11, 2021 to file a Motion to Intervene in this action. Additional extension orders were granted for the Attorney General intervention. The Attorney General filed an Amended Complaint on May 24, 2021. On June 14, 2021, the Tier 3 Group's Motion to Intervene in the Attorney General action was denied. In the spring of 2022, Franklin Circuit Judge Phillip Shepherd recused and this matter was assigned to Judge Thomas Wingate.

Following the Attorney General's intervention, the Defendant's challenged the intervention as beyond the scope of the remand from the Supreme Court in July of 2020. Franklin Circuit Court denied that motion and the matter was on appeal when this case was assigned to Judge Thomas Wingate. Judge Wingate placed the matter in abeyance pending a decision on whether the Attorney General's intervention was proper. The Court of Appeals held that the Attorney General

DRAFT 11-12-2025

should not have been allowed to intervene and the Attorney General is currently seeking Discretionary Review by the Supreme Court.

Simultaneously with his intervention, the Attorney General filed a separate, stand-alone case with an identical complaint to protect against the possibility that his intervention would be deemed improper. The Defendants filed motions to dismiss the Attorney General's stand-alone case based on various legal theories. Franklin Circuit Court denied the majority of these motions but granted the motions to dismiss on behalf of R.V. Kuhns and Cavanaugh Macdonald, KRS' actuary and investment consultant during the relevant timeframe. This case is still proceeding.

A number of related cases have also developed based on issues raised in the above referenced Mayberry action. There has been an action filed by a number of the Trustees and Officers named in Mayberry seeking reimbursement by Kentucky Retirement Systems of legal fees. Kentucky Retirement Systems has also filed an action against Hallmark Specialty Insurance seeking a declaratory judgment that Hallmark has a duty to defend and indemnify Kentucky Retirement Systems in the Mayberry action. Two of the hedge fund Defendants in the Mayberry action have also filed an action in the United States District Court for the Eastern District of Kentucky naming individual members of the former KRS Board of Trustees as Defendants. This action is seeking a judgment declaring that the Trustees violated Plaintiffs' right to due process as well as an award of costs and attorneys' fees.

Three actions have also been filed in Delaware regarding the Mayberry action. One filed by Prisma Capital Partners and one filed by Blackstone Alternative Asset Management allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. The third was filed by Prisma Capital Partners against the Daniel Boone Fund, LLC. Additionally, an action has been filed by PAAMCO against Kentucky Retirement Systems in California also alleging breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems.

Finally, on August 2, 2021, Blackstone Alternative Asset Management, L.P. (BAAM) filed an action against the Kentucky Public Pensions Authority, the Board of Trustees of the Kentucky Retirement Systems, the Board of Trustees of the County Employees Retirement System, the Kentucky Retirement Systems Insurance Fund, and the Kentucky Retirement Systems Pension Fund (collectively "Defendants") for breach of contract. The Defendants filed a Motion to Dismiss on September 8, 2021. The last of these additional actions, the suit filed by BAAM, was dismissed by Franklin Circuit Court. The Court of Appeals upheld the dismissal, and BAAM is seeking Discretionary Review by the Supreme Court. The rest of these cases remain active in various stages of litigation.

On January 8, 2025, the Attorney General and the Hedge Funds, with the approval of the Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employee Retirement System, filed a motion to approve a settlement agreement with the Franklin Circuit Court that, if approved, would result in the dismissal of nearly all claims arising from these events. The Franklin Circuit Court is scheduled to hear arguments regarding the settlement agreement on February 26, 2025.

The Franklin Circuit Court ultimately refused to approve the settlement agreement. Though appellate matters are moving forward, the parties remain committed to continue pursuing a negotiated settlement.

Mountain Comprehensive Care Center & Adanta

In 2022, Mountain Comprehensive Care Center and Adanta filed separate suits challenging the actuarially accrued liability assigned these two entities via the process outlined in KRS 61.565, known as House Bill 8 from the 2021 Regular Session of the Kentucky General Assembly. The suits challenge not only the liability assigned to them, but they challenge the constitutionality of the statutory scheme.

Both parties filed cross motions for summary judgment and oral arguments occurred on August 6, 2025. The court indicated it may take several months for a ruling to be issued due to the length of the pleadings.

James Redwine, David Campbell, & Michael Steward

Three complaints were filed against the Kentucky Retirement Systems (KRS) on behalf of specific named plaintiffs and others similarly situated based on the same facts that gave rise to the former River City Fraternal Order of Police (FOP) complaint. KPPA was aware that the River City FOP case impacted more individuals than the named plaintiffs and had been working on legislative and regulatory solutions. Legislation passed by the 2022 General Assembly allows individuals negatively impacted by the Medicare Secondary Payer Act to receive their health insurance through the Kentucky Employees Health Plan, and KPPA has promulgated a regulation to reimburse those individuals who had to pay for health insurance consistent with the Sixth Circuit Opinion. In addition to the MSPA issue, these three complaints allege that requiring Medicare eligible members to pay for Medicare Part B violates their right to "free" health insurance under their inviolable contract.

DRAFT 11-12-2025

These suits are identical to two suits filed against the County Employees Retirement System (CERS). The cases against KRS are being held in abeyance pending the outcome of the class certification issue in the CERS cases.

Note L. Reciprocity Agreement

In accordance with Kentucky Revised Statutes 61.702, KRS has reciprocity agreements with County Employees Retirement System (CERS), Teachers' Retirement System of Kentucky (TRS) and Judicial Form Retirement System (JFRS) for the payment of insurance benefits for those members who have creditable service in KERS, SPRS and CERS, TRS and/or JFRS systems.

Note M. Reimbursement of Retired Reemployed Health Insurance, Active Member Health Insurance Contributions, and Retired Reemployed Employer Contributions

Reimbursement Of Retired Reemployed Health Insurance

If a retiree is reemployed in a regular full-time position and has chosen health insurance coverage through KRS, the employer is required to reimburse KRS for the health insurance premium paid on the retiree's behalf, not to exceed the cost of the single premium rate. Exceptions for retired members who reemploy as a police officer, sheriff or school resource officer exist which may exempt employers from paying employer contributions and health insurance reimbursements if certain requirements are met. For the fiscal year ended June 30, 2025, the reimbursement totaled \$10.8 million.

Retired Reemployed Healthcare Contributions As of June 30, 2025 (\$ in Thousands)	KERS Nonhazardous	KERS Hazardous	SPRS	KRS Total
Amount	\$8,590	\$2,156	\$30	\$10,776

Active Member Health Insurance Contributions

For new plan participants after August 31, 2008, an active member contribution of 1% in addition to the member pension contribution is required. This 1% is applicable to all Nonhazardous and Hazardous Plans, and reported in the Insurance Plans. For the fiscal year ended June 30, 2025, members paid into the Insurance Plans \$14.9 million.

Member Health Insurance Contributions As of June 30, 2025 (\$ in Thousands)	KERS Nonhazardous	KERS Hazardous	SPRS	KRS Total
Amount	\$12,262	\$2,229	\$449	\$14,940

Retired Reemployed Employer Contributions

Employers are required to report employer contributions on retired members who are employed in a regular full-time position. These members are referred to as retired reemployed members. These are reported within the employer contributions on the financial statements. Exceptions for retired members who reemploy as a police officer, sheriff or school resource officer exist which may exempt employers from paying employer contributions and health insurance reimbursements if certain requirements are met.

Note N. General Fund Appropriations

During the 2024 Regular Session of the Kentucky General Assembly, HB6 allocated an additional \$250 million in general fund dollars to the KERS Nonhazardous Plan for fiscal years 2024-2025 and 2025-2026. Also, HB1 allocated an additional \$50 million in general fund dollars to the KERS Nonhazardous Plan, and \$25 million to the SPRS Plan for fiscal years 2024-2025 and 2025-2026.

DRAFT 11-12-2025

General Fund Appropriations (\$ in Thousands)			
Fiscal Year	KERS Nonhazardous	SPRS	KRS Total
2024-2025	\$300,000	\$25,000	\$325,000

Note O. Prisma Daniel Boone Fund

The funds invested with Prisma Daniel Boone Fund continue to be held in a contingency reserve to cover potential obligations arising from the Mayberry Action (see Note K for details of Mayberry Case). The total reported in reserve as of June 30, 2025, is \$26.9 million for the Pension Plans and \$13.5 million for the Insurance Plan. This is based on the May 31, 2025, report because Absolute Return managers are reported on a one month lag.

Note P. Subsequent Events

Management has evaluated the period June 30, 2025, to December 4, 2025, (the date the combining financial statements were available to be issued) for items requiring recognition or disclosure in the combining financial statements.

Note Q. Related Party

KPPA is the special-purpose government responsible for the day-to-day administration of KRS and the County Employees Retirement System (CERS).

Kentucky Revised Statute 61.505 (11)(a) requires all expenses incurred by or on behalf of KPPA to be prorated, assigned, or allocated to the Systems that KPPA administers. KPPA works closely with the KRS and CERS Boards of Trustees to develop an allocation method that takes into consideration membership, assets under management, system specific costs, and statutory requirements.

The expenses incurred by KPPA on behalf of the Systems are administrative costs which include salaries and benefits of professional employees providing investment management, benefits counseling, legal services, information technology services, accounting, and payroll functions. In addition, administrative costs include operational payments for hardware, software, utilities, rent, as well as contract and consulting costs with legal, audit and actuarial service providers. The administrative budget of KPPA is funded with restricted funds of KRS and CERS and is subject to approval by the Kentucky General Assembly through the biennial budget process.

Total Administrative costs incurred by KPPA for the fiscal year ended June 30, 2025, were \$46.5 million, of which \$17.0 million was allocated to KRS based on the hybrid allocation developed by the KPPA Board, the KRS Board, and the CERS Board.

REQUIRED SUPPLEMENTARY INFORMATION

DRAFT 11-12-2025

INCLUDING GASB 67 AND 74

Schedule of Employers' NPL - KERS Nonhazardous Pension

As of June 30 (\$ in Thousands)

Year	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Position Liability	Ratio of Plan Fiduciary Net Position to TPL	Covered Payroll ⁽¹⁾	Net Pension Liability as a Percentage of Covered Payroll
2025	\$16,648,847	\$5,061,425	\$11,587,422	30.40%	\$2,081,792	556.61%
2024	16,273,602	4,223,936	12,049,666	25.96%	1,912,421	630.07%
2023	15,858,669	3,539,943	12,318,726	22.32%	1,648,318	747.35%
2022	16,281,188	3,013,845	13,267,343	18.51%	1,432,960	925.87%
2021	16,335,657	3,018,660	13,316,997	18.48%	1,441,337	923.93%
2020	16,472,733	2,308,080	14,164,653	14.01%	1,476,156	959.56%
2019	16,356,674	2,233,672	14,123,002	13.66%	1,485,854	950.50%
2018	15,608,221	2,004,446	13,603,775	12.84%	1,509,955	900.94%
2017	15,445,206	2,056,870	13,388,336	13.32%	1,602,396	835.52%
2016	\$13,379,781	\$1,980,292	\$11,399,489	14.80%	\$1,631,025	698.92%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Schedule of Employers' NPL - KERS Hazardous Pension

As of June 30 (\$ in Thousands)

Year	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Position Liability	Ratio of Plan Fiduciary Net Position to TPL	Covered Payroll ⁽¹⁾	Net Pension Liability as a Percentage of Covered Payroll
2025	\$1,476,069	\$1,137,480	\$338,589	77.06%	\$288,682	117.29%
2024	1,393,651	1,019,890	373,761	73.18%	279,218	133.86%
2023	1,316,521	893,533	422,988	67.87%	223,922	188.90%
2022	1,318,494	810,978	507,516	61.51%	188,648	269.03%
2021	1,311,767	866,140	445,627	66.03%	172,725	258.00%
2020	1,251,027	690,350	560,677	55.18%	171,840	326.28%
2019	1,227,226	680,932	546,294	55.49%	160,600	340.16%
2018	1,150,610	645,485	505,125	56.10%	152,936	330.29%
2017	1,098,630	601,529	497,101	54.75%	178,511	278.47%
2016	\$919,517	\$527,879	\$391,638	57.41%	\$158,828	246.58%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

Schedule of Employer's NPL - SPRS Pension

As of June 30 (\$ in Thousands)

Year	Total Pension Liability (TPL)	Plan Fiduciary Net Position	Net Position Liability	Ratio of Plan Fiduciary Net Position to TPL	Covered Payroll ⁽¹⁾	Net Pension Liability as a Percentage of Covered Payroll
2025	\$1,123,489	\$741,282	\$382,207	65.98%	\$75,855	503.87%
2024	1,101,632	651,790	449,842	59.17%	71,964	625.09%
2023	1,039,813	591,514	448,299	56.89%	65,693	682.42%
2022	1,057,752	551,699	506,053	52.16%	48,061	1,052.94%
2021	1,055,824	356,346	699,478	33.75%	47,873	1,461.11%
2020	1,049,237	293,949	755,288	28.02%	49,019	1,540.81%
2019	1,035,000	286,165	748,835	27.65%	49,515	1,512.34%
2018	969,622	267,572	702,050	27.60%	50,346	1,394.45%
2017	943,271	255,737	687,534	27.11%	54,065	1,271.68%
2016	\$795,421	\$218,012	\$577,409	27.41%	\$46,685	1,236.82%

⁽¹⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

DRAFT 11-12-2025
Schedule of Changes in Employers' TPL - KERS Nonhazardous
 As of June 30 (\$ in Thousands)

Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service Cost	\$211,862	\$184,567	\$163,563	\$165,616	\$171,472	\$179,702	\$184,988	\$195,681	\$143,858	\$139,631
Interest	826,613	805,180	827,579	830,440	838,084	832,178	793,163	785,123	870,725	891,897
Benefit Changes	—	—	2,024	—	2,091	—	—	9,624	—	—
Difference between Expected and Actual Experience	393,941	469,003	310,954	(15,034)	(130,268)	115,515	70,529	153,565	(134,379)	—
Changes of Assumptions	—	—	691,008	—	—	—	700,464	—	2,145,530	923,999
Benefits Payments	(1,057,171)	(1,043,817)	(1,035,551)	(1,035,491)	(1,018,455)	(1,011,336)	(1,000,691)	(980,978)	960,309	(935,419)
Net Change in TPL	375,245	414,933	422,519	(54,469)	(137,076)	116,059	748,453	163,015	2,065,425	1,020,108
TPL – Beginning	16,273,602	15,858,669	16,281,188	16,335,657	16,472,733	16,356,674	15,608,221	15,455,206	13,379,781	12,359,673
TPL – Ending (a)	\$16,648,847	\$16,273,602	\$15,858,669	\$16,281,188	\$16,335,657	\$16,472,733	\$16,356,674	\$15,608,221	\$15,445,206	\$13,379,781
Plan Fiduciary Net Position ⁽¹⁾										
Contributions – Employer										
Other	\$1,318,931	\$1,295,695	\$1,275,007	\$1,116,869	\$1,134,232	\$948,592	\$1,035,462	\$689,143	\$757,121	\$513,084
Contributions – Member ⁽²⁾	104,867	96,615	84,579	89,607	90,202	96,594	93,759	104,972	100,543	106,494
Refunds of Contributions	(11,153)	(11,693)	(11,847)	(12,116)	(8,953)	(11,523)	(12,342)	(13,603)	(11,819)	(12,130)
Retirement Benefit	(1,046,018)	(1,032,124)	(1,023,704)	(1,023,375)	(1,009,502)	999,813	(988,349)	(967,375)	(948,490)	(923,288)
Net Investment Income ⁽²⁾	485,025	349,628	215,880	(162,461)	516,223	52,499	112,371	144,881	220,985	(20,663)
Administrative Expense	(14,163)	(14,128)	(13,817)	13,339	(11,622)	(11,941)	(11,712)	(10,692)	(10,957)	(10,989)
Other	—	—	—	—	—	—	37 ⁽⁵⁾	301 ⁽⁵⁾	(30,805) ⁽⁴⁾	—
Net Change in Fiduciary Net Position	837,489	683,993	526,098	4,815	710,580	74,408	229,226	(52,373)	76,578	(347,491)
Plan Fiduciary Net Position – Beginning	4,223,936	3,539,943	3,013,845	3,018,660	2,308,080	2,233,672	2,004,446	2,056,870	1,980,292	2,327,783
Prior Year Adjustment	—	—	—	—	—	—	—	(51)	—	—
Plan Fiduciary Net Position – Ending (b)	5,061,425	4,223,936	3,539,943	3,013,845	3,018,660	2,308,080	2,233,672	2,004,446	2,056,870	1,980,292
Net Pension Liability – Ending (a) – (b)	11,587,422	12,049,666	12,318,726	13,267,343	13,316,997	14,164,653	14,123,002	13,603,775	13,388,336	11,399,489
Plan Fiduciary Net Position as a Percentage	30.40%	25.96%	22.32%	18.51%	18.48%	14.01%	13.66%	12.84%	13.32%	14.80%
Covered Payroll ⁽³⁾	\$2,081,792	\$1,912,421	\$1,648,318	\$1,432,960	\$1,441,337	\$1,476,156	\$1,485,854	\$1,509,955	\$1,602,396	\$1,631,025
Net Pension Liability as a Percentage of Covered Payroll	556.61%	630.07%	747.35%	925.87%	923.93%	959.56%	950.50%	900.94%	835.52%	698.92%

⁽¹⁾ Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$81,860,000 as of June 30, 2025.

⁽²⁾ Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2025 401(h) contributions equaled \$(37,000); and associated investment return equaled \$8,262,000.

⁽³⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

⁽⁴⁾ Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.

⁽⁵⁾ Northern Trust Settlement.

DRAFT 11-12-2025

Schedule of Changes in Employers' TPL - KERS Hazardous										
As of June 30 (\$ in Thousands)										
Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service Cost	\$40,051	\$32,732	\$26,852	\$26,885	\$28,450	\$25,568	\$27,117	\$28,641	\$21,081	\$20,751
Interest	84,171	79,637	79,822	79,422	75,743	74,357	69,657	66,536	66,589	64,851
Benefit Changes	—	—	—	—	26	—	—	705	—	—
Difference between Expected and Actual Experience	52,028	49,423	(1,773)	(17,557)	34,789	(1,095)	1,395	24,215	26,902	—
Changes of Assumptions	—	—	(24,197)	—	—	—	50,658	—	127,878	—
Benefits Payments	(93,832)	(84,662)	(82,667)	(82,023)	(78,268)	(75,029)	(72,211)	(68,117)	(63,338)	(61,518)
Net Change in TPL	82,418	77,130	(1,973)	6,727	60,740	23,801	76,616	51,980	179,112	24,084
TPL – Beginning	1,393,651	1,316,521	1,318,494	1,311,767	1,251,027	1,227,226	1,150,610	1,098,630	919,517	895,433
TPL – Ending (a)	\$1,476,069	\$1,393,651	\$1,316,521	\$1,318,494	\$1,311,767	\$1,251,027	\$1,227,226	\$1,150,610	\$1,098,630	\$919,517
Plan Fiduciary Net Position ⁽¹⁾										
Contributions – Employer Other	\$70,768	\$89,899	\$72,807	\$59,055	\$62,200	\$59,115	\$55,259	\$43,661	\$52,974	\$23,759
Contributions – Member ⁽²⁾	22,127	21,568	17,459	20,588	19,961	19,769	17,118	17,891	17,524	15,739
Refunds of Contributions	(6,212)	(4,133)	(4,041)	(4,976)	(4,380)	(3,168)	(2,684)	(2,501)	(2,106)	(2,211)
Retirement Benefit	(87,620)	(80,529)	(78,636)	(77,047)	(73,888)	(71,861)	(69,527)	(65,616)	(61,231)	(59,306)
Net Investment Income ⁽²⁾	120,154	101,135	76,479	(51,317)	173,152	6,739	36,380	51,467	70,994	(1,653)
Administrative Expense	(1,627)	(1,583)	(1,513)	(1,465)	(1,255)	(1,176)	(1,103)	(975)	(919)	(916)
Other	—	—	—	—	—	—	4 ⁽⁵⁾	33 ⁽⁵⁾	(3,586) ⁽⁴⁾	—
Net Change in Fiduciary Net Position	117,590	126,357	82,555	(55,162)	175,790	9,418	35,447	43,960	73,650	(24,588)
Plan Fiduciary Net Position – Beginning	1,019,890	893,533	810,978	866,140	690,350	680,932	645,485	601,529	527,879	552,468
Prior Year Adjustment	—	—	—	—	—	—	—	(4)	—	—
Plan Fiduciary Net Position – Ending (b)	1,137,480	1,019,890	893,533	810,978	866,140	690,350	680,932	645,485	601,529	527,879
Net Pension Liability – Ending (a) – (b)	338,589	373,761	\$422,988	\$507,516	\$445,627	\$560,677	\$546,294	\$505,125	\$497,101	\$391,638
Plan Fiduciary Net Position as a Percentage	77.06%	73.18%	67.87%	61.51%	66.03%	55.18%	55.49%	56.10%	54.75%	57.41%
Covered Payroll ⁽³⁾	\$288,682	\$279,218	\$223,922	\$188,648	\$172,725	\$171,840	\$160,600	\$152,936	\$178,511	\$158,828
Net Pension Liability as a Percentage of Covered Payroll	117.29%	133.86%	188.90%	269.03%	258.00%	326.28%	340.16%	330.29%	278.47%	246.58%
⁽¹⁾ Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$11,190,000 as of June 30, 2025.										
⁽²⁾ Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2025 401(h) contributions equaled \$(32,000); and associated investment return equaled \$1,191,000.										
⁽³⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.										
⁽⁴⁾ Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.										
⁽⁵⁾ Northern Trust Settlement.										

DRAFT 11-12-2025**Schedule of Changes in Employer's TPL - SPRS**

As of June 30 (\$ in Thousands)

Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Service Cost	\$20,557	\$18,243	\$13,229	\$12,158	\$12,530	\$13,192	\$11,726	\$11,890	\$8,297	\$8,402
Interest	56,102	52,909	53,853	53,740	53,417	52,697	49,301	47,978	51,769	52,951
Benefit Changes	—	—	—	3,130	35	—	—	184	—	—
Difference between Expected and Actual Experience	11,240	54,711	10,204	(2,700)	4,127	10,859	20,952	25,126	8,143	—
Changes of Assumptions	—	—	(31,255)	—	0	—	44,510	—	136,602	56,191
Benefits Payments	(66,042)	(64,044)	(63,970)	(64,400)	(63,522)	(62,511)	(61,111)	(58,827)	(56,960)	(56,279)
Net Change in TPL	21,857	61,819	(17,939)	1,928	6,587	14,237	65,378	26,351	147,850	61,265
TPL – Beginning	1,101,632	1,039,813	1,057,752	1,055,824	1,049,237	1,035,000	969,622	943,271	795,421	734,156
TPL – Ending (a)	\$1,123,489	\$1,101,632	\$1,039,813	\$1,057,752	\$1,055,824	\$1,049,237	\$1,035,000	\$969,622	\$943,271	\$795,421
Plan Fiduciary Net Position ⁽¹⁾										
Contributions – Employer										
Other	\$77,975	\$61,998	\$58,120	\$277,341	\$59,650	\$59,453	\$60,048	\$46,877	\$63,239	\$25,822
Contributions – Member ⁽²⁾	6,017	5,703	5,250	4,773	4,752	4,767	5,062	5,522	5,348	5,263
Refunds of Contributions	(346)	(221)	(166)	(280)	(273)	(88)	(162)	(22)	(26)	(11)
Retirement Benefit	(65,696)	(63,823)	(63,804)	(64,120)	(63,249)	(62,423)	(60,949)	(58,805)	(56,934)	(56,268)
Net Investment Income ⁽²⁾	71,850	56,933	40,708	(22,088)	61,729	6,341	14,816	18,437	26,795	(3,843)
Administrative Expense	(308)	(314)	(293)	(273)	(212)	(266)	(225)	(194)	(181)	(178)
Other	—	—	—	—	—	—	3 ⁽⁵⁾	21 ⁽⁵⁾	(517) ⁽⁴⁾	—
Net Change in Fiduciary Net Position	89,492	60,276	39,815	195,353	62,397	7,784	18,593	11,836	37,724	(29,215)
Plan Fiduciary Net Position – Beginning	651,790	591,514	551,699	356,346	293,949	286,165	267,572	255,737	218,012	247,228
Prior Year Adjustment	—	—	—	—	—	—	—	(1)	—	—
Plan Fiduciary Net Position – Ending (b)	741,282	651,790	591,514	551,699	356,346	293,949	286,165	267,572	255,737	218,012
Net Pension Liability – Ending (a) – (b)	382,207	449,842	\$448,299	\$506,053	\$699,478	\$755,288	\$748,835	\$702,050	\$687,534	\$577,409
Plan Fiduciary Net Position as a Percentage	65.98%	59.17%	56.89%	52.16%	33.75%	28.02%	27.65%	27.60%	27.11%	27.41%
Covered Payroll ⁽³⁾	\$75,855	\$71,964	\$65,693	\$48,061	\$47,873	\$49,019	\$49,515	\$50,346	\$54,065	\$46,685
Net Pension Liability as a Percentage of Covered Payroll	503.87%	625.09%	682.42%	1052.94%	1461.11%	1540.81%	1512.34%	1394.45%	1271.68%	1236.82%

⁽¹⁾ Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$1,571,000 as of June 30, 2025.⁽²⁾ Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2025 401(h) contributions equaled \$(11,000); and associated investment return equaled \$156,000.⁽³⁾ Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.⁽⁴⁾ Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.⁽⁵⁾ Northern Trust Settlement.

DRAFT 11-12-2025

Notes to Schedule of Employers' Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2025 that are documented in the schedules on the following pages, were calculated as of June 30, 2023. Based on the June 30, 2023, actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

Notes to Schedule of Employers' Contributions			
Item	KERS Nonhazardous	KERS Hazardous	SPRS
Determined by the Actuarial Valuation as of:	June 30, 2023	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth	0.00%	0.00%	0.00%
Investment Return:	5.25%	6.25%	5.25%
Inflation:	2.50%	2.50%	2.50%
Salary Increase:	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service	3.55% to 16.05%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023

Schedule of Employers' Contributions Pension

Schedule of Employers' Contributions Pension - KERS Nonhazardous					
As of June 30 (\$ in Thousands)					
Fiscal Year Ending	Actuarially Determined Contribution ⁽¹⁾	Total Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$1,000,105	\$1,318,931	(\$318,826)	\$2,081,792	63.36%
2024	1,055,571	1,295,695	(240,124)	1,912,421	67.75%
2023	1,034,918	1,275,007	(240,089)	1,648,318	77.35%
2022	1,048,861	1,116,869	(68,008)	1,432,960	77.94%
2021	1,056,211	1,134,232	(78,021)	1,441,337	78.69%
2020	1,048,513	948,592	99,921	1,476,156	64.26%
2019	1,055,402	1,035,462	19,940	1,485,854	69.69%
2018	633,879	689,143	(55,264)	1,509,955	45.64%
2017	623,813	757,121	(133,308)	1,602,396	47.25%
2016	\$512,670	\$513,084	(\$414)	\$1,631,025	31.46%

⁽¹⁾ Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

⁽²⁾ Based on derived compensation using the provided employer contribution information for fiscal year ended 2017, and later.

DRAFT 11-12-2025

Schedule of Employers' Contributions Pension - KERS Hazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending	Actuarially Determined Contribution ⁽¹⁾	Total Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$70,768	\$70,768	\$—	\$288,682	24.51%
2024	89,897	89,899	(2)	279,218	32.20%
2023	72,778	72,807	(29)	223,922	32.51%
2022	59,052	59,055	(3)	188,648	31.30%
2021	62,181	62,200	(19)	172,725	36.01%
2020	59,096	59,115	(19)	171,840	34.40%
2019	55,230	55,259	(29)	160,600	34.41%
2018	31,321	43,661	(12,340)	152,936	28.55%
2017	37,630	52,974	(15,344)	178,511	29.68%
2016	\$23,690	\$23,759	(\$69)	\$158,828	14.96%

(1) Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

(2) Based on derived compensation using the provided employer contribution information for fiscal year ended 2017, and later.

Schedule of Employer's Contributions Pension - SPRS

As of June 30 (\$ in Thousands)

Fiscal Year Ending	Actuarially Determined Contribution ⁽¹⁾	Total Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll ⁽²⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$52,975	\$77,975	(\$25,000)	\$75,855	102.79%
2024	61,998	61,998	—	71,964	86.15%
2023	58,120	58,120	—	65,693	88.47%
2022	62,341	277,341	(215,000)	48,061	577.06%
2021	59,263	59,650	(387)	47,873	124.60%
2020	58,358	59,453	(1,095)	49,019	121.29%
2019	58,948	60,048	(1,100)	49,515	121.27%
2018	36,033	46,877	(10,844)	50,346	93.11%
2017	35,937	63,240	(27,303)	54,065	116.97%
2016	\$25,723	\$25,822	(\$99)	\$46,685	55.31%

(1) Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.

(2) Based on derived compensation using the provided employer contribution information for fiscal year ended 2017, and later.

Schedule of Employers' Net OPEB Liability

Schedule of the Employers' Net OPEB Liability - KERS Nonhazardous

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2025	\$2,771,333	\$1,915,732	\$855,601	69.13%	\$2,087,763	40.98%
2024	2,488,778	1,765,729	723,049	70.95%	1,923,825	37.58%
2023	2,317,344	1,532,752	784,592	66.14%	1,653,492	47.45%
2022	3,576,530	1,364,419	2,212,111	38.15%	1,437,132	153.93%
2021	3,698,804	1,419,477	2,279,327	38.38%	1,452,345	156.94%
2020	3,599,557	1,060,649	2,538,908	29.47%	1,482,431	171.27%
2019	3,217,985	995,089	2,222,896	30.92%	1,515,953	146.63%
2018	3,262,117	891,205	2,370,912	27.32%	1,573,898	150.64%

DRAFT 11-12-2025

Schedule of the Employers' Net OPEB Liability - KERS Nonhazardous

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2017	\$3,353,332	\$817,370	2,535,962	24.37%	\$1,593,097	159.18%

⁽¹⁾ Based on derived compensation using the provided employer contribution information. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

Schedule of the Employers' Net OPEB Liability - KERS Hazardous

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2025	\$482,062	\$735,293	(\$253,231)	152.53%	\$288,682	(87.72)%
2024	442,817	677,948	(235,131)	153.10%	279,218	(84.21)%
2023	417,361	625,356	(207,995)	149.84%	223,922	(92.89)%
2022	595,789	588,162	7,627	98.72%	188,648	4.04%
2021	622,152	633,677	(11,525)	101.85%	172,725	(6.67)%
2020	564,524	521,755	42,769	92.42%	182,209	23.47%
2019	507,204	534,053	(26,849)	105.29%	151,448	(17.73)%
2018	485,904	519,072	(\$33,168)	106.83%	190,317	(17.43)%
2017	\$494,869	\$488,838	\$6,031	98.78%	\$171,087	3.53%

⁽¹⁾ Based on derived compensation using the provided employer contribution information. For 2021-2025 derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE 2021-FYE 2025. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

Schedule of Employer's Net OPEB Liability - SPRS

As of June 30 (\$ in Thousands)

Year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability/(Asset)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	Covered Payroll ⁽¹⁾	Net OPEB Liability as a Percentage of Covered Payroll
2025	\$298,847	\$291,043	\$7,804	97.39%	\$80,447	9.70%
2024	277,159	273,517	3,642	98.69%	71,992	5.06%
2023	263,450	248,109	15,341	94.18%	65,830	23.30%
2022	351,453	231,242	120,211	65.80%	48,600	247.35%
2021	364,899	247,318	117,581	67.78%	47,155	249.35%
2020	339,942	201,340	138,602	59.23%	48,231	287.37%
2019	312,553	201,206	111,347	64.38%	48,780	228.26%
2018	301,012	190,847	110,165	63.40%	50,064	220.05%
2017	\$313,234	\$178,838	\$134,396	57.09%	\$48,873	274.99%

⁽¹⁾ Based on derived compensation using the provided employer contribution information. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

DRAFT 11-12-2025**Schedule of Changes in Employers' Net OPEB Liability**

Schedule of Changes in Employers' Net OPEB Liability - KERS Nonhazardous									
As of June 30 (\$ in Thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$45,357	\$44,779	\$43,199	\$62,548	\$58,831	\$59,600	\$61,345	\$66,360	\$46,992
Interest on Total OPEB liability	145,355	134,251	200,910	190,531	191,624	179,811	186,820	191,178	192,911
Benefit Changes	—	—	3,209	21,884	1,382	—	—	1,865	—
Difference between Expected and Actual Experience	199,764	80,456	(1,440,201)	(37,249)	(231,631)	288,235	(302,189)	(191,147)	(3,921)
Assumption Changes	24,457	26,413	61,925	(206,907)	220,184	13,767	158,004	(11,235)	414,835
Benefit Payments ^{(1) (2)}	(132,378)	(114,465)	(128,228)	(153,081)	(141,143)	(159,841)	(148,112)	(148,236)	(139,601)
Net Change in Total OPEB Liability	282,555	171,434	(1,259,186)	(122,274)	99,247	381,572	(44,132)	(91,215)	511,216
Total OPEB Liability - Beginning	2,488,778	2,317,344	3,576,530	3,698,804	3,599,557	3,217,985	3,262,117	3,353,332	2,842,116
Total OPEB Liability - Ending (a)	\$2,771,333	\$2,488,778	\$2,317,344	\$3,576,530	\$3,698,804	\$3,599,557	\$3,217,985	\$3,262,117	\$3,353,332
Plan Fiduciary Net Position									
Contributions – Employer ⁽²⁾⁽⁵⁾	\$67,507	\$164,480	\$156,543	\$181,294	\$223,661	\$208,300	\$201,155	\$152,985	\$162,636
Contributions – Member	12,225	10,585	8,358	6,547	6,318	6,128	5,963	5,786	5,156
Benefit Payments ^{(1) (2)}	(132,378)	(114,465)	(128,228)	(153,081)	(141,143)	(159,841)	(148,112)	(148,236)	(139,601)
OPEB Plan Net Investment Income	203,332	173,104	132,431	(88,998)	270,811	11,820	45,749	64,028	94,239
OPEB Plan Administrative Expense	(683)	(727)	(771)	(820)	(819)	(847)	(875)	(760)	(861)
Other ⁽⁴⁾	—	—	—	—	—	—	4	32	—
Net Change in Plan Fiduciary Net Position	150,003	232,977	168,333	(55,058)	358,828	65,560	103,884	73,835	121,569
Plan Fiduciary Net Position – Beginning	1,765,729	1,532,752	1,364,419	1,419,477	1,060,649	995,089	891,205	817,370	695,801
Plan Fiduciary Net Position – Ending (b)	1,915,732	1,765,729	1,532,752	1,364,419	1,419,477	1,060,649	995,089	891,205	817,370
Net OPEB Liability – Ending (a) – (b)	855,601	723,049	784,592	2,212,111	2,279,327	2,538,908	2,222,896	2,370,912	2,535,962
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	69.13%	70.95%	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.37%
Covered Payroll ⁽³⁾	\$2,087,763	\$1,923,825	\$1,653,492	\$1,437,132	\$1,452,345	\$1,482,431	\$1,515,953	\$1,573,898	\$1,593,097

DRAFT 11-12-2025**Schedule of Changes in Employers' Net OPEB Liability - KERS Nonhazardous**

As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Net OPEB Liability as a Percentage of Covered Payroll	40.98%	37.58%	47.45%	153.93%	156.94%	171.27%	146.63%	150.64%	159.18%
(1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years). (2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$26,784,765 for fiscal year 2025. (3) Based on derived compensation using the provided employer contribution information. (4) Northern Trust Settlement. (5) This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.									

Schedule of Changes in Employers' Net OPEB Liability - KERS Hazardous

As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$8,926	\$8,128	\$9,435	\$14,474	\$13,633	\$11,548	\$12,337	\$12,893	\$8,002
Interest on Total OPEB liability	25,848	24,181	32,737	30,599	29,254	28,101	27,990	28,500	27,591
Benefit Changes	—	—	—	10,289	48	—	—	167	—
Difference between Expected and Actual Experience	19,215	7,970	(198,459)	(12,515)	(6,402)	27,668	(30,947)	(31,240)	(1,029)
Assumption Changes	7,837	5,719	(1,820)	(46,406)	42,022	11,428	31,687	(581)	89,401
Benefit Payments ^{(1) (2)}	(22,581)	(20,542)	(20,321)	(22,804)	(20,927)	(21,425)	(19,767)	(18,704)	(16,618)
Net Change in Total OPEB Liability	39,245	25,456	(178,428)	(26,363)	57,628	57,320	21,300	(8,965)	107,347
Total OPEB Liability - Beginning	442,817	417,361	595,789	622,152	564,524	507,204	485,904	494,869	387,522
Total OPEB Liability - Ending (a)	\$482,062	\$442,817	\$417,361	\$595,789	\$622,152	\$564,524	\$507,204	\$485,904	\$494,869
Plan Fiduciary Net Position									
Contributions – Employer ⁽²⁾⁽⁵⁾	\$3,041	\$2,725	\$2,282	\$4,116	\$3,556	\$7,441	\$5,556	\$5,165	\$4,579
Contributions – Member	2,197	2,086	1,584	1,227	1,167	1,105	934	909	811
Benefit Payments ^{(1) (2)}	(22,581)	(20,542)	(20,321)	(22,804)	(20,927)	(21,425)	(19,767)	(18,704)	(16,618)
OPEB Plan Net Investment Income	74,804	68,440	53,772	(27,929)	128,244	704	28,373	42,950	59,614
OPEB Plan Administrative Expense	(116)	(117)	(123)	(125)	(118)	(123)	(117)	(104)	(105)
Other ⁽⁴⁾	—	—	—	—	—	—	2	18	—

DRAFT 11-12-2025

Schedule of Changes in Employers' Net OPEB Liability - KERS Hazardous									
As of June 30 (\$ in Thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Net Change in Plan Fiduciary Net Position	57,345	52,592	37,194	(45,515)	111,922	(12,298)	14,981	30,234	48,281
Plan Fiduciary Net Position – Beginning	677,948	625,356	588,162	633,677	521,755	534,053	519,072	488,838	440,557
Plan Fiduciary Net Position – Ending (b)	735,293	677,948	625,356	588,162	633,677	521,755	534,053	519,072	488,838
Net OPEB Liability – Ending (a) – (b)	(\$253,231)	(\$235,131)	(\$207,995)	\$7,627	(\$11,525)	\$42,769	(\$26,849)	(\$33,168)	\$6,031
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	152.53%	153.10%	149.84%	98.72%	101.85%	92.42%	105.29%	106.83%	98.78%
Covered Payroll ⁽³⁾	\$288,682	\$279,218	\$223,922	\$188,648	\$172,725	\$182,209	\$151,448	\$190,317	\$171,087
Net OPEB Liability as a Percentage of Covered Payroll	(87.72%)	(84.21%)	(92.89%)	4.04%	(6.67%)	23.47%	(17.73%)	(17.43%)	3.53%
⁽¹⁾ Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).									
⁽²⁾ Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$882,449 for fiscal year 2025.									
⁽³⁾ Based on derived compensation using the provided employer contribution information. For 2021-2025, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE2021-FYE2025.									
⁽⁴⁾ Northern Trust Settlement.									
⁽⁵⁾ This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.									

Schedule of Changes in Employer's Net OPEB Liability - SPRS									
As of June 30 (\$ in Thousands)									
	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability									
Service Cost	\$4,479	\$4,115	\$4,092	\$5,605	\$5,218	\$5,389	\$4,816	\$6,087	\$4,147
Interest on Total OPEB liability	16,408	15,508	19,608	18,592	17,984	17,600	17,724	18,432	17,993
Benefit Changes	—	—	—	4,975	101	—	—	34	—
Difference between Expected and Actual Experience	7,013	1,360	(98,425)	(5,952)	(6,318)	13,810	(14,295)	(23,320)	(573)
Assumption Changes	8,383	4,394	404	(21,937)	21,784	4,578	16,483	(358)	57,312
Benefit Payments ^{(1) (2)}	(14,595)	(11,668)	(13,682)	(14,729)	(13,812)	(13,988)	(13,187)	(13,097)	(12,123)

DRAFT 11-12-2025
Schedule of Changes in Employer's Net OPEB Liability - SPRS
 As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Net Change in Total OPEB Liability	21,688	13,709	(88,003)	(13,446)	24,957	27,389	11,541	(12,222)	66,756
Total OPEB Liability - Beginning	277,159	263,450	351,453	364,899	339,942	312,553	301,012	313,234	246,478
Total OPEB Liability - Ending (a)	\$298,847	\$277,159	\$263,450	\$351,453	\$364,899	\$339,942	\$312,553	\$301,012	\$313,234
Plan Fiduciary Net Position									
Contributions –Employer (2)(5)	\$1,819	\$9,788	\$8,755	\$9,343	\$9,381	\$12,873	\$12,623	\$8,535	\$7,862
Contributions – Member	438	396	348	230	209	196	176	155	131
Benefit Payments ^{(1) (2)}	(14,595)	(11,668)	(13,682)	(14,729)	(13,812)	(13,988)	(13,187)	(13,097)	(12,123)
OPEB Plan Net Investment Income	29,935	26,963	21,520	(10,847)	50,289	1,124	10,815	16,470	21,627
OPEB Plan Administrative Expense	(71)	(71)	(74)	(73)	(89)	(71)	(69)	(62)	(66)
Other ⁽⁴⁾	—	—	—	—	—	—	1	8	—
Net Change in Plan Fiduciary Net Position	17,526	25,408	16,867	(16,076)	45,978	134	10,359	12,009	17,431
Plan Fiduciary Net Position – Beginning	273,517	248,109	231,242	247,318	201,340	201,206	190,847	178,838	161,407
Plan Fiduciary Net Position – Ending (b)	291,043	273,517	248,109	231,242	247,318	201,340	201,206	190,847	178,838
Net OPEB Liability – Ending (a) – (b)	\$7,804	\$3,642	\$15,341	\$120,211	\$117,581	\$138,602	\$111,347	\$110,165	\$134,396
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	97.39%	98.69%	94.18%	65.80%	67.78%	59.23%	64.38%	63.40%	57.09%
Covered Payroll ⁽³⁾	\$80,447	\$71,992	\$65,830	\$48,600	\$47,155	\$48,231	\$48,780	\$50,064	\$48,873

DRAFT 11-12-2025**Schedule of Changes in Employer's Net OPEB Liability - SPRS**

As of June 30 (\$ in Thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Net OPEB Liability as a Percentage of Covered Payroll	9.70%	5.06%	23.30%	247.35%	249.35%	287.37%	228.26%	220.05%	274.99%
(1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years). (2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to (\$69,334) for fiscal year 2025. (3) Based on derived compensation using the provided employer contribution information. (4) Northern Trust Settlement. (5) This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.									

DRAFT 11-12-2025**Notes to Schedule of Employers' OPEB Contributions**

The actuarially determined contributions effective for fiscal year ended June 30, 2025, that are documented in the following schedule were calculated as of June 30, 2023. Based on the June 30, 2023, actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions follow.

Notes to Schedule of OPEB Employers' Contributions			
Item	KERS Nonhazardous	KERS Hazardous	SPRS
Determined by the Actuarial Valuation as of:	June 30, 2023	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases	30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases
Payroll Growth	0.00%	0.00%	0.00%
Investment Return:	6.50%	6.50%	6.50%
Inflation:	2.50%	2.50%	2.50%
Salary Increase:	3.30% to 15.30%, varies by service	3.55% to 20.05%, varies by service	3.55% to 16.05%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023
Healthcare Trend Rates:			
Pre-65	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement	Initial trend starting at 6.80% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement
Post-65	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.	Initial trend starting at 8.50% at January 1, 2025 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

Schedule of Employers' OPEB Contributions**Schedule of Employers' OPEB Contributions - KERS Nonhazardous**

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$32,246	\$40,722	(\$8,476)	\$2,087,763	1.95%
2024	129,764	136,628	(6,864)	1,923,825	7.10%
2023	123,952	129,108	(5,156)	1,653,492	7.81%
2022	135,809	140,694	(4,885)	1,437,132	9.79%

DRAFT 11-12-2025

Schedule of Employers' OPEB Contributions - KERS Nonhazardous

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2021	161,936	186,676	(24,740)	1,452,345	12.85%
2020	183,821	175,007	8,814	1,482,431	11.81%
2019	187,978	178,964	9,014	1,515,953	11.81%
2018	132,365	136,419	(4,054)	1,573,898	8.67%
2017	133,024	152,356	(19,332)	1,593,097	9.56%
2016	\$121,899	\$135,816	(\$13,917)	\$1,529,249	8.88%

⁽¹⁾ Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.⁽²⁾ Actuarially determined contribution for fiscal year ended 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.⁽³⁾ Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - KERS Nonhazardous.⁽⁴⁾ Based on derived compensation using the provided employer contribution information.**Schedule of Employers' OPEB Contributions - KERS Hazardous**

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$—	\$2,159	(\$2,159)	\$288,682	0.75%
2024	—	1,910	(1,910)	279,218	0.68%
2023	—	1,489	(1,489)	223,922	0.66%
2022	—	1,281	(1,281)	188,648	0.68%
2021	—	1,300	(1,300)	172,725	0.75%
2020	4,482	5,776	(1,294)	182,209	3.17%
2019	3,726	4,970	(1,244)	151,448	3.28%
2018	2,550	5,288	(2,738)	190,317	2.78%
2017	4,688	5,620	(932)	171,087	3.28%
2016	\$9,186	\$16,766	(\$7,580)	\$147,563	11.36%

⁽¹⁾ Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.⁽²⁾ Actuarially determined contribution for fiscal year ended 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.⁽³⁾ Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - KERS Hazardous.⁽⁴⁾ Based on derived compensation using the provided employer contribution information. For 2021-2025, derived compensation based on pension contribution information as there were no required employer contributions for the Insurance Plan for FYE2021-FYE2025.**Schedule of Employer's OPEB Contributions - SPRS**

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2025	\$1,858	\$1,888	(\$30)	\$80,447	2.35%
2024	10,158	10,163	(5)	71,992	14.12%
2023	9,289	9,289	—	65,830	14.11%
2022	8,782	8,782	—	48,600	18.07%
2021	9,285	9,285	—	47,155	19.69%
2020	13,133	13,133	—	48,231	27.23%
2019	13,283	13,288	(5)	48,780	27.24%
2018	9,062	9,397	(335)	50,064	18.77%
2017	9,222	9,222	—	48,873	18.87%

DRAFT 11-12-2025

Schedule of Employer's OPEB Contributions - SPRS

As of June 30 (\$ in Thousands)

Fiscal Year Ending ⁽¹⁾	Actuarially Determined Contribution ⁽²⁾	Total Employer Contribution ⁽³⁾	Contribution Deficiency (Excess)	Covered Payroll ⁽⁴⁾	Actual Contributions as a Percentage of Covered Payroll
2016	\$8,553	\$10,237	(\$1,684)	\$45,551	22.47%
⁽¹⁾ Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.					
⁽²⁾ Actuarially determined contribution for fiscal year ended 2025 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.					
⁽³⁾ Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - SPRS.					
⁽⁴⁾ Based on derived compensation using the provided employer contribution information					

Money-Weighted Rates of Return

In accordance with GASB, KRS provides this additional disclosure regarding the money-weighted rate of return for the Pension and Insurance Plans. The money-weighted rate of return is a method of calculating period-by-period returns on investments that adjusts for the changing amounts actually invested. For purposes of this statement, money-weighted rate of return is calculated as the internal rate of return, net of investment expenses, adjusted for the changing amounts actually invested.

See below for the money-weighted rates of return for multiple periods including fiscal year June 30, 2025, as calculated by the custodian bank, BNY Mellon:

Money - Weighted Rates of Return As of June 30						
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS
	Pension			Insurance		
2025	11.24%	11.88%	10.97%	11.74%	11.17%	11.23%
2024	9.58%	11.17%	9.64%	11.14%	11.12%	11.01%
2023	7.07%	9.46%	7.53%	9.89%	9.26%	9.44%
2022	(5.29%)	(5.94%)	(5.80%)	(6.22%)	(4.43%)	(4.43%)
2021	22.53%	25.21%	21.70%	25.16%	24.99%	25.36%
2020	2.35%	0.96%	2.21%	0.98%	0.21%	0.64%
2019	5.77%	5.68%	5.67%	5.04%	5.56%	5.73%
2018	7.63%	8.69%	7.68%	7.95%	8.93%	9.39%
2017	12.08%	13.45%	12.50%	13.77%	13.75%	13.69%
2016	(0.97%)	(0.33%)	(1.76%)	N/A	N/A	N/A
Note: This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.						

Schedule of Administrative Expenses

KPPA provides administrative support for KRS and CERS. Kentucky Revised Statute 61.505 (11)(a) requires all expenses incurred by KPPA on behalf of the Systems be prorated, assigned, or allocated to the Systems. KPPA works closely with the KRS and CERS Boards of Trustees to develop an allocation method that takes into consideration membership, assets under management, system specific costs, and statutory requirements. Total administrative costs incurred by KPPA for the fiscal year ended June 30, 2025, were \$46.5 million, of which \$17.0 million was allocated to KRS based on the hybrid allocation developed by the KPPA Board, the KRS Board, and the CERS Board.

Schedule of Administrative Expenses		
As of June 30, 2025 (\$ in Thousands)		
	2025	2024
Salaries	\$7,356	\$6,533
Benefits	5,198	6,167
Professional Services	1,426	1,345
Information Technology	1,287	1,181

DRAFT 11-12-2025

Schedule of Administrative Expenses

As of June 30, 2025 (\$ in Thousands)

Communications	224	282
Office & Equipment Rent	385	367
Travel/Conferences	46	43
Other Operating Expenses	176	107
Insurance Plans' Administration	874	922
Total Administrative Expenses	\$16,972	\$16,947

Schedule of Direct Investment Expenses

Schedule of Direct Investment Expenses

As of June 30, 2025 (\$ in Thousands)

	Pension			Insurance			2025	2024
	KERS		SPRS	KERS		SPRS		
	Nonhaz	Haz		Nonhaz	Haz			
Security Lending Fees								
Securities Lending Borrower Rebates	\$5,972	\$1,467	\$988	\$2,250	\$677	\$306	\$11,660	\$7,486
Securities Lending Agent Fee	121	28	20	43	13	6	231	155
Total Security Lending	6,093	1,495	1,008	2,293	690	312	11,891	7,641
Contractual Services								
Investment Management	23,164	6,382	3,248	9,940	4,556	1,828	49,118	42,082
Security Custody	405	94	60	232	91	37	918	922
Investment Consultant	253	65	33	108	34	13	506	487
Performance Fees	9,022	2,232	1,076	3,575	1,810	695	18,410	13,592
Total Contractual Services	\$32,844	\$8,773	\$4,417	\$13,855	\$6,491	\$2,573	\$68,953	\$57,083

Schedule of Professional Consultant Fees

Schedule of Professional Consultant Fees

As of June 30, 2025 (\$ in Thousands)

	2025	2024
Actuarial Services	\$113	\$146
Medical Review Services	406	500
Audit Services	72	83
Legal Counsel	740	509
Miscellaneous	95	107
Total	\$1,426	\$1,345

DRAFT 11-12-2025

REPORT ON INTERNAL CONTROLS TO BE INSERTED

DRAFT 11-12-2025**Investment Overview**

This section of the report was compiled by Investment Staff using information provided by Wilshire Associates and the Bank of New York Mellon. Except when otherwise noted, investment returns are based on investment asset fair value and calculated using time-weighted return calculation methodologies.

Investment returns play an important role in terms of funding status of the Plans and continued funding of operations. The Investment Committee and the Board of Trustees are committed to maximizing the long-term total rate of return on investments, given the appropriate level of risk, for the exclusive benefit of the members in the Plans. The overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and employer contributions, will meet or exceed the benefits and administrative funding requirements (see Investment Objectives later in this section).

Investments are managed by professional investment management firms and the Investment Staff based upon statutory investment authority and the investment policies adopted by the KRS Investment Committee and ratified by the KRS Board of Trustees. The Investment Staff is responsible for the administration of the investment assets of KRS and assists the Investment Committee in the formulation and implementation of investment policies and long-term investment strategy.

Asset Allocation and Diversification

The Trustees recognize that asset allocation is the primary driver of long-term investment performance and therefore review asset allocation on a regular basis. Asset allocation is a process designed to construct an optimal long-term asset mix that achieves a specific set of investment objectives. The Investment Policy Statement (IPS) establishes the Plans' asset allocation policies which are designed to meet those objectives.

The asset allocation policies are adopted to provide for diversification of assets in an effort to maximize the long-term returns on investments consistent with prudent levels of market and economic risks. Of all the components of investment strategy formulation, the determination of asset allocation policies is the most important decision.

Risk is further diversified through active and passive management using multiple investment management firms and Investment Staff with a variety of investment styles. The total investment performance is not dependent upon the outcome of just one particular investment style or manager.

Investment Staff develops specific contractual investment guidelines for each external manager and each internally managed account that control the risk of high concentrations in a particular sector, industry, or security.

Diversification of the assets among various asset classes, investment management styles, and individual securities mitigates risks and enhances the potential of the investment portfolios to achieve their respective long-term objectives.

The following tables show each Plans' asset allocation targets as specified in the Investment Policy Statement and the actual asset allocation of the Plans as of June 30, 2025.

DRAFT 11-12-2025

IPS Target Allocation vs. Actual Asset Allocation								
As of June 30, 2025								
Pension	Public Equity	Private Equity	Core Fixed Income	Specialty Credit	Cash	Real Estate	Real Return	Total Plan
KERS Nonhazardous Policy Target Asset Allocation	30.00%	6.00%	27.00%	20.00%	2.00%	5.00%	10.00%	100.00%
KERS Nonhazardous Actual Asset Allocation	32.77%	4.22%	26.36%	20.05%	2.23%	4.66%	9.71%	100.00%
KERS Hazardous Policy Target Asset Allocation	40.00%	8.00%	10.00%	25.00%	2.00%	7.00%	8.00%	100.00%
KERS Hazardous Actual Asset Allocation	43.28%	5.79%	9.60%	24.57%	3.41%	5.56%	7.79%	100.00%
SPRS Policy Target Asset Allocation	30.00%	6.00%	27.00%	20.00%	2.00%	5.00%	10.00%	100.00%
SPRS Actual Asset Allocation	32.92%	4.14%	26.21%	19.28%	2.87%	4.80%	9.78%	100.00%

Insurance	Public Equity	Private Equity	Core Fixed Income	Specialty Credit	Cash	Real Estate	Real Return	Total Plan
KERS Nonhazardous Policy Target Asset Allocation	40.00%	8.00%	10.00%	25.00%	2.00%	7.00%	8.00%	100.00%
KERS Nonhazardous Actual Asset Allocation	43.23%	6.39%	10.25%	24.79%	1.83%	5.65%	7.86%	100.00%
KERS Hazardous Policy Target Asset Allocation	40.00%	8.00%	10.00%	25.00%	2.00%	7.00%	8.00%	100.00%
KERS Hazardous Actual Asset Allocation	43.27%	6.16%	10.00%	24.08%	2.52%	6.27%	7.70%	100.00%
SPRS Policy Target Asset Allocation	40.00%	8.00%	10.00%	25.00%	2.00%	7.00%	8.00%	100.00%
SPRS Actual Asset Allocation	43.52%	6.89%	9.09%	25.10%	1.70%	5.99%	7.71%	100.00%

NOTE: The actual asset allocations are calculated by taking the fair value of each asset class as a percentage of total portfolio for the plans combined.

Investment Strategies

Diversification

The Pension and Insurance portfolios are diversified on several levels, including by asset class. Asset allocations are evaluated on a periodic basis and represent an efficient allocation to maximize returns and minimize risks at a level appropriate for each Plan. The individual asset classes are diversified through the use of multiple portfolios that are managed by the Investment Staff and external Investment Managers. Each Investment Manager is afforded discretion to diversify its portfolio(s) within the parameters established by their contractual guidelines and in accordance with the KRS IPS.

Rebalancing

Proper implementation of the investment policy requires that a periodic adjustment, or rebalancing, of assets be made to ensure conformance with the IPS target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among asset classes and individual investment portfolios. Should the actual portfolio weight fall outside of the IPS indicated range for a particular asset class, Investment Staff will direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class.

DRAFT 11-12-2025

Performance Review

At least quarterly, the Investment Committee reviews the performance of the portfolios to determine compliance with the IPS. The Investment Committee also reviews a report created and presented by the Compliance Officer. The Compliance Officer performs tests daily, monthly, and quarterly to ensure compliance with the restrictions imposed by the IPS.

Investment Consulting

The Board employs qualified independent industry leading external consultants to assist in asset allocation studies, asset allocation recommendations, manager searches and other investment related consulting functions. Consultants also provide performance reports covering both the internally and externally managed assets.

Investment Objectives

The Trustees recognize that as long-term investors, the primary aim is that the portfolios meet their performance objectives in the long-term while understanding that this may not necessarily occur in the short-term. The overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and employer contributions, will meet or exceed the benefits and administrative funding requirements. The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Plans.

Public Asset Class Allocations

Short-term: For periods less than five years or a full market cycle, the Asset Class composite performance should exceed the returns of the appropriate Index.

Intermediate & Long-term: For periods greater than five years or a full market cycle, the Asset Class composite performance should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

Individual Public Security Portfolios

Short-term: For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term: For periods greater than five years or a full market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets

Private Equity

The Private Equity portfolio seeks long-term annualized net returns that exceed public equity investments (as represented by the Russell 3000 Index lagged 1 calendar quarter + 300 basis points).

Real Estate

The Real Estate portfolio seeks long-term annualized net returns that exceed the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index lagged 1 calendar quarter.

Real Return

The Real Return portfolio seeks long term annualized net returns that exceed CPI + 300 basis points.

DRAFT 11-12-2025

Investment Results

For this report, total return information has been reported net of fees and expenses with audited data. All rates of return are calculated using time-weighted rates of return.

Fiscal Year 2025 Results

Please see the tables below for the net returns reported for the fiscal year ended June 30, 2025.

Net Returns As of June 30, 2025 (\$ in Thousands)										
Pension	Fair Value	% of Total	1 Year		3 Years		5 Years		10 Years	
			Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous	5,058,466	72.84%	11.22%	9.63%	9.21%	8.91%	8.64%	8.20%	6.96%	6.73%
KERS Hazardous	1,145,899	16.50%	11.87%	10.79%	10.81%	10.62%	9.89%	10.04%	7.71%	7.58%
SPRS	740,068	10.66%	10.96%	9.63%	9.38%	8.91%	8.72%	8.20%	6.95%	6.69%
Total	\$6,944,433	100.00%	11.30%	9.82%	9.52%	9.21%	8.90%	8.32%	7.11%	6.79%

Net Returns As of June 30, 2025 (\$ in Thousands)										
Insurance	Fair Value	% of Total	1 Year		3 Years		5 Years		10 Years	
			Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous	1,828,143	64.13%	11.75%	10.79%	10.89%	10.62%	9.88%	9.88%	7.57%	7.57%
KERS Hazardous	723,643	25.51%	11.18%	10.79%	10.54%	10.62%	10.01%	9.95%	7.74%	7.54%
SPRS	289,240	10.36%	11.25%	10.79%	10.57%	10.62%	10.11%	9.95%	7.91%	7.55%
Total	\$2,841,026	100.00%	11.55%	10.79%	10.76%	10.62%	9.95%	9.88%	7.67%	7.57%

Benchmarks

KRS overall performance is measured relative to asset class benchmarks. The benchmark is calculated using a weighted average methodology that is consistent with the CFA Institute Global Investment Performance Standards (GIPS®). It is the product of the various component weights (i.e., asset classes' percentages) by their respective performance (returns). The various asset class benchmarks are shown below:

Benchmarks and Allocation Guidelines			
As of June 30, 2025			
Index	Asset Class	KERS Nonhazardous/ SPRS Pension	KERS Hazardous Pension/All Insurance
Equity			
MSCI ACWI	Public Equity	30%	40%
Russell 3000 + 300 bps (lagged one quarter)	Private Equity	6%	8%
Fixed Income			
Bloomberg US Aggregate	Core Fixed Income	27%	10%
50% Bloomberg US Corporate High Yield/50% Morningstar LSTA Leveraged Loan	Specialty Credit	20%	25%
FTSE for 3-month Treasury Bill	Cash	2%	2%
Inflation Protected			
NCREIF ODCE (one quarter lagged)	Real Estate	5%	7%
US CPI +3%	Real Return	10%	8%
<i>Note: These benchmarks are intended to be objective, measurable, investable/replicable, and representative of the investment mandates. The benchmarks are developed from publicly available information and accepted by the investment advisor and Investment Staff as the neutral position consistent with the investment mandate and status. Investment Staff and our Consultant recommend the indices and benchmarks, which are reviewed and approved by the Investment Committee and ratified by the KRS Board.</i>			

DRAFT 11-12-2025**Long-Term Results**

The chart below displays the growth of \$1,000 over the course of 10 years given the performance of the portfolios compared to the benchmark and the actuarial assumed rate of return. As of June 30, 2025, the actuarial assumed rate of return for KERS Nonhazardous and SPRS Pension Plans was 5.25% and 6.25% for all other Plans.

Since June 30, 2016, fiscal year returns have ranged from minimum returns of (5.19%), (5.95%), and (4.63%) in KERS Nonhazardous, KERS Hazardous, and SPRS, respectively in fiscal year 2022 to maximum returns of 22.56%, 25.21%, and 21.70%, respectively, in fiscal year 2021. For fiscal year 2025, the total net return of each Plan exceeded both its benchmark and actuarially assumed rate of return. Translating these returns into dollars, a beginning balance of \$1,000 would have a balance of \$1,960 for the KERS Nonhazardous Pension Plan. The KERS Nonhazardous benchmark returns would have grown to a balance of \$1,918.

Pension Plan Growth											
As of June 30 (in Whole \$)											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
KERS Nonhazardous Plan	(0.68%)	12.09%	7.50%	5.73%	2.36%	22.56%	(5.19%)	6.96%	9.50%	11.22%	
Performance Benchmark	0.71%	11.92%	6.84%	6.13%	1.18%	20.60%	(4.79%)	7.02%	10.11%	9.63%	
Actuarial Assumed ROR	7.50%	6.75%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
Actual Performance	\$1,000	\$993	\$1,113	\$1,197	\$1,265	\$1,295	\$1,587	\$1,505	\$1,610	\$1,763	\$1,960
Performance Benchmark	1,000	1,007	1,127	1,204	1,278	1,293	1,560	1,485	1,589	1,750	1,918
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,148	\$1,208	\$1,271	\$1,338	\$1,408	\$1,482	\$1,560	\$1,642	\$1,728
KERS Hazardous Plan	(0.24%)	13.44%	8.68%	5.68%	0.95%	25.21%	(5.95%)	9.46%	11.12%	11.87%	
Performance Benchmark	(0.61%)	13.58%	7.04%	6.37%	0.16%	25.74%	(5.22%)	8.70%	12.40%	10.79%	
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	
Actual Performance	\$1,000	\$998	\$1,132	\$1,230	\$1,300	\$1,312	\$1,643	\$1,545	\$1,691	\$1,879	\$2,102
Performance Benchmark	1,000	994	1,129	1,208	1,285	1,287	1,619	1,534	1,668	1,875	2,077
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,767	\$1,877
SPRS Plan	(1.49%)	12.50%	7.65%	5.71%	2.21%	21.70%	(4.63%)	7.58%	9.62%	10.96%	
Performance Benchmark	(0.31%)	12.61%	6.84%	6.13%	1.18%	20.60%	(4.79%)	7.02%	10.11%	9.63%	
Actuarial Assumed ROR	7.50%	6.75%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	5.25%	
Actual Performance	\$1,000	\$985	\$1,108	\$1,193	\$1,261	\$1,289	\$1,569	\$1,496	\$1,609	\$1,764	\$1,958
Performance Benchmark	1,000	997	1,123	1,199	1,273	1,288	1,553	1,479	1,583	1,743	1,910
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,148	\$1,208	\$1,271	\$1,338	\$1,408	\$1,482	\$1,560	\$1,642	\$1,728

The chart below shows theoretical annual returns for the Insurance portfolio since June 30, 2016. Fiscal year returns have ranged from minimum returns of (6.15%), (4.53%), and (4.50%) in KERS Nonhazardous, KERS Hazardous, and SPRS, respectively in fiscal year 2022 to maximum returns of 25.16%, 24.97%, and 25.34%, respectively, in fiscal year 2021. The KERS Insurance portfolio earned 11.75% versus the benchmark return of 10.79%. The chart below indicates that a beginning balance of \$1,000, would have grown to a balance of \$2,075 at the end of fiscal year 2025. The actuarially assumed rate of return would have grown to a balance of \$1,883 and the benchmark returns would have grown to a balance of \$2,098 at the end of the 10-year period.

Insurance Plan Growth											
As of June 30 (in Whole \$)											
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
KERS Nonhazardous Plan	(0.50%)	13.78%	7.96%	4.95%	0.97%	25.16%	(6.15%)	9.87%	11.07%	11.75%	
Performance Benchmark	(0.56%)	13.89%	7.04%	6.10%	0.35%	24.35%	(3.44%)	8.70%	12.40%	10.79%	
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%	
Actual Performance	\$1,000	\$995	\$1,132	\$1,222	\$1,283	\$1,295	\$1,621	\$1,521	\$1,671	\$1,857	\$2,075
Performance Benchmark	1,000	994	1,133	1,212	1,286	1,291	1,605	1,550	1,685	1,893	2,098
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768	\$1,883

DRAFT 11-12-2025

Insurance Plan Growth										
As of June 30 (in Whole \$)										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KERS Hazardous Plan	(0.25%)	13.76%	8.88%	5.61%	0.20%	24.97%	(4.53%)	9.29%	11.15%	11.18%
Performance Benchmark	(0.38%)	13.73%	7.04%	6.25%	(0.40%)	24.76%	(4.85%)	8.70%	12.40%	10.79%
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$998	\$1,135	\$1,236	\$1,305	\$1,307	\$1,634	\$1,560	\$1,705	\$2,107
Performance Benchmark	1,000	996	1,133	1,213	1,289	1,283	1,601	1,523	1,656	2,062
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768
SPRS Plan	0.01%	13.70%	9.34%	5.74%	0.65%	25.34%	(4.50%)	9.46%	11.02%	11.25%
Performance Benchmark	(0.22%)	13.61%	7.04%	6.25%	(0.40%)	24.76%	(3.44%)	8.70%	12.40%	10.79%
Actuarial Assumed ROR	7.50%	7.50%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.35%	6.50%
Actual Performance	\$1,000	\$1,000	\$1,137	\$1,243	\$1,315	\$1,323	\$1,659	\$1,584	\$1,734	\$2,141
Performance Benchmark	1,000	998	1,134	1,213	1,289	1,284	1,602	1,547	1,681	2,094
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,768

Public Equity

For the fiscal year, the KERS Pension Nonhazardous, Hazardous, and SPRS Pension Public Equity portfolios returned 16.04%, 15.99%, and 16.19%, respectively. The KERS Nonhazardous and Hazardous, and SPRS Insurance Public Equity portfolios also outperformed the benchmark, returning 16.04%, 16.20%, and 16.02%, respectively. The portfolios outperformed their benchmark's (MSCI All Country World Index) return of 15.89%. Relative outperformance was driven in part by regional positioning. The portfolio's tilt toward non-U.S. equities, was beneficial as international markets collectively outpaced the U.S. by approximately 2.5%. Further, while stock selection amongst individual strategies was mixed, it skewed positively and was most pronounced in the non-U.S. portion of the portfolio.

Public Equity Performance									
As of June 30, 2025									
	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	4/1/1984	Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous		16.04%	15.89%	17.01%	16.80%	13.22%	13.19%	9.71%	9.53%
KERS Hazardous		15.99%	15.89%	16.95%	16.80%	13.19%	13.19%	9.62%	9.53%
SPRS		16.19%	15.89%	16.99%	16.80%	13.24%	13.19%	9.49%	9.53%
Insurance	7/1/1992								
KERS Nonhazardous		16.04%	15.89%	17.01%	16.80%	13.24%	13.17%	9.75%	9.52%
KERS Hazardous		16.20%	15.89%	17.00%	16.80%	13.21%	13.17%	9.69%	9.52%
SPRS		16.02%	15.89%	16.93%	16.80%	13.11%	13.17%	9.67%	9.52%

Note: Current Pension and Insurance benchmarks are MSCI ACWI. Plan returns are reported gross of fees.

During the 12 months ended June 30, 2025, KPPA managed U.S. Equity portfolios collectively returned 15.09% versus the Russell 3000 Index return of 15.30%. Individual strategy relative performance was mixed; however, it skewed positive in aggregate. Notable standouts include the all-cap value effort which returned 20.06% versus its benchmark return of 13.30%, and the absolute performance of the micro-cap strategy of 18.54%. However, allocation positioning offset stock selection strength, as the portfolios' value (R300V: 13.30% vs R300G 17.95%) and smaller (R500/SP500 Blend: 15.40% vs Russell Midcap: 7.53% vs Russell 2000: 7.68%) tilts provided headwinds.

For the fiscal year, KPPA managed non-U.S. Equity portfolios collectively returned 17.95% versus the MSCI ACWI Ex-US IMI return of 17.83%. Individual strategy relative performance was mixed, with stock selection driving outperformance. Right tails were significantly larger than those to the left. Notable standouts include those efforts in the deep value (24.34% versus 17.72%) and small cap (28.30% versus 18.34%) spaces.

DRAFT 11-12-2025

Top 10 Public Equity Holdings

As of June 30, 2025

KERS Nonhazardous Pension

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND A	4,235,847	\$147,076
MICROSOFT CORP	89,495	44,516
NVIDIA CORP	281,616	44,492
ISHARES CORE S&P MIDCAP ETF	614,062	38,084
APPLE INC	177,310	36,379
LAZARD EMERG MKT EQY-INST	1,168,156	25,185
AMAZON.COM INC	112,952	24,781
META PLATFORMS INC	26,367	19,461
BROADCOM INC	55,347	15,256
ALPHABET INC	70,734	12,465
Total	6,831,886	\$407,695

KERS Nonhazardous Insurance

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND B	1,116,792	\$42,459
MICROSOFT CORP	41,718	20,751
NVIDIA CORP	131,273	20,740
ISHARES CORE S&P MIDCAP ETF	285,524	17,708
APPLE INC	82,652	16,958
LAZARD EMERG MKT EQY-INST	649,854	14,011
AMAZON.COM INC	52,652	11,551
META PLATFORMS INC	12,291	9,072
BROADCOM INC	25,799	7,112
ALPHABET INC	32,972	5,811
Total	2,431,527	\$166,173

KERS Hazardous Pension

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND A	1,139,861	\$39,578
ISHARES CORE S&P MIDCAP ETF	209,632	13,001
MICROSOFT CORP	25,408	12,638
NVIDIA CORP	79,950	12,631
APPLE INC	50,338	10,328
LAZARD EMERG MKT EQY-INST	360,093	7,764
AMAZON.COM INC	32,067	7,035
META PLATFORMS INC	7,486	5,525
BROADCOM INC	15,713	4,331
ALPHABET INC	20,081	3,539
Total	1,940,629	\$116,370

KERS Hazardous Insurance

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND B	608,635	\$23,140
MICROSOFT CORP	16,559	8,237
NVIDIA CORP	52,106	8,232
ISHARES CORE S&P MIDCAP ETF	114,744	7,116
APPLE INC	32,807	6,731
LAZARD EMERG MKT EQY-INST	239,508	5,164
AMAZON.COM INC	20,899	4,585
META PLATFORMS INC	4,879	3,601
BROADCOM INC	10,240	2,823
ALPHABET INC	13,088	2,306
Total	1,113,465	\$71,935

SPRS Pension

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND A	420,445	\$14,599
ISHARES CORE S&P MIDCAP ETF	110,623	6,861
MICROSOFT CORP	12,089	6,013
NVIDIA CORP	38,041	6,010
APPLE INC	23,951	4,914
LAZARD EMERG MKT EQY-INST	188,356	4,061
AMAZON.COM INC	15,258	3,347
META PLATFORMS INC	3,562	2,629
BROADCOM INC	7,476	2,061
NVIDIA CORP	10,805	1,707
Total	830,606	\$52,202

SPRS Insurance

Holding	Shares	Fair Value
MSCI WORLD EX-US INDEX FUND B	218,356	\$8,302
MICROSOFT CORP	6,563	3,264
NVIDIA CORP	20,652	3,263
ISHARES CORE S&P MIDCAP ETF	46,673	2,895
APPLE INC	13,003	2,668
LAZARD EMERG MKT EQY-INST	100,097	2,158
AMAZON.COM INC	8,283	1,817
META PLATFORMS INC	1,934	1,427
BROADCOM INC	4,059	1,119
ALPHABET INC	5,187	914
Total	424,807	\$27,827

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>

Core Fixed Income

For the fiscal year, the Pension Core Fixed Income KERS Nonhazardous, Hazardous and SPRS portfolios returned 6.19%, 6.06% and 6.17%, respectively, compared to the Bloomberg U.S. Aggregate benchmark returning 6.08%. For the Insurance Core Fixed Income, KERS Nonhazardous, Hazardous and SPRS portfolios returned 6.05%, 6.03% and 6.02%, respectively. Performance was driven by closing the duration gap as the Federal Reserve stopped raising rates and credit spreads continuing to tighten during the fiscal year.

DRAFT 11-12-2025**Core Fixed Income Performance**

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
		Plan	Index	Plan	Index	Plan	Index	Plan	Index
Pension	7/1/2013								
KERS Nonhazardous		6.19%	6.08%	4.18%	2.55%	2.06%	(0.73%)	2.91%	1.76%
KERS Hazardous		6.06%	6.08%	4.10%	2.55%	2.01%	(0.73%)	2.91%	1.76%
SPRS		6.17%	6.08%	4.17%	2.55%	2.09%	(0.73%)	2.91%	1.76%
Insurance	7/1/2013								
KERS Nonhazardous		6.05%	6.08%	3.99%	2.55%	1.90%	(0.73%)	2.80%	1.76%
KERS Hazardous		6.03%	6.08%	4.04%	2.55%	1.92%	(0.73%)	2.80%	1.76%
SPRS		6.02%	6.08%	4.03%	2.55%	1.92%	(0.73%)	2.80%	1.76%

Note: Current Pension and Insurance benchmark is Bloomberg US Aggregate.

Top 10 Core Fixed Income Holdings

As of June 30, 2025

KERS Nonhazardous Pension			KERS Nonhazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
ISHARES CORE U.S. AGGREGATE	3,889,455	\$385,834	ISHARES CORE U.S. AGGREGATE	479,581	\$47,574
U S TREASURY NOTE	11,251,665	\$11,395	U S TREASURY NOTE	1,496,397	\$1,504
U S TREASURY NOTE	10,286,572	\$10,530	U S TREASURY NOTE	1,431,645	\$1,450
U S TREASURY NOTE	10,269,131	\$10,414	U S TREASURY NOTE	1,391,410	\$1,393
U S TREASURY NOTE	9,888,908	\$9,940	U S TREASURY NOTE	1,197,716	\$1,226
U S TREASURY NOTE	9,166,445	\$9,208	U S TREASURY NOTE	1,176,195	\$1,170
U S TREASURY NOTE	7,577,336	\$7,630	U S TREASURY NOTE	1,130,345	\$1,135
U S TREASURY NOTE	7,174,245	\$7,190	U S TREASURY NOTE	1,123,795	\$1,126
U S TREASURY BOND	6,924,251	\$6,895	U S TREASURY NOTE	1,048,938	\$1,056
U S TREASURY NOTE	6,726,194	\$6,751	U S TREASURY NOTE	1,015,252	\$1,025
Total	83,154,202	\$465,787	Total	11,491,274	\$58,659

KERS Hazardous Pension			KERS Hazardous Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
ISHARES CORE U.S. AGGREGATE	320,723	\$31,816	ISHARES CORE U.S. AGGREGATE	185,170	\$18,369
U S TREASURY NOTE	927,809	\$940	U S TREASURY NOTE	577,770	\$581
U S TREASURY NOTE	848,227	\$868	U S TREASURY NOTE	552,769	\$560
U S TREASURY NOTE	846,789	\$859	U S TREASURY NOTE	537,233	\$538
U S TREASURY NOTE	815,436	\$820	U S TREASURY NOTE	462,447	\$473
U S TREASURY NOTE	755,862	\$759	U S TREASURY NOTE	454,137	\$452
U S TREASURY NOTE	624,825	\$629	U S TREASURY NOTE	436,434	\$438
U S TREASURY NOTE	591,586	\$593	U S TREASURY NOTE	433,905	\$435
U S TREASURY BOND	570,971	\$569	U S TREASURY NOTE	405,002	\$408
U S TREASURY NOTE	554,640	\$557	U S TREASURY NOTE	391,996	\$396
Total	6,856,868	\$38,410	Total	4,436,863	\$22,650

SPRS Pension			SPRS Insurance		
Holding	Shares	Fair Value	Holding	Shares	Fair Value
ISHARES CORE U.S. AGGREGATE	565,635	\$56,111	ISHARES CORE U.S. AGGREGATE	67,253	\$6,671
U S TREASURY NOTE	1,636,306	\$1,657	U S TREASURY NOTE	209,842	\$211
U S TREASURY NOTE	1,495,955	\$1,531	U S TREASURY NOTE	200,762	\$203
U S TREASURY NOTE	1,493,418	\$1,515	U S TREASURY NOTE	195,120	\$195
U S TREASURY NOTE	1,438,123	\$1,446	U S TREASURY NOTE	167,958	\$172
U S TREASURY NOTE	1,333,057	\$1,339	U S TREASURY NOTE	164,940	\$164
U S TREASURY NOTE	1,101,956	\$1,110	U S TREASURY NOTE	158,510	\$159
U S TREASURY NOTE	1,043,335	\$1,046	U S TREASURY NOTE	157,592	\$158
U S TREASURY BOND	1,006,979	\$1,003	U S TREASURY NOTE	147,094	\$148
U S TREASURY NOTE	978,176	\$982	U S TREASURY NOTE	142,371	\$144

DRAFT 11-12-2025

Top 10 Core Fixed Income Holdings

As of June 30, 2025

KERS Nonhazardous Pension			KERS Nonhazardous Insurance		
Total	12,092,940	\$67,740	Total	1,611,442	\$8,225

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>

Specialty Credit

For the fiscal year, the Pension Specialty Credit KERS Nonhazardous, Hazardous and SPRS portfolios returned 10.83%, 10.65% and 10.46%, respectively, outperforming the custom benchmark which returned 8.79%. For the Insurance Specialty Credit, KERS Nonhazardous, Hazardous and SPRS portfolios returned 10.59%, 11.31% and 11.12%, respectively, also outperforming the benchmark. Much like investment grade credit, outperformance was a result of credit spreads continuing to tighten with CCC rated companies performing the best as well as interest rates remaining stable during the year as the majority of holdings in the private sector is floating rate with the portfolios clipping higher coupons from prior rate increases.

Specialty Credit Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/2013	Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous		10.83%	8.79%	10.42%	9.84%	10.05%	6.75%	7.19%	N/A
KERS Hazardous		10.65%	8.79%	10.80%	9.84%	9.93%	6.75%	7.08%	N/A
SPRS		10.46%	8.79%	10.40%	9.84%	9.63%	6.75%	6.92%	N/A
Insurance	7/1/2013								
KERS Nonhazardous		10.59%	8.79%	10.72%	9.84%	9.97%	6.75%	6.97%	N/A
KERS Hazardous		11.31%	8.79%	11.40%	9.84%	10.95%	6.75%	7.44%	N/A
SPRS		11.12%	8.79%	11.10%	9.84%	10.51%	6.75%	7.25%	N/A

Note: Current Pension and Insurance benchmark is 50% Bloomberg US Corp High Yield and 50% Morningstar LSTA Leveraged Loan.

Top 10 Specialty Credit Holdings

As of June 30, 2025

KERS Nonhazardous Pension		KERS Nonhazardous Insurance	
Holding	Fair Value	Holding	Fair Value
CLOUD SOFTWARE GROUP INC 144A	\$1,712	CLOUD SOFTWARE GROUP INC 144A	\$742
MCAFEE CORP 144A	1,483	DELIVERY HERO 3/24 TLB	674
STAR PARENT INC 144A	1,409	MCAFEE CORP 144A	658
MEDLINE BORROWER LP 144A	1,326	AIR MEDICAL 4/24 PIK TL	652
DELEK LOGISTICS PARTNERS 144A	1,326	SOLERA 6/21 (USD) COV-LITE TL	640
ATHENAHEALTH GROUP INC 144A	1,248	STAR PARENT INC 144A	625
HUB INTERNATIONAL LTD 144A	1,241	MEDLINE BORROWER LP 144A	622
NCR ATLEOS CORP 144A	1,208	PROOFPOINT 5/24 TL	598
WR GRACE HOLDINGS LLC 144A	1,198	HUB INTERNATIONAL LTD 144A	590
1261229 BC LTD 144A	1,177	SABRE 11/24 TLB1	588
Total	\$13,328	Total	\$6,389

KERS Hazardous Pension		KERS Hazardous Insurance	
Holding	Fair Value	Holding	Fair Value
TAIWAN SEMICONDUCTOR MANUFACTU	\$728	CLOUD SOFTWARE GROUP INC 144A	\$190
TENCENT HOLDINGS LTD	470	MCAFEE CORP 144A	168
CLOUD SOFTWARE GROUP INC 144A	440	STAR PARENT INC 144A	160
RECEIVABLE FOR INVESTMENTS SOLD	414	MEDLINE BORROWER LP 144A	159
MCAFEE CORP 144A	382	DELIVERY HERO 3/24 TLB	154
STAR PARENT INC 144A	362	HUB INTERNATIONAL LTD 144A	151
SOLERA 6/21 (USD) COV-LITE TL	351	AIR MEDICAL 4/24 PIK TL	149
MEDLINE BORROWER LP 144A	341	DELEK LOGISTICS PARTNERS 144A	148
DELEK LOGISTICS PARTNERS 144A	341	SOLERA 6/21 (USD) COV-LITE TL	147
DELIVERY HERO 3/24 TLB	332	WR GRACE HOLDINGS LLC 144A	144

DRAFT 11-12-2025

Top 10 Specialty Credit Holdings

As of June 30, 2025

Total	\$4,161	Total	\$1,570
--------------	----------------	--------------	----------------

SPRS Pension		SPRS Insurance	
Holding	Fair Value	Holding	Fair Value
CLOUD SOFTWARE GROUP INC 144A	\$286	HILEX POLY/NOVOLEX 3/25 COV-LI	\$98
MCAFEE CORP 144A	248	BRAZIL NOTAS DO TESOURO NACION	91
STAR PARENT INC 144A	235	CLOUD SOFTWARE GROUP INC 144A	78
MEDLINE BORROWER LP 144A	222	MCAFEE CORP 144A	69
DELEK LOGISTICS PARTNERS 144A	221	STAR PARENT INC 144A	66
ATHENAHEALTH GROUP INC 144A	209	MEDLINE BORROWER LP 144A	65
HUB INTERNATIONAL LTD 144A	207	DELIVERY HERO 3/24 TLB	65
NCR ATLEOS CORP 144A	202	AIR MEDICAL 4/24 PIK TL	62
WR GRACE HOLDINGS LLC 144A	200	HUB INTERNATIONAL LTD 144A	62
1261229 BC LTD 144A	197	SOLERA 6/21 (USD) COV-LITE TL	61
Total	\$2,227	Total	\$717

A complete list of holdings is located at <https://kyret.ky.gov/Investments/Investments-Library/Pages/Investments-Holdings.aspx>

Private Equity

For the fiscal year, the Pension Private Equity portfolio posted gross returns ranging from 8.30% for KERS Hazardous to 14.59% for KERS Nonhazardous, while the Insurance Private Equity portfolio gross returns ranged from 1.16% for KERS Hazardous to 6.24% for KERS Nonhazardous. The comparative benchmark for all plans was 10.22% for the fiscal year. The Investment Committee acknowledges the difficulty in assessing short-term performance for Private Equity. Performance is typically based on quarterly estimates of each underlying business's value and managers are often slow to mark valuations up or down. This can distort relative performance against a public market benchmark during periods when the index moves dramatically. A better indication of program performance would be the mid- to longer-term time periods because more underlying company holdings have likely transacted at a specific (rather than estimated) valuation. The below chart provides the gross returns for the longer term time periods.

Private Equity Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
		Plan	Index	Plan	Index	Plan	Index	Plan	Index
Pension	7/1/2002								
KERS Nonhazardous		14.59%	10.22%	1.90%	11.25%	12.85%	21.24%	10.82%	14.84%
KERS Hazardous		8.30%	10.22%	4.82%	11.25%	16.86%	21.24%	12.84%	14.84%
SPRS		12.40%	10.22%	5.59%	11.25%	15.98%	21.24%	12.74%	14.84%
Insurance	7/1/2002								
KERS Nonhazardous		6.24%	10.22%	7.10%	11.25%	20.10%	21.24%	13.31%	14.84%
KERS Hazardous		1.16%	10.22%	3.50%	11.25%	16.30%	21.24%	12.53%	14.84%
SPRS		2.36%	10.22%	4.06%	11.25%	16.91%	21.24%	12.96%	14.84%

Note: Current Pension and Insurance benchmark is Russell 3000 + 3%, lagged 1 quarter. Plan returns are reported gross of fees.

Real Estate

For the fiscal year, the Pension and Insurance Real Estate portfolios saw gross returns ranging from 5.18% in the KERS Hazardous insurance plan to 6.59% in the KERS Nonhazardous pension plan, exceeding the benchmark return of 1.17% for all plans.

Real Estate Performance

As of June 30, 2025

	Inception Date	1 Years		3 Years		5 Years		10 Years	
		Plan	Index	Plan	Index	Plan	Index	Plan	Index
Pension	7/1/1984								
KERS Nonhazardous		6.37%	1.17%	(1.21%)	(5.07%)	7.05%	2.01%	7.52%	4.71%
KERS Hazardous		6.59%	1.17%	(1.78%)	(5.07%)	6.09%	2.01%	7.63%	4.71%

DRAFT 11-12-2025

Real Estate Performance									
As of June 30, 2025									
SPRS		5.59%	1.17%	(1.94%)	(5.07%)	6.08%	2.01%	7.52%	4.71%
Insurance	5/1/2009								
KERS Nonhazardous		6.30%	1.17%	(1.66%)	(5.07%)	5.92%	2.01%	7.56%	4.71%
KERS Hazardous		5.18%	1.17%	(2.44%)	(5.07%)	5.37%	2.01%	7.28%	4.71%
SPRS		5.18%	1.17%	(2.43%)	(5.07%)	5.39%	2.01%	7.29%	4.71%
Note: Current Pension and Insurance benchmark is the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity (NCREIF ODCE) Index, lagged 1 quarter. Plan returns are reported gross of fees.									

Real Return

For the fiscal year, the Pension and Insurance Real Return portfolio returns ranged from 15.25% (gross) in the KERS Hazardous insurance plan to 18.56% (gross) in the KERS Nonhazardous pension plan. All plan returns exceeded the benchmark return of 5.35%.

Real Return Performance									
As of June 30, 2025									
	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	7/1/2011	Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous		18.56%	5.35%	18.21%	6.22%	16.84%	9.93%	8.46%	5.01%
KERS Hazardous		17.47%	5.35%	15.41%	6.22%	14.69%	9.93%	7.72%	5.01%
SPRS		17.64%	5.35%	15.82%	6.22%	14.95%	9.93%	7.73%	5.01%
Insurance	7/1/2011								
KERS Nonhazardous		17.38%	5.35%	15.64%	6.22%	14.69%	9.45%	7.90%	5.05%
KERS Hazardous		15.25%	5.35%	13.17%	6.22%	13.03%	9.45%	7.05%	5.05%
SPRS		15.80%	5.35%	13.44%	6.22%	13.14%	9.45%	7.09%	5.05%
Note: Current Pension and Insurance benchmark is CPI + 3%. Plan returns are reported gross of fees.									

Cash

For the fiscal year, the Pension Cash KERS Nonhazardous, Hazardous and SPRS portfolios each returned 4.81% slightly underperforming the FTSE 3-Month US Treasury Bill benchmark which returned 4.88%. For the Insurance Cash, KERS Nonhazardous, Hazardous and SPRS portfolios each returned 4.80% also underperforming the benchmark by 0.08%.

Liquidity Performance									
As of June 30, 2025									
	Inception Date	1 Years		3 Years		5 Years		10 Years	
Pension	1/1/1988	Plan	Index	Plan	Index	Plan	Index	Plan	Index
KERS Nonhazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.12%	2.01%
KERS Hazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.13%	2.01%
SPRS		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.12%	2.01%
Insurance	7/1/1992								
KERS Nonhazardous		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%
KERS Hazardous		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%
SPRS		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%
Note: Current Pension and Insurance benchmark is FTSE 3-month Treasury Bill.									

Additional Schedules

The following schedules contain information on the assets under management for each firm KRS employs and assets managed by Investment Staff, external investment-related expenses, commissions paid, and portfolio summaries for each of the Pension and Insurance Plans for the fiscal year ended June 30, 2025.

DRAFT 11-12-2025**Investment Managers & Assets Under Management by Plan and Asset Class**

As of June 30, 2025 (\$ in Thousands)

Advisor/Asset Class	Pension			Insurance			KRS Total
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS	
Core Fixed Income	\$1,446,576	\$149,010	\$215,206	\$220,994	\$90,614	\$31,219	\$2,153,619
Loomis, Sayles & Company Core	461,356	38,043	67,094	65,088	25,131	9,128	665,840
NISA Investment Advisors	486,509	40,117	70,752	74,785	28,875	10,487	711,525
Internally Managed by KPPA	498,711	70,850	77,360	81,121	36,608	11,604	776,254
Private Equity	\$198,798	\$62,804	\$29,317	\$111,261	\$40,598	\$18,411	\$461,189
Ares	—	989	312	—	633	394	2,328
Bay Hills	59,310	10,360	4,804	4,108	4,926	2,718	86,226
Black Diamond	—	3,298	1,040	—	2,747	1,710	8,795
Blackstone	12	745	1	2	759	361	1,880
Crestview	7,763	2,243	908	538	1,080	627	13,159
CVC	—	1,256	396	—	806	501	2,959
DAG	13,503	1,708	889	935	446	198	17,679
Harvest	—	1,655	18	4,571	2,855	1,122	10,221
H.I.G.	409	711	119	28	677	350	2,294
Horsley Bridge	28,624	3,620	1,884	1,982	944	420	37,474
Keyhaven	2,784	1,192	448	193	791	476	5,884
Leonard Green	54	2,270	4	2,982	3,509	1,510	10,329
Levine Leichtman	—	2,471	37	7,027	4,359	1,706	15,600
Middle Ground	18,694	8,934	2,151	30,647	5,931	2,336	68,693
Strategic Value Partners	15,418	6,654	1,774	13,920	5,181	1,704	44,651
Triton	—	1,544	487	—	988	615	3,634
Vista	849	2,580	56	4,205	3,966	1,663	13,319
Internally Managed by KPPA	51,378	10,574	13,989	40,123	—	—	116,064
Public Equity	\$1,657,667	\$495,919	\$243,625	\$790,338	\$313,069	\$125,880	\$3,626,498
American Century	89,893	27,710	14,495	49,421	18,214	7,612	207,345
Axiom	27,697	8,538	4,466	15,723	5,795	2,422	64,641
BlackRock	147,249	39,624	14,616	42,507	23,166	8,311	275,473
Franklin Templeton	75,238	23,193	12,132	40,079	14,771	6,173	171,586
JP Morgan	86,006	25,214	12,473	42,587	16,407	6,643	189,330
Lazard	106,159	32,724	17,117	59,084	21,776	9,101	245,961
LSV	112,970	34,824	18,215	62,381	22,991	9,609	260,990
Next Century	25,737	8,786	4,637	12,916	5,191	2,111	59,378
Northern Trust	58,901	20,108	10,611	29,188	11,730	4,771	135,309
Pzena	40,613	12,519	6,548	22,648	8,347	3,488	94,163
River Road	68,882	23,515	12,409	32,709	13,145	5,347	156,007
KRS TRP US Structured Eq	56,128	15,935	7,582	26,033	10,333	4,095	120,106
Westfield	80,825	27,593	14,561	37,477	15,061	6,126	181,643
Internally Managed by KPPA	681,369	195,636	93,763	317,585	126,142	50,071	1,464,566
Real Estate	\$229,143	\$61,686	\$34,764	\$101,615	\$44,214	\$16,879	\$488,301
Barings	24,764	6,774	2,863	8,068	6,034	2,306	50,809
Fundamental	8,353	2,285	966	2,721	2,035	778	17,138
Harrison Street	69,403	12,344	17,357	36,541	11,919	4,565	152,129
Lubert-Adler	1,328	1,004	385	1,100	824	312	4,953
Mesa West	8,088	3,848	1,241	6,073	5,112	1,921	26,283
Prologis	56,102	15,347	6,487	16,867	12,614	4,822	112,239
Stockbridge	25,986	5,173	2,506	8,046	5,676	2,175	49,562
Internally Managed by KPPA	35,119	14,911	2,959	22,199	—	—	75,188
Real Return	\$490,448	\$89,013	\$72,318	\$143,346	\$55,517	\$22,207	\$872,849
AMERRA	—	2,570	1,301	2,724	2,209	830	9,634
Arctos	26,906	689	6,899	15,867	689	690	51,740
BTG Pactual	—	1,070	495	1,244	843	320	3,972
Ceres Farms	37,521	8,859	5,732	16,676	6,644	2,736	78,168
IFM	12,818	3,948	1,530	5,608	3,155	1,063	28,122
ITE	33,421	5,025	4,207	8,363	3,355	1,402	55,773
Kayne Anderson	12,950	1,782	1,901	4,455	1,960	713	23,761

DRAFT 11-12-2025**Investment Managers & Assets Under Management by Plan and Asset Class**

As of June 30, 2025 (\$ in Thousands)

Advisor/Asset Class	Pension			Insurance			KRS Total
	KERS Nonhazardous	KERS Hazardous	SPRS	KERS Nonhazardous	KERS Hazardous	SPRS	
Maritime Partners	29,656	3,223	5,802	12,820	2,468	1,289	55,258
Prisma	19,671	5,132	2,129	7,048	4,680	1,755	40,415
Saba	54,615	9,103	9,103	10,923	6,068	1,214	91,026
Strategic Value Partners	15,072	3,872	2,277	6,474	2,430	944	31,069
Tortoise	71,982	18,030	7,200	21,279	9,730	3,798	132,019
Internally Managed by KPPA	175,836	25,710	23,742	29,865	11,286	5,453	271,892
Specialty Credit	\$1,014,249	\$281,593	\$142,693	\$453,125	\$174,273	\$72,608	\$2,138,541
Adams Street	68,947	19,101	7,985	28,368	11,800	5,019	141,220
Arrowmark	116,557	36,136	14,397	57,543	35,772	13,209	273,614
Benefit Street	18,276	6,565	1,697	10,199	6,159	2,217	45,113
Blue Torch	30,600	9,194	3,793	12,944	6,804	2,636	65,971
CapitalSpring	18,010	6,469	1,672	8,839	5,338	1,922	42,250
Cerberus	31,047	11,152	2,882	15,239	9,202	3,313	72,835
Columbia Threadneedle	238,788	61,433	39,898	104,442	26,698	10,966	482,225
Manulife	36,162	19,217	8,198	24,014	80	5,683	93,354
Marathon	152,790	25,814	13,794	40,747	24,382	8,418	265,945
Shenkman	173,395	52,534	25,122	95,297	21,820	9,131	377,299
Waterfall	104,533	24,947	20,921	41,941	18,035	7,148	217,525
White Oak	25,144	9,031	2,334	13,552	8,183	2,946	61,190
Other	21,585	5,874	2,145	7,464	5,358	2,036	44,462
Total Assets Under Management	\$5,058,466	\$1,145,899	\$740,068	\$1,828,143	\$723,643	\$289,240	\$9,785,459

External Investment Expenses - Pension Asset Class/Type Breakdown

For the fiscal year ended June 30, 2025 (\$ in Thousands)

KERS Nonhazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$2,547	\$340	\$812	\$5,003	\$—	\$2,354	\$1,580	\$12,636
Performance/Incentive Fees	148	1,726	121	5,946	—	1,034	47	9,022
Securities Lending Fees	32	—	42	43	—	4	—	121
Securities Lending Fee Rebate	1,601	—	1,843	2,351	—	177	—	5,972
Miscellaneous Fees & Expenses	46	411	9	7,422	—	364	1,168	9,420
Administration	—	—	—	—	1,108	—	—	1,108
Consultant Fees	—	—	—	—	253	—	—	253
Custodial Fees	—	—	—	—	405	—	—	405
	\$4,374	\$2,477	\$2,827	\$20,765	\$1,766	\$3,933	\$2,795	\$38,937

KERS Hazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$829	\$239	\$74	\$1,409	\$—	\$456	\$397	\$3,404
Performance/Incentive Fees	46	456	11	1,540	—	168	11	2,232
Securities Lending Fees	10	—	4	13	—	1	—	28
Securities Lending Fee Rebate	541	—	169	712	—	45	—	1,467
Miscellaneous Fees & Expenses	14	174	1	2,113	—	88	332	2,722
Administration	—	—	—	—	256	—	—	256
Consultant Fees	—	—	—	—	65	—	—	65
Custodial Fees	—	—	—	—	94	—	—	94
	\$1,440	\$869	\$259	\$5,787	\$415	\$758	\$740	\$10,268

SPRS	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$427	\$56	\$121	\$666	\$—	\$442	\$255	\$1,967

DRAFT 11-12-2025

External Investment Expenses - Pension Asset Class/Type Breakdown								
For the fiscal year ended June 30, 2025 (\$ in Thousands)								
Performance/Incentive Fees	24	156	18	686	—	187	5	1,076
Securities Lending Fees	6	—	6	8	—	—	—	20
Securities Lending Fee Rebate	278	—	275	417	—	18	—	988
Miscellaneous Fees & Expenses	7	60	1	825	—	76	139	1,108
Administration	—	—	—	—	173	—	—	173
Consultant Fees	—	—	—	—	33	—	—	33
Custodial Fees	—	—	—	—	60	—	—	60
	\$742	\$272	\$421	\$2,602	\$266	\$723	\$399	\$5,425
NOTE: Miscellaneous expenses include Partnership Expenses, Commissions on Future Contracts, Fee for Long balance, and etc. The Governmental Accounting Standards Board recognizes that it may not be possible or cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses of the Plan. KRS has displayed all investment related fees and expenses identifiable and captured by our custodial bank, BNY Mellon and Investment staff.								

External Investment Expenses - Insurance Asset Class/Type Breakdown								
For the fiscal year ended June 30, 2025 (\$ in Thousands)								
KERS Nonhazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$1,408	\$348	\$130	\$2,206	\$—	\$859	\$645	\$5,596
Performance/Incentive Fees	86	593	20	2,376	—	486	14	3,575
Securities Lending Fees	14	—	6	22	—	1	—	43
Securities Lending Fee Rebate	654	—	255	1,287	—	54	—	2,250
Miscellaneous Fees & Expenses	23	132	2	3,209	—	179	384	3,929
Administration	—	—	—	—	415	—	—	415
Consultant Fees	—	—	—	—	108	—	—	108
Custodial Fees	—	—	—	—	232	—	—	232
	\$2,185	\$1,073	\$413	\$9,100	\$755	\$1,579	\$1,043	\$16,148

KERS Hazardous	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$536	\$254	\$50	\$991	\$—	\$325	\$371	\$2,527
Performance/Incentive Fees	32	252	8	1,390	—	118	10	1,810
Securities Lending Fees	5	—	2	5	—	1	—	13
Securities Lending Fee Rebate	257	—	100	295	—	25	—	677
Miscellaneous Fees & Expenses	9	121	1	1,371	—	67	287	1,856
Administration	—	—	—	—	173	—	—	173
Consultant Fees	—	—	—	—	34	—	—	34
Custodial Fees	—	—	—	—	91	—	—	91
	\$839	\$627	\$161	\$4,052	\$298	\$536	\$668	\$7,181

SPRS	Public Equity	Private Equity	Fixed Income	Specialty Credit	Cash	Real Return	Real Estate	Total
Investment Advisory Fees	\$222	\$108	\$20	\$379	\$—	\$112	\$142	\$983
Performance/Incentive Fees	13	118	3	505	—	52	4	695
Securities Lending Fees	2	—	1	3	—	—	—	6
Securities Lending Fee Rebate	105	—	39	152	—	10	—	306
Miscellaneous Fees & Expenses	3	63	—	573	—	26	110	775
Administration	—	—	—	—	70	—	—	70
Consultant Fees	—	—	—	—	13	—	—	13
Custodial Fees	—	—	—	—	37	—	—	37

DRAFT 11-12-2025**External Investment Expenses - Insurance Asset Class/Type Breakdown**

For the fiscal year ended June 30, 2025 (\$ in Thousands)

	\$345	\$289	\$63	\$1,612	\$120	\$200	\$256	\$2,885
--	-------	-------	------	---------	-------	-------	-------	---------

NOTE: Miscellaneous expenses include Partnership Expenses, Commissions on Future Contracts, Fee for Long balance, and etc. The Governmental Accounting Standards Board recognizes that it may not be possible or cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses of the Plan. KRS has displayed all investment related fees and expenses identifiable and captured by our custodial bank, BNY Mellon and Investment staff.

External Expenses

For the fiscal year ended June 30, 2025 (\$ in Thousands)

Expenses	KERS Nonhazardous		KERS Hazardous		SPRS	
	Fees Paid	Share of Total	Fee Paid	Share of Total	Fee Paid	Share of Total
Portfolio Management						
Pension Plans	\$32,186	58.43%	8,614	49.37%	4,324	52.03%
Insurance Plans	13,515	24.53%	6,366	36.48%	2,523	30.36%
Securities Lending						
Pension Plans	6,093	11.06%	1,495	8.57%	1,008	12.13%
Insurance Plans	2,293	4.16%	690	3.95%	312	3.75%
Custody						
Pension Plans	405	0.74%	94	0.54%	60	0.72%
Insurance Plans	232	0.42%	91	0.52%	37	0.45%
Consultant						
Pension Plans	253	0.46%	65	0.37%	33	0.40%
Insurance Plans	108	0.20%	34	0.20%	13	0.16%
Total Pension Plans	38,937	70.69%	10,268	58.85%	5,425	65.28%
Total Insurance Plans	16,148	29.31%	7,181	41.15%	2,885	34.72%
Total Expenses	\$55,085	100.00%	\$17,449	100.00%	\$8,310	100.00%

Schedule of Commissions Paid (in whole \$)

For the fiscal year ended June 30, 2025

KERS Nonhazardous

Assets	Total Shares	Commissions Paid	Price per Share
U.S. Equities	12,186,171	\$219,587	0.0180
Non U.S. Equities	69,255,024	\$349,082	0.0050
Total	81,441,195	\$568,669	0.0070

KERS Hazardous

Assets	Total Shares	Commissions Paid	Price per Share
U.S. Equities	4,335,079	\$77,369	0.0178
Non U.S. Equities	22,655,056	\$115,417	0.0051
Total	26,990,135	\$192,786	0.0071

SPRS

Assets	Total Shares	Commissions Paid	Price per Share
U.S. Equities	2,025,718	\$37,550	0.0185
Non U.S. Equities	11,171,693	\$54,739	0.0049
Total	13,197,411	\$92,289	0.0070

Fair Values (FV)

For the fiscal year ended June 30, 2025 (\$ in Thousands)

Pension Plans	KERS Nonhazardous		KERS Hazardous		SPRS		Total	
	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV
Equity								
Public Equity	\$1,657,689	32.77%	\$495,927	43.28%	\$243,628	32.92%	\$2,397,244	34.52%
Private Equity	\$213,317	4.22%	\$66,355	5.79%	\$30,617	4.14%	\$310,289	4.47%
Fixed Income								
Core Fixed Income	\$1,333,701	26.36%	\$109,976	9.60%	\$193,957	26.21%	\$1,637,634	23.58%
Specialty Credit	\$1,014,248	20.05%	\$281,591	24.57%	\$142,693	19.28%	\$1,438,532	20.72%

DRAFT 11-12-2025

Fair Values (FV)

For the fiscal year ended June 30, 2025 (\$ in Thousands)

	KERS Nonhazardous		KERS Hazardous		SPRS		Total	
Cash	\$112,776	2.23%	\$39,011	3.41%	\$21,234	2.87%	\$173,021	2.49%
Inflation Protected								
Real Estate	\$235,696	4.66%	\$63,726	5.56%	\$35,530	4.80%	\$334,952	4.82%
Real Return	\$491,039	9.71%	\$89,313	7.79%	\$72,409	9.78%	\$652,761	9.40%
Total Portfolio	\$5,058,466		\$1,145,899		\$740,068		\$6,944,433	

Insurance Plans	KERS Nonhazardous		KERS Hazardous		SPRS		Total	
	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV	Fair Value	% of Total FV
Equity								
Public Equity	\$790,339	43.23%	\$313,069	43.27%	\$125,880	43.52%	\$1,229,288	43.27%
Private Equity	\$116,793	6.39%	\$44,588	6.16%	\$19,915	6.89%	\$181,296	6.38%
Fixed Income								
Core Fixed Income	\$187,448	10.25%	\$72,375	10.00%	\$26,286	9.09%	\$286,109	10.07%
Specialty Credit	\$453,125	24.79%	\$174,270	24.08%	\$72,609	25.10%	\$700,004	24.64%
Cash	\$33,491	1.83%	\$18,218	2.52%	\$4,925	1.70%	\$56,634	1.99%
Inflation Protected								
Real Estate	\$103,247	5.65%	\$45,389	6.27%	\$17,333	5.99%	\$165,969	5.84%
Real Return	\$143,700	7.86%	\$55,734	7.70%	\$22,292	7.71%	\$221,726	7.81%
Total Portfolio	\$1,828,143		\$723,643		\$289,240		\$2,841,026	



Certification of Actuarial Results

Re: Certification for the Actuarial Results as of June 30, 2025.

Dear Board of Trustees:

Actuarial valuations are prepared annually as of June 30, for the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS). These reports describe the current actuarial condition of the Systems and document the calculated employer contribution requirements as well as the changes in the financial condition since the prior actuarial valuation.

Under Kentucky Statute, the Board of Trustees of the Kentucky Retirement System (KRS) must recommend the employer contribution requirement for KERS and SPRS for the fiscal years beginning July 1, 2026 and ending June 30, 2028. The contribution requirements determined by the June 30, 2025 actuarial valuations are intended to become effective twelve months after the valuation date and, as such, are intended to be used by the Board for recommending these required contributions effective July 1, 2026.

These contributions are calculated based on the membership data and plan assets as of June 30, 2025. These calculations are also based on the benefit provisions in effect as of June 30, 2025.

FINANCING OBJECTIVES AND FUNDING POLICY

The Kentucky Public Pensions Authority (KPPA) administers pension and health insurance funds to provide for monthly retirement income and retiree health insurance benefits. The total employer contribution requirement is comprised of a contribution to each respective fund.

The employer contribution for KERS and SPRS is determined in accordance with Section 61.565 of Kentucky Statute. As specified by the Statute, the employer contribution is composed 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 June 30, 2019 over a closed 30-year amortization period (24 years remaining as of June 30, 2025). Gains and losses incurring in years after June 30, 2019 are amortized as separate, closed 20-year amortization bases.

If the contributions made are equal to the Actuarially Determined Contribution (ADC), and if all actuarial assumptions are met, there will not be an unfunded accrued liability at the end of the 24-year period remaining from the original closed 30-year amortization base. Accordingly, the ADC under the funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS nonhazardous fund. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability.

HB 1 and HB 6 were enacted in the 2024 legislative session and provided an additional \$300 million in appropriations to finance the unfunded actuarial accrued liability of the KERS nonhazardous retirement fund in FY 2025 and FY 2026. HB 1 also provided an additional \$25 million to finance the unfunded actuarial accrued liability of the SPRS retirement fund in FY 2025 and FY 2026. The appropriations for FY 2025 were reflected in the contribution requirement calculated in the prior year's valuation. The appropriations for FY 2026 have been reflected in the contribution requirement calculated in this year's valuation.



PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, assumption changes, or actuarial losses, it should increase over time, until it reaches at least 100%. As of June 30, 2025, the funded ratios for the pension and health insurance funds are as follows:

Funding Level As of June 30										
System	2025		2024		2023		2022		2021	
	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance
KERS Nonhazardous	28.6%	73.4%	24.8%	81.7%	21.8%	81.7%	18.5%	79.1%	16.8%	50.2%
KERS Hazardous	72.3%	166.4%	68.3%	171.9%	65.4%	170.4%	63.2%	172.2%	60.4%	135.5%
SPRS	61.9%	101.2%	56.7%	104.9%	54.0%	100.5%	52.5%	100.6%	30.7%	82.0%

Funding Level As of June 30										
System	2020		2019		2018		2017		2016	
	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance	Pension	Insurance
KERS Nonhazardous	14.2%	42.7%	13.4%	36.3%	12.9%	36.4%	13.6%	30.7%	16.0%	30.3%
KERS Hazardous	55.3%	126.0%	54.8%	123.1%	55.5%	130.0%	54.1%	117.6%	59.7%	125.3%
SPRS	28.1%	75.0%	27.0%	71.3%	27.1%	71.6%	27.0%	65.2%	30.3%	67.2%

ASSUMPTIONS AND METHODS

The Boards of Trustees, in consultation with the actuary, set the actuarial assumptions and methods used in the actuarial valuation. In general, the assumptions used in the June 30, 2025 actuarial valuations were adopted for first use in the June 30, 2023 actuarial valuations and are based on the experience study conducted through June 30, 2022.

In our opinion, all the assumptions and methods used for funding purposes adopted by the Board's Trustees satisfy the requirements in the Actuarial Standards of Practice that are applicable for actuarial valuations of public retirement systems.

It is also our opinion that the actuarial assumptions used to perform these valuations are internally consistent and reasonably reflect the anticipated future experience of the Systems. 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 requirements, and funding periods. The actuarial calculations are intended to provide information for rational decision making.

ADDITIONAL DISCLOSURES

The benefit structure is outlined in this section of the annual report. GRS prepared the following schedules in the actuarial section: Summary of Actuarial Valuation Results, Recommended Employer Contribution Rates, Summary of Actuarial Unfunded Liabilities, the Solvency Test, the Summary of Active Member Valuation Data, the Summary of Retired Member Valuation Data, Summary of the Assumptions and Methods, and the Summary of the Benefit Provisions.

In addition, GRS prepared the following schedules in the financial section in accordance with *GASB Statement No. 67*: Net Pension Liability Schedule, Discount Rate Sensitivity Analysis, Schedule of Changes in the Employers' Net Pension Liability, Schedule of Employers' Net Pension Liability, and the Schedule of Employers' Contributions.



DATA

Member data for retired, active and inactive members was supplied as of June 30, 2025, by KPPA staff. The staff also supplied asset information as of June 30, 2025. 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 KPPA.

CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Retirement Systems as of June 30, 2025. All of our work conforms with generally accepted actuarial principles and practices, and 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.

To the best of our knowledge, this report is complete and accurate and is in accordance with generally recognized actuarial practices and methods. All of the undersigned are Enrolled Actuaries and 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 KPPA 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.

Sincerely,

Gabriel, Roeder, Smith & Co.

Daniel J. White, FSA, EA, MAAA
Senior Consultant

Janie Shaw, ASA, EA, MAAA
Consultant

Krysti Kiesel, ASA, MAAA
Consultant

DRAFT 11-12-2025

Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Board and statutory funding requirements. Assumptions and funding policies are reviewed against actual plan experience at least once every five years through the completion of the Actuarial Experience Study. In general, the assumptions and methods used in the June 30, 2025 valuation are based on the most recent actuarial experience study performed as of June 30, 2022, submitted, and adopted by the Boards in June 2023.

- 1. Actuarial Cost Method:** The actuarial valuation was prepared using the entry age normal cost (EANC) method as required by state statute. Under this method, the present value of future benefits is determined for each member and allocated equitably as a level percentage of payroll from the member's entry age into the plan to the assumed age of exit from the plan. The portion of the present value of future benefits allocated to the current valuation year is called the normal cost. The portion of the present value of future benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. Relative to the pension fund and the insurance fund, an employer contribution has been established to pay for both the normal cost and the amount needed to amortize the unfunded actuarial accrued liability (UAAL).
- 2. UAAL Amortization Method:** Effective for the June 30, 2019 valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as separated closed 20-year amortization bases. This amortization cost is calculated using a 0.00% payroll growth assumption for the KERS and SPRS Funds. Effective for fiscal years ending June 30, 2022 and later, the amortization cost for the KERS Nonhazardous funds is allocated amongst employers as a dollar amount based on the employers' actuarial accrued liability as of June 30, 2019. The amortization cost for the remaining funds is divided by covered payroll and included in the contribution rate, payable by employers as a percentage of pay.
- 3. Asset Valuation Method:** The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between market value and expected market value.
- 4. Retiree Insurance Funding Policy:** Effective for the June 30, 2019, valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as separate closed 20-year amortization bases. This amortization cost is calculated using a 0.00% payroll growth assumption for the KERS and SPRS Funds. Effective for fiscal years ending June 30, 2022 and later, the amortization cost for the KERS Nonhazardous funds is allocated amongst employers as a dollar amount based on the employers' actuarial accrued liability as of June 30, 2019. The amortization cost for the remaining funds is divided by covered payroll and included in the contribution rate, payable by employers as a percentage of pay.
- 5. Investment Return Assumption:** The future investment earnings of plan assets are assumed to accumulate at a rate of 6.50% per annum for all Insurance Plans. This rate consists of a 2.50% price inflation component and a 4.00% real rate of return component. The assumed rate of return for the KERS Hazardous pension plan is 6.25% and consists of a 2.50% inflationary component and a 3.75% real rate of return component. The assumed rate of return for the KERS Nonhazardous pension plan and the SPRS pension plan is 5.25% and consists of a 2.50% inflationary component and a 2.75% real rate of return component. This assumption was adopted in 2023.
- 6. Salary Increase Assumptions:** Active member salaries are assumed to increase at the rates provided in Table 1. The rates include a price inflation and productivity component, and an additional increase due to promotion based upon plan experience. The price inflation component is 2.50% for all plans and the productivity component is 0.80% for the nonhazardous plan and 1.05% for the hazardous plan and SPRS. This assumption was adopted in 2023.

Service	KERS Nonhazardous	KERS Hazardous	SPRS
0	15.30%	20.05%	16.05%
1	6.80%	7.55%	8.55%
2	6.05%	6.55%	7.55%
3	5.80%	6.55%	5.55%
4	5.30%	5.55%	5.55%

DRAFT 11-12-2025

Table 1. Salary Increase Assumptions

Service	KERS Nonhazardous	KERS Hazardous	SPRS
5	4.80%	5.05%	5.55%
6	4.55%	4.55%	5.55%
7	4.30%	4.05%	4.55%
8	4.05%	4.05%	4.55%
9	3.80%	3.55%	3.55%
10	3.80%	3.55%	3.55%
11	3.30%	3.55%	3.55%
12	3.30%	3.55%	3.55%
13	3.30%	3.55%	3.55%
14	3.30%	3.55%	3.55%
15	3.30%	3.55%	3.55%
16+	3.30%	3.55%	3.55%

- 7. Payroll Growth Assumption:** For purposes of determining the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll (or amortization payments for the KERS Nonhazardous plan) is assumed to increase at a rate of 0.00% per annum. This assumption was adopted in 2017.
- 8. Retiree Cost of Living Adjustments (COLA):** SB2 (2013) only allows the Cost of Living Adjustments (COLAs) to be awarded on a biennial basis if the State Legislature so authorizes and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.
- 9. Health Care Cost Trend Rate:** The costs for retiree health care are assumed to increase according to the assumptions provided in Table 2.

Table 2: Health Care Cost Trend Rate (See footnotes 1-2)

Year	Non-Medicare Plans ⁽¹⁾	Medicare Plan ⁽¹⁾	Dollar Contribution ⁽²⁾
2027	7.35%	12.00%	1.50%
2028	7.20%	8.00%	1.50%
2029	7.05%	8.00%	1.50%
2030	6.90%	7.50%	1.50%
2031	6.75%	7.00%	1.50%
2032	6.50%	6.50%	1.50%
2033	6.25%	6.00%	1.50%
2034	6.00%	5.50%	1.50%
2035	5.75%	5.00%	1.50%
2036	5.50%	4.50%	1.50%
2037	5.25%	4.25%	1.50%
2038	5.00%	4.25%	1.50%
2039	4.75%	4.25%	1.50%
2040	4.50%	4.25%	1.50%
2041 & Beyond	4.25%	4.25%	1.50%

⁽¹⁾ All increases are assumed to occur on January 1. The 2026 premiums were known at the time of the June 30, 2025, valuation and were incorporated into the liability measurement.

⁽²⁾ Applies to members participating on or after July 1, 2003. All increases are assumed to occur on July 1.

- 10. Retirement Rate Assumptions:** The probability, or the likelihood, that a member will retire at a specified age or level of service is provided in Table 3. These assumptions were adopted in 2023.

DRAFT 11-12-2025**Table 3a: Retirement Rate Assumptions KERS (See footnotes 1 - 3)**

Age	Nonhazardous					Hazardous			
	Normal Retirement		Early Retirement ⁽¹⁾		Service	Members participating before 9/1/2008 ⁽²⁾		Members participating between 9/1/2008 and 1/1/2014 ⁽³⁾	Members participating after 1/1/2014 ⁽³⁾
	Male	Female	Male	Female		Age 55-61	Age 62+		
Under 45	20.00%	33.00%	—%	—%	5	10.00%	35.00%	—%	—%
45	21.00%	33.00%	—%	—%	6	10.00%	35.00%	—%	—%
46	22.00%	33.00%	—%	—%	7	10.00%	35.00%	—%	—%
47	23.00%	33.00%	—%	—%	8	10.00%	35.00%	—%	—%
48	24.00%	33.00%	—%	—%	9	10.00%	35.00%	—%	—%
49	25.00%	33.00%	—%	—%	10	10.00%	35.00%	—%	—%
50	26.00%	33.00%	—%	—%	11	10.00%	35.00%	—%	—%
51	27.00%	33.00%	—%	—%	12	10.00%	35.00%	—%	—%
52	28.00%	33.00%	—%	—%	13	10.00%	35.00%	—%	—%
53	29.00%	33.00%	—%	—%	14	10.00%	35.00%	—%	—%
54	30.00%	33.00%	—%	—%	15	10.00%	35.00%	—%	—%
55	30.00%	33.00%	5.00%	5.00%	16	10.00%	35.00%	—%	—%
56	30.00%	33.00%	5.00%	5.00%	17	10.00%	35.00%	—%	—%
57	30.00%	33.00%	5.00%	5.00%	18	10.00%	35.00%	—%	—%
58	30.00%	33.00%	5.00%	5.00%	19	10.00%	35.00%	—%	—%
59	30.00%	33.00%	5.00%	5.00%	20	50.00%	50.00%	—%	—%
60	30.00%	33.00%	5.00%	8.00%	21	32.00%	32.00%	—%	—%
61	30.00%	33.00%	8.00%	9.00%	22	32.00%	32.00%	—%	—%
62	35.00%	35.00%	15.00%	20.00%	23	32.00%	32.00%	—%	—%
63	30.00%	33.00%	15.00%	18.00%	24	32.00%	32.00%	—%	—%
64	30.00%	33.00%	15.00%	16.00%	25	32.00%	32.00%	25.60%	16.00%
65	30.00%	33.00%	—%	—%	26	32.00%	32.00%	25.60%	16.00%
66	30.00%	33.00%	—%	—%	27	32.00%	32.00%	25.60%	16.00%
67	30.00%	33.00%	—%	—%	28	32.00%	32.00%	25.60%	16.00%
68	30.00%	33.00%	—%	—%	29	32.00%	32.00%	25.60%	16.00%
69	30.00%	33.00%	—%	—%	30+	32.00%	32.00%	25.60%	100.00%
70	30.00%	33.00%	—%	—%		—%	—%	—%	—%
71	30.00%	33.00%	—%	—%		—%	—%	—%	—%
72	30.00%	33.00%	—%	—%		—%	—%	—%	—%
73	30.00%	33.00%	—%	—%		—%	—%	—%	—%
74	30.00%	33.00%	—%	—%		—%	—%	—%	—%
75	100.00%	100.00%	—%	—%		—%	—%	—%	—%

(1) The annual rate of retirement is 12% for male members and 14% for female members with 25-26 years of service.

(2) The annual rate of retirement is 100% at age 65.

(3) The annual rate of retirement is 100% at age 60.

(4) Nonhazardous System: There is a 1% increase in the first two years a member becomes eligible under the age of 65. For members hired after 7/1/2003, the rates shown above are multiplied by 80% if the member is under age 65 to reflect the different retiree health insurance benefit.

(5) Hazardous System: For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 65 to reflect the different retiree health insurance benefit.

Table 3b: Retirement Rate Assumptions SPRS (See footnotes 1 - 2)

Service	Hazardous		
	Members participating before 9/1/2008 ⁽²⁾	Members participating between 9/1/2008 and 1/1/2014 ⁽³⁾	Members participating after 1/1/2014 Male ⁽³⁾
20	22.00%	—%	—%
21	22.00%	—%	—%
22	22.00%	—%	—%
23	28.00%	—%	—%
24	28.00%	—%	—%
25	28.00%	17.60%	16.00%
26	28.00%	17.60%	16.00%
27	28.00%	17.60%	16.00%
28	44.00%	22.40%	16.00%

DRAFT 11-12-2025

Table 3b: Retirement Rate Assumptions SPRS (See footnotes 1 - 2)

Service	Hazardous		
	Members participating before 9/1/2008 ⁽²⁾	Members participating between 9/1/2008 and 1/1/2014 ⁽³⁾	Members participating after 1/1/2014 Male ⁽³⁾
29	44.00%	22.40%	16.00%
30	44.00%	22.40%	100.00%
31	58.00%	22.40%	—%
32	58.00%	22.40%	—%
33	58.00%	35.20%	—%
34	58.00%	35.20%	—%
35	58.00%	35.20%	—%
36	58.00%	46.40%	—%
37	58.00%	46.40%	—%
38	58.00%	46.40%	—%
39	58.00%	46.40%	—%
40+	58.00%	46.40%	—%

(1) The annual rate of service retirement is 100% at age 55.

(2) The annual rate of service retirement is 100% at age 60.

For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 55 to reflect the different retiree health insurance benefit.

11. Mortality Assumptions:

Pre-retirement mortality: PUB-2010 General Mortality table, for the Nonhazardous System, and the PUB-2010 Public Safety Mortality table for the Hazardous System and SPRS, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

Post-retirement mortality (non-disabled): System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

Table 4a provides the life expectancy for a non-disabled retiree in future years based on the assumption with full generational projection.

Post-retirement mortality (disabled): PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

These mortality assumptions were adopted in 2023. Table 4b provides sample annual rates of mortality in the base year of each table (2023 for the retired member mortality rates and 2010 for the active member and disabled member mortality rates).

Table 4a: Life Expectancy for an Age 65 Retiree in Years

Gender	Year of Retirement				
	2025	2030	2035	2040	2045
Male	19.8	20.2	20.6	21.0	21.3
Female	22.4	22.7	23.1	23.4	23.7

Table 4b: Sample Annual Rate of Mortality

Active Member Mortality			Active Member Mortality					
Nonhazardous			Hazardous		Retired Member Mortality		Disabled Member Mortality	
Age	Males	Females	Males	Females	Males	Females	Males	Females
20	0.04%	0.01%	0.04%	0.02%	0.03%	0.01%	0.62%	0.35%
22	0.03%	0.01%	0.04%	0.02%	0.03%	0.01%	0.53%	0.29%
32	0.04%	0.02%	0.04%	0.03%	0.04%	0.02%	0.59%	0.46%
42	0.08%	0.04%	0.07%	0.06%	0.07%	0.04%	1.14%	1.13%
52	0.18%	0.10%	0.14%	0.10%	0.32%	0.21%	2.73%	2.38%
62	0.37%	0.22%	0.32%	0.19%	0.94%	0.55%	4.02%	3.08%
72	0.84%	0.60%	0.98%	0.60%	2.38%	1.48%	6.52%	4.86%

DRAFT 11-12-2025

12. Withdrawal Rates: The probability, or likelihood, of active members terminating employment prior to retirement is provided in Table 5. The rates below include the pre-retirement mortality rates described in item #11. These assumptions were adopted in 2023.

Table 5: Selected Rates of Termination Prior to Retirement				
KERS Nonhazardous		KERS Hazardous		SPRS
Year of Service		Year of Service		
1	22.00%	32.50%	1	15.00%
2	18.10%	25.58%	2	5.30%
3	14.73%	19.66%	3	4.14%
4	12.77%	16.19%	4	3.47%
5	11.37%	13.73%	5	2.98%
6	10.29%	11.82%	6	2.61%
7	9.41%	10.26%	7	2.30%
8	8.66%	8.93%	8	2.05%
9	8.01%	7.79%	9	1.83%
10	7.44%	6.79%	10	1.63%
11	6.93%	5.89%	11	1.45%
12	6.47%	5.07%	12	1.29%
13	6.04%	4.33%	13	1.14%
14	5.65%	3.64%	14	1.01%
15	5.29%	3.00%	15	0.88%
16	4.96%	2.42%	16	0.77%
17	4.64%	1.86%	17	0.66%
18	4.36%	1.34%	18	0.56%
19	4.07%	0.86%	19	0.46%
20	3.82%	0.39%	20	0.37%
21	3.56%	—%	21	0.00%
22	3.32%	—%	22	0.00%
23	3.10%	—%	23	0.00%
24	2.88%	—%	24	0.00%
25	2.67%	—%	25	0.00%
26+	0.00%	—%	26+	0.00%

13. Rates of Disablement: KERS/SPRS provide disability benefits for those individuals meeting specific qualifications established by state law. This assumption provides the probability, or likelihood, that a member will become disabled during the course of employment for various age levels. These assumptions were adopted in 2023.

Table 6: Sample Rates of Disablement				
Nearest Age	KERS Nonhazardous	KERS Nonhazardous	SPRS	
	Probability	Probability	Probability	
20	0.03%	0.05%	0.05%	
30	0.05%	0.08%	0.09%	
40	0.11%	0.18%	0.20%	
50	0.31%	0.50%	0.56%	
60	0.80%	1.32%	1.46%	

14. Assumption Changes Since Prior Valuation: 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 an annual basis. The trend assumption for the non-Medicare Plans was increased during the select period and the ultimate trend assumption was increased for all plans as a result of this review.

DRAFT 11-12-2025

Summary of Actuarial Valuation Results

Summary of Actuarial Valuation Results			
	KERS Nonhazardous	KERS Hazardous	SPRS
Recommended Contribution Rate (FY 2026)			
Pension Fund Contribution	6.65%	18.83%	51.84%
Insurance Fund Contribution	1.11%	—%	2.49%
Actuarially Determined Employer Contributions Rate ⁽¹⁾ , payable as a percentage of payroll	7.76%	18.83%	54.33%
Amortization Cost to be Allocated, if applicable	\$868,158,252	N/A	N/A
Funded Status as of Valuation Date As of June 30, 2025 (in Whole \$)			
Pension Fund			
Actuarial Liability	\$16,839,319,157	\$1,488,008,170	\$1,130,392,428
Actuarial Value of Assets	4,810,420,381	1,076,412,201	699,538,955
Unfunded Liability on Actuarial Value of Assets	12,028,898,776	411,595,969	430,853,473
Funding Ratio on Actuarial Value of Assets	28.57%	72.34%	61.88%
Market Value of Assets	5,061,424,520	1,137,479,989	741,281,980
Unfunded Liability on Market Value of Assets	\$11,777,894,637	\$350,528,181	\$389,110,448
Funding Ratio on Market Value of Assets	30.06%	76.44%	65.58%
Insurance Fund			
Actuarial Liability	\$2,475,126,492	\$420,391,986	\$273,393,126
Actuarial Value of Assets	1,817,922,524	699,650,236	276,806,058
Unfunded Liability on Actuarial Value of Assets	657,203,968	(279,258,250)	(3,412,932)
Funding Ratio on Actuarial Value of Assets	73.45%	166.43%	101.25%
Market Value of Assets	1,915,731,580	735,292,505	291,043,388
Unfunded Liability on Market Value of Assets	\$559,394,912	(\$314,900,519)	(\$17,650,262)
Funding Ratio on Market Value of Assets	77.40%	174.91%	106.46%
Member Data (See Footnotes)			
Number of Active Members	33,356	4,228	863
Total Annual Payroll (Active Members) ⁽²⁾	\$2,023,843,270	\$266,387,327	\$74,404,942
Average Annual Pay (Active Members)	\$60,674	\$63,006	\$86,217
Number of Retired Members & Beneficiaries	48,594	5,043	1,693
Average Annual Retirement Allowance	\$20,314	\$15,601	\$37,524
Number of Vested Inactive Members	30,222	2,347	339
Number of Active Members Due to Refund	27,375	6,965	436
⁽¹⁾ For the KERS Nonhazardous fund, contribution rate includes the normal cost portion of the contribution requirement only. Amortization cost will be allocated to employers as a dollar amount.			
⁽²⁾ Annual payroll included in the Summary of Actuarial Valuation Results is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ended June 30, 2025.			

Recommended Employer Contribution Rates

KERS Plans

The contribution rates for KERS Nonhazardous and KERS Hazardous shown in the tables below are the full funding rates presented by the actuary for 2014 through 2023 annual valuations. However, actual employer contributions were less than the recommended rates for years 2009 through 2014. SB 2 (2013 Legislative Regular Session) required full funding starting in fiscal year 2015. HB 265 from the 2018 legislative session reduced the employer contribution rate for KERS quasi-governmental agencies to the fiscal year 2018 rate for fiscal year 2019, which was 49.47%. The 2019 Special Legislative Session HB 1 sets the employer contribution rate at 49.47%, retroactive to July 1, 2019, for fiscal year 2020 for KERS quasi-governmental agencies. House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Fund. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability.

DRAFT 11-12-2025

Recommended Employer Contribution Rates

As of June 30

KERS Nonhazardous Employers

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2016	2017-2018	4.93%	37.05%	41.98%	8.41%	50.39%
2017	2018-2019	8.17%	62.86%	71.03%	12.40%	83.43%
2018	2019-2020	7.98%	66.56%	74.54%	10.65%	85.19%
2019	2020-2021	7.99%	65.29%	73.28%	11.15%	84.43%
Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Insurance Fund: Normal Cost	Normal Cost Contribution	Amortization Cost to be Allocated	
2020	2021-2022	7.90%	2.20%	10.10%		\$1,039,849,248
2021	2022-2023	7.82%	2.15%	9.97%		\$994,421,476
2022	2023-2024	7.74%	1.86%	9.60%		\$905,892,818
2023	2024-2025	6.99%	1.45%	8.44%		\$856,561,041
2024	2025-2026	6.85%	1.14%	7.99%		\$865,810,060
2025	2026-2027	6.65%	1.11%	7.76%		\$868,158,252

KERS Hazardous Employers

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2016	2017-2018	6.44%	14.04%	20.48%	1.34%	21.82%
2017	2018-2019	9.67%	24.72%	34.39%	2.46%	36.85%
2018	2019-2020	9.24%	25.18%	34.42%	—%	34.42%
2019	2020-2021	9.21%	26.79%	36.00%	—%	36.00%
2020	2021-2022	8.84%	24.59%	33.43%	—%	33.43%
2021	2022-2023	8.78%	23.04%	31.82%	—%	31.82%
2022	2023-2024	8.60%	21.52%	30.12%	—%	30.12%
2023	2024-2025	7.71%	16.03%	23.74%	—%	23.74%
2024	2025-2026	7.57%	13.11%	20.68%	—%	20.68%
2025	2026-2027	7.48%	11.35%	18.83%	—%	18.83%

The contribution rates for KERS Nonhazardous and KERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2016 through 2025 annual valuations. HB 265 (passed during the 2018 legislative session), HB 1 (passed during the 2019 special legislative session), and HB 352 (passed during the 2020 legislative session) reduced the FYE 2019-2021 employer contribution rate to 49.47% for Regional Mental Health/Mental Retardation Boards, Local and District Health Departments, State Universities, Community Colleges and any other agencies eligible to voluntarily cease participating in the KERS nonhazardous fund. HB 8 (passed during the 2021 legislative session) changed how employer contributions are allocated and collected amongst employers in the KERS nonhazardous fund effective for FYE2022. The normal cost is collected as a percentage of covered payroll and the amortization cost is allocated to employers as a dollar amount based on their accrued liability as of June 30, 2019. Amortization cost shown above reflects the amortization required as of the valuation date and does not reflect any adjustment for the cessation of any employers after the valuation date.

SPRS Plans

The contribution rates for SPRS shown in the below tables are the full funding rates presented by the actuary in the 2014 through 2024 annual valuations. However, the actual employer contribution rates have been less than those shown below. As a result of HB1 passed in 2008 the statute called for an employer contribution rate at an increasing percentage of the full funding rates. SB2 (2013 Regular Legislative Session) eliminated this phase-in beginning with the June 30, 2013, actuarial valuation.

Recommended Employer Contribution Rates

As of June 30

SPRS Employers

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2016	2017-2018	11.16%	60.41%	71.57%	18.10%	89.67%
2017	2018-2019	16.21%	102.84%	119.05%	27.23%	146.28%
2018	2019-2020	15.81%	104.73%	120.54%	19.50%	140.04%

DRAFT 11-12-2025

Recommended Employer Contribution Rates

As of June 30

SPRS Employers

Valuation Date	Applicable Fiscal Year	Pension Fund Normal Cost	Pension Fund: Payment on Unfunded Liability	Pension Fund Contribution	Insurance Fund Contribution	Recommended Employer Contribution
2019	2020-2021	19.39%	104.40%	123.79%	19.69%	143.48%
2020	2021-2022	19.04%	108.95%	127.99%	18.07%	146.06%
2021	2022-2023	18.60%	66.72%	85.32%	14.11%	99.43%
2022	2023-2024	19.49%	65.90%	85.39%	3.68%	89.07%
2023	2024-2025	19.41%	46.38%	65.79%	2.31%	68.10%
2024	2025-2026	19.76%	38.15%	57.91%	1.46%	59.37%
2025	2026-2027	19.60%	32.24%	51.84%	2.49%	54.33%

Summary of Actuarial Unfunded Liabilities

Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

KERS Nonhazardous Pension Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$13,224,698	\$2,112,287	\$1,953,422	\$11,112,412	\$11,271,276	15.97%	14.77%
2017	15,591,641	2,123,623	2,056,870	13,468,018	13,534,771	13.62%	13.19%
2018	15,675,232	2,019,278	2,004,446	13,655,954	13,670,786	12.88%	12.79%
2019	16,466,427	2,206,280	2,233,672	14,260,147	14,232,755	13.40%	13.57%
2020	16,348,962	2,323,298	2,308,080	14,025,663	14,040,882	14.21%	14.12%
2021	16,321,373	2,735,876	3,018,660	13,585,497	13,302,713	16.76%	18.50%
2022	16,576,631	3,065,263	3,013,845	13,511,368	13,562,786	18.49%	18.18%
2023	16,304,277	3,552,471	3,539,942	12,751,806	12,764,335	21.79%	21.71%
2024	16,647,893	4,122,269	4,223,936	12,525,624	12,423,957	24.76%	25.37%
2025	\$16,839,319	4,810,420	\$5,061,425	\$12,028,899	\$11,777,895	28.57%	30.06%

KERS Nonhazardous Insurance Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$2,456,678	\$743,270	\$695,189	\$1,713,408	\$1,761,489	30.26%	28.30%
2017	2,683,496	823,918	817,370	1,859,578	1,866,126	30.70%	30.46%
2018	2,435,506	887,121	891,205	1,548,385	1,544,301	36.42%	36.59%
2019	2,733,065	991,427	995,089	1,741,639	1,737,977	36.28%	36.41%
2020	2,564,788	1,095,959	1,060,649	1,468,829	1,504,139	42.73%	41.35%
2021	2,574,112	1,291,472	1,419,477	1,282,640	1,154,634	50.17%	55.14%
2022	1,782,386	1,409,553	1,364,419	372,833	417,967	79.08%	76.55%
2023	1,877,109	1,532,895	1,532,752	344,214	344,357	81.66%	81.65%
2024	2,094,743	1,712,043	1,765,729	382,700	329,014	81.73%	84.29%
2025	\$2,475,126	\$1,817,923	\$1,915,732	\$657,204	\$559,395	73.45%	77.40%

KERS Hazardous Pension Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$936,706	\$559,487	\$524,679	\$377,219	\$412,027	59.73%	56.01%
2017	1,121,420	607,159	601,529	514,261	519,891	54.14%	53.64%
2018	1,151,923	639,262	645,485	512,661	506,438	55.50%	56.04%
2019	1,226,195	671,647	680,932	554,548	545,262	54.77%	55.53%
2020	1,283,770	709,587	690,350	574,183	593,420	55.27%	53.78%
2021	1,295,243	782,496	866,141	512,747	429,102	60.41%	66.87%

DRAFT 11-12-2025

Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

2022	1,316,825	832,436	810,978	484,389	505,847	63.22%	61.59%
2023	1,363,037	891,460	893,534	471,577	469,503	65.40%	65.55%
2024	1,442,619	985,075	1,019,890	457,544	422,729	68.28%	70.70%
2025	\$1,488,008	\$1,076,412	\$1,137,480	\$411,596	\$350,528	72.34%	76.44%

KERS Hazardous Insurance Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$377,745	\$473,160	\$440,596	(\$95,415)	(\$62,851)	125.26%	116.64%
2017	419,440	493,458	488,838	(74,019)	(69,399)	117.65%	116.55%
2018	393,481	511,441	519,072	(117,961)	(125,592)	129.98%	131.92%
2019	426,705	525,315	534,053	(98,610)	(107,348)	123.11%	125.16%
2020	427,977	539,251	521,755	(111,275)	(93,778)	126.00%	121.91%
2021	424,456	575,025	633,677	(150,569)	(209,221)	135.47%	149.29%
2022	347,044	597,701	588,162	(250,657)	(241,118)	172.23%	169.48%
2023	363,512	619,519	625,356	(256,007)	(261,844)	170.43%	172.03%
2024	379,568	652,349	677,948	(272,781)	(298,380)	171.87%	178.61%
2025	\$420,392	\$699,650	\$735,293	(\$279,258)	(\$314,901)	166.43%	174.91%

SPRS Pension Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$775,160	\$234,568	\$217,594	\$540,593	\$557,566	30.26%	28.07%
2017	967,145	261,320	255,737	705,824	711,408	27.02%	26.44%
2018	989,528	268,259	267,572	721,269	721,956	27.11%	27.04%
2019	1,045,318	282,162	286,165	763,156	759,153	26.99%	27.38%
2020	1,053,157	296,126	293,949	757,031	759,208	28.12%	27.91%
2021	1,053,260	323,250	356,346	730,009	696,914	30.69%	33.83%
2022	1,067,447	559,973	551,699	507,474	515,748	52.46%	51.68%
2023	1,091,795	589,848	591,514	501,947	500,281	54.03%	54.18%
2024	1,112,310	631,186	651,790	481,125	460,521	56.75%	58.60%
2025	\$1,130,392	\$699,539	\$741,282	\$430,853	\$389,110	61.88%	65.58%

SPRS Insurance Plan

Valuation Date	Actuarial Liability	Value of Assets		Unfunded Actuarial Liabilities		Funding Level	
		Actuarial	Market	Actuarial	Market	Actuarial	Market
2016	\$257,197	\$172,704	\$161,366	\$84,494	\$95,831	67.15%	62.74%
2017	246,641	180,464	178,838	96,178	97,803	65.23%	64.65%
2018	262,088	187,535	190,847	74,553	71,242	71.55%	72.82%
2019	276,809	197,395	201,206	79,415	75,604	71.31%	72.69%
2020	276,143	207,018	201,340	69,126	74,803	74.97%	72.91%
2021	272,406	223,251	247,318	49,154	25,088	81.96%	90.79%
2022	232,798	234,239	231,242	(1,441)	1,556	100.62%	99.33%
2023	244,058	245,172	248,109	(1,114)	(4,051)	100.46%	101.66%
2024	251,178	263,369	273,517	(12,191)	(22,339)	104.85%	108.89%
2025	\$273,393	\$276,806	\$291,043	(\$3,413)	(\$17,650)	101.25%	106.46%

(1) The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section. Headcounts and hazardous benefits for members receiving benefits in both the nonhazardous and hazardous fund have been included in the hazardous funds' summaries above. Additional \$25,136,000 in KERS Nonhazardous annual benefits are not included in the summary above for June 30, 2025.

DRAFT 11-12-2025**Solvency Test****Solvency Test**

As of June 30 (\$ in Thousands)

KERS Nonhazardous Pension Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$920,120	\$10,010,168	\$2,294,410	\$2,112,286	100.00%	11.90%	0.00%
2017	934,559	11,608,346	3,048,736	2,123,623	100.00%	10.20%	0.00%
2018	892,033	11,929,018	2,854,180	2,019,278	100.00%	9.40%	0.00%
2019	881,020	12,513,230	3,072,176	2,206,280	100.00%	10.60%	0.00%
2020	869,196	12,467,523	3,012,243	2,323,298	100.00%	11.70%	0.00%
2021	877,142	12,425,951	3,018,279	2,735,876	100.00%	15.00%	0.00%
2022	859,591	12,700,595	3,016,445	3,065,263	100.00%	17.40%	0.00%
2023	889,146	12,013,685	3,401,447	3,552,471	100.00%	22.20%	0.00%
2024	935,186	11,876,221	3,836,485	4,122,268	100.00%	26.80%	0.00%
2025	\$988,817	\$11,779,178	\$4,071,324	\$4,810,420	100.00%	32.40%	—%

KERS Nonhazardous Insurance Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$—	\$1,483,636	\$973,042	\$743,270	100.00%	50.10%	—%
2017	—	1,575,294	1,108,202	823,918	100.00%	52.30%	—%
2018	—	1,475,954	959,552	887,121	100.00%	60.10%	—%
2019	—	1,686,605	1,046,461	991,427	100.00%	58.80%	—%
2020	—	1,589,742	975,045	1,095,959	100.00%	68.90%	—%
2021	—	1,609,775	964,337	1,291,472	100.00%	80.20%	—%
2022	—	967,051	815,335	1,409,553	100.00%	100.00%	54.30%
2023	—	1,040,344	836,765	1,532,895	100.00%	100.00%	58.90%
2024	—	1,189,231	905,513	1,712,043	100.00%	100.00%	57.70%
2025	\$—	\$1,453,635	\$1,021,491	\$1,817,923	100.00%	100.00%	35.70%

KERS Hazardous Pension Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$86,705	\$648,482	\$201,519	\$559,487	100.00%	72.90%	—%
2017	93,350	746,350	281,720	607,159	100.00%	68.80%	—%
2018	89,106	810,311	252,506	639,262	100.00%	67.90%	—%
2019	86,663	879,818	259,713	671,647	100.00%	66.50%	—%
2020	95,528	898,128	290,114	709,587	100.00%	68.40%	—%
2021	97,559	916,431	281,254	782,496	100.00%	74.70%	—%
2022	94,538	946,328	275,959	832,436	100.00%	78.00%	—%
2023	103,310	929,321	330,406	891,460	100.00%	84.80%	—%
2024	116,828	943,102	382,689	985,075	100.00%	92.10%	—%
2025	\$128,210	\$969,992	\$389,806	\$1,076,412	100.00%	97.80%	—%

DRAFT 11-12-2025**Solvency Test**

As of June 30 (\$ in Thousands)

KERS Hazardous Insurance Plan

Actuarial Liabilities							
Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$—	\$228,361	\$149,384	\$473,160	100.00%	100.00%	100.00%
2017	—	243,816	175,623	493,458	100.00%	100.00%	100.00%
2018	—	248,775	144,706	511,441	100.00%	100.00%	100.00%
2019	—	282,070	144,635	525,315	100.00%	100.00%	100.00%
2020	—	281,924	146,053	539,251	100.00%	100.00%	100.00%
2021	—	288,015	136,441	575,025	100.00%	100.00%	100.00%
2022	—	232,585	114,459	597,701	100.00%	100.00%	100.00%
2023	—	250,189	113,323	619,519	100.00%	100.00%	100.00%
2024	—	263,737	115,831	652,349	100.00%	100.00%	100.00%
2025	\$—	\$299,480	\$120,912	\$699,650	100.00%	100.00%	100.00%

SPRS Pension Plan

Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$41,871	\$636,499	\$96,791	\$234,568	100.00%	30.30%	—%
2017	44,798	773,982	148,365	261,320	100.00%	28.00%	—%
2018	43,835	800,788	144,905	268,259	100.00%	28.00%	—%
2019	41,948	848,396	154,974	282,162	100.00%	28.30%	—%
2020	40,831	863,579	148,747	296,126	100.00%	29.60%	—%
2021	42,035	860,801	150,423	323,250	100.00%	32.70%	—%
2022	42,027	870,200	155,220	559,973	100.00%	59.50%	—%
2023	47,394	825,683	218,717	589,848	100.00%	65.70%	—%
2024	52,957	808,935	250,418	631,186	100.00%	71.50%	—%
2025	\$56,226	\$815,954	\$258,211	\$699,539	100.00%	78.80%	—%

SPRS Insurance Plan

Valuation Date	(1) Active Member Contributions	(2) Retired Members & Beneficiaries	(3) Active Members (Employer Portion)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
					(1)	(2)	(3)
2016	\$—	\$177,094	\$80,103	\$172,704	100.00%	97.50%	—%
2017	—	186,390	90,251	180,464	100.00%	96.80%	—%
2018	—	183,151	78,937	187,535	100.00%	100.00%	5.60%
2019	—	199,959	76,850	197,395	100.00%	98.70%	—%
2020	—	207,638	68,506	207,018	100.00%	99.70%	—%
2021	—	206,707	65,699	223,251	100.00%	100.00%	25.20%
2022	—	172,664	60,134	234,239	100.00%	100.00%	100.00%
2023	—	176,587	67,471	245,172	100.00%	100.00%	100.00%
2024	—	179,898	71,280	263,369	100.00%	100.00%	100.00%
2025	\$—	\$198,250	\$75,143	\$276,806	100.00%	100.00%	100.00%

DRAFT 11-12-2025**Member Valuation****Summary of Active Member Valuation Data**

As of June 30 (\$ in Thousands)

KERS Nonhazardous Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Covered Payroll ⁽¹⁾	Annual Average Pay	% Increase in Average Pay	Average Age	Average Years of Service Credit
2016	349	37,779	\$1,529,249	\$40	2.40%	45.1	10.7
2017	342	37,234	1,531,535	41	1.62%	45.4	10.9
2018	338	35,139	1,471,477	42	1.81%	45.2	10.8
2019	331	33,696	1,437,647	43	1.88%	45.4	11.0
2020	313	31,703	1,387,761	44	2.60%	45.7	11.2
2021	321	30,186	1,349,330	45	2.12%	46.0	11.6
2022	319	29,551	1,355,267	46	2.60%	46.0	11.4
2023	320	31,383	1,615,868	51	12.27%	45.7	10.9
2024	320	32,455	1,861,522	57	11.40%	45.5	10.7
2025	321	33,356	\$2,023,843	\$61	5.78%	45.4	10.6

KERS Hazardous Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Covered Payroll ⁽¹⁾	Annual Average Pay	% Increase in Average Pay	Average Age	Average Years of Service Credit
2016	17	3,959	\$147,563	\$37	12.60%	40.4	7.5
2017	18	4,047	162,418	40	7.67%	40.3	7.6
2018	18	3,929	158,213	40	0.34%	39.8	7.3
2019	18	3,705	150,446	41	0.84%	39.8	7.3
2020	19	4,094	170,826	42	2.76%	39.8	7.3
2021	19	3,827	162,836	43	1.97%	40.1	7.7
2022	19	3,617	165,637	46	7.63%	40.0	7.6
2023	19	3,886	211,602	54	18.91%	39.7	7.2
2024	19	4,154	259,606	62	14.77%	39.9	7.1
2025	20	4,228	\$266,387	\$63	0.82%	40.4	7.2

SPRS Schedule of Active Member Valuation Data

Valuation Date	Number of Employers	Total Active Members	Annual Covered Payroll ⁽¹⁾	Annual Average Pay	% Increase in Average Pay	Average Age	Average Years of Service Credit
2016	1	908	\$45,551	\$50	2.71%	37.0	10.0
2017	1	903	48,598	54	7.28%	37.5	10.6
2018	1	886	48,808	55	2.36%	37.3	10.5
2019	1	883	47,752	54	(1.83%)	36.7	10.0
2020	1	798	46,145	58	6.93%	37.5	10.7
2021	1	775	45,338	59	1.17%	37.7	11.1
2022	1	844	47,885	57	(3.02%)	36.5	10.1
2023	1	868	65,913	76	33.84%	36.9	10.5
2024	1	872	73,295	84	10.69%	37.4	11.1
2025	1	863	\$74,405	\$86	2.57%	37.7	11.4

⁽¹⁾ Annual payroll included in the Schedule of Active Member Valuation Data is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ended June 30, 2025.

Summary of Retired Member Valuation Data

As of June 30 (\$ in Thousands)

KERS Nonhazardous Schedule of Active Member Valuation Data

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances Added	Annualized Retirement Allowances Removed	Annualized Retirement Allowances ⁽¹⁾	% Increase in Allowances	Average Annual Allowance
2016	2,441	706	44,004	\$61,294	\$9,942	\$934,930	5.81%	\$21
2017	2,181	1,269	44,916	35,150	48,778	921,302	(1.46%)	21
2018	2,853	1,243	46,526	50,360	18,711	952,951	3.44%	20

DRAFT 11-12-2025

Summary of Retired Member Valuation Data

As of June 30 (\$ in Thousands)

2019	2,226	1,342	47,410	36,115	20,359	968,706	1.65%	20
2020	1,806	1,883	47,333	29,576	30,319	967,963	(0.08%)	20
2021	2,026	1,659	47,700	32,264	27,794	972,434	0.46%	20
2022	2,471	1,976	48,195	42,661	33,726	981,369	0.92%	20
2023	2,115	1,901	48,409	35,508	32,596	984,280	0.30%	20
2024	2,031	1,966	48,474	34,573	34,595	984,257	—%	20
2025	1,997	1,877	48,594	\$35,426	\$32,541	\$987,142	0.29%	\$20

KERS Hazardous Schedule of Active Member Valuation Data

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances Added	Annualized Retirement Allowances Removed	Annualized Retirement Allowances ⁽¹⁾	% Increase in Allowances	Average Annual Allowance
2016	237	29	3,966	\$3,028	\$458	\$59,001	4.55%	\$15
2017	206	79	4,093	2,771	2,609	59,162	0.27%	14
2018	321	44	4,370	5,394	507	64,050	8.26%	15
2019	227	60	4,537	4,242	769	67,523	5.42%	15
2020	214	123	4,628	3,102	1,543	69,081	2.31%	15
2021	263	165	4,726	3,681	1,959	70,803	2.49%	15
2022	300	176	4,850	4,978	2,093	73,689	4.08%	15
2023	210	173	4,887	3,101	1,924	74,867	1.60%	15
2024	207	160	4,934	3,281	1,911	76,237	1.83%	15
2025	276	167	5,043	\$4,350	\$1,912	\$78,675	3.20%	\$16

SPRS Schedule of Active Member Valuation Data

Valuation Date	Number Added	Number Removed	Total Retirees & Beneficiaries	Annualized Retirement Allowances Added	Annualized Retirement Allowances Removed	Annualized Retirement Allowances ⁽¹⁾	% Increase in Allowances	Average Annual Allowance
2016	65	10	1,515	\$2,004	\$285	\$56,650	3.13%	\$37
2017	30	9	1,536	1,046	443	57,253	1.06%	37
2018	81	17	1,600	2,837	464	59,626	4.14%	37
2019	74	27	1,647	2,735	957	61,404	2.98%	37
2020	61	39	1,669	2,411	1,382	62,432	1.68%	37
2021	55	51	1,673	1,967	1,699	62,700	0.43%	37
2022	76	47	1,702	2,948	1,868	63,780	1.72%	37
2023	43	48	1,697	1,308	1,793	63,294	(0.76%)	37
2024	41	62	1,676	1,399	2,070	62,623	(1.06%)	37
2025	71	54	1,693	\$2,881	\$1,976	\$63,528	1.45%	\$38

¹The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section. Headcounts and hazardous benefits for members receiving benefits in both the nonhazardous and hazardous fund have been included in the hazardous funds' summaries above. Additional \$25,384,000 in KERS nonhazardous annual benefits not included in summary above for June 30, 2025.

Summary of Benefit Provisions KERS, and SPRS Plans

Plan Funding

State statute requires active members to contribute 5% for nonhazardous and 8% for hazardous of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This additional amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565. KERS and SPRS rates are subject to state budget approval.

DRAFT 11-12-2025

Membership Eligibility

Retirement Eligibility for Nonhazardous Employees		
Age	Years of Service	Allowance Reduction
Tier 1 Members Whose Participation Began Before 9/1/2008		
65	1 month	None
Any	27	None
55	5	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Any	25	6.5% per year for first five years, and 4.5% for next five years before age 65 or 27 years of service.
Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
65	5	None
57	Rule of 87	None
60	10	6.5% per year for first five years, and 4.5% for next five years before age 65 or Rule of 87 (age plus years of service)
Tier 3 Members Whose Participation Began On or After 1/1/2014		
65	5	None
57	Rule of 87	None

Retirement Eligibility for Hazardous Employees		
Age	Years of Service	Allowance Reduction
Tier 1 Members Whose Participation Began Before 9/1/2008		
55	1 month	None
Any	20	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 55 or 20 years of service.
Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014		
60	5	None
Any	25	None
50	15	6.5% per year for first five years, and 4.5% for next five years before age 60 or 25 years of service.
Tier 3 Members Whose Participation Began On or After 1/1/2014		
60	5	None
Any	25	None

Benefit Formula for Nonhazardous		
Tier 1: Members whose participation began before 9/1/2008		
Average of the five highest years of compensation	KERS 1.97% if:	Member does not have 13 months of service credit for 1/1/1998-1/1/1999.
	KERS 2.00% if:	Member has 13 months of service credit from 1/1/1998-1/1/1999.
	KERS 2.20% if:	Member has 20 or more years of service, including 13 months from 1/1/1998-1/1/1999 and retires by 1/1/2009.
		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).
If a member retires with less than four years of service credit, the member's benefit is equal to the actuarially equivalent of two times their member contribution balance with interest.		

Benefit Formula for Nonhazardous		
Tier 2: Members whose participation began on or after 9/1/2008 but before 1/1/2014		
Final Compensation	Benefit Factor	Years of Service
Average of the last five complete years of compensation	KERS increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 years	
	*Service	Multiplier
	10 years or less	1.10%
	10-20 years	1.30%
	20-26 years	1.50%
	26-30 years	1.75%
		Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).

DRAFT 11-12-2025

Benefit Formula for Hazardous for Tier 1: Members whose participation began before 9/1/2008

Final Compensation	Benefit Factor	Years of Service
Average of the three highest complete years of compensation	KERS 2.49% if: SPRS 2.50% if:	Member begins participating before 9/1/2008
Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).		
If a member retires with less than four years of service, the member's benefit is equal to the actuarially equivalent of two times their member contribution balance with interest.		

Benefit Formula for Hazardous**Tier 2: Members whose participation began on or after 9/1/2008 but before 1/1/2014**

Final Compensation	Benefit Factor	Years of Service
Average of the three highest complete years of compensation	KERS, & SPRS increasing percent based on service at retirement* *Service 10 years or less 10-20 years 20-25 years 25+ years	Multiplier 1.30% 1.50% 2.25% 2.50%
Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program).		

Benefit Formula**Tier 3: Members whose participation began on or after 1/1/2014****Accumulated Account Balance / Actuarial Factor = Monthly Life Annuity**

	Member Contributions	Employer Pay Credit	Base Annual Interest	Upside Sharing Interest (FY 2025)	Actuarial Factor
KERS Nonhazardous	5.00%	4.00%	4.00%	3.16%	See www.kyret.ky.gov for most recent Actuarial Factors
KERS Hazardous	8.00%	7.50%	4.00%	4.28%	
SPRS	8.00%	7.50%	4.00%	3.49%	

Note: Accumulated Account Balance is composed of member contributions, employer pay credit, annual interest and annual upside sharing interest. For additional information on the calculation of the annual interest for Tier 3 see Upside Sharing Interest in Note B.

Note: Please see Plan Provisions for additional details.

Post-retirement Death Benefits

If the member is receiving a monthly benefit based on at least four (4) years of creditable service, the retirement system will pay a \$5,000 death benefit payment to the beneficiary named by the member specifically for this benefit.

Disability Benefits

Members participating before 8/1/2004 may qualify for disability retirement provided the member has at least 60 months of service credit* and is not eligible for an unreduced benefit. Additional service credit may be added for computation of benefits under the benefit formula.

Members participating on or after 8/1/2004 but before 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. Nonhazardous benefits are computed as the higher of 20% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service. Hazardous benefits are computed as the higher of 25% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service.

Members participating on or after 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. The benefit to the member is the higher of 20% or 25% of the member's monthly final rate of pay for nonhazardous and hazardous, respectively or the Annuity amount using the factor at the member's normal retirement age.

Members disabled as a result of a single duty-related injury or act of violence related to their job may be eligible for additional benefits.

* Service requirements may be waived if line of duty or duty related.

DRAFT 11-12-2025

Pre-Retirement Death Benefits

The beneficiary of a deceased member is eligible for a monthly benefit if the member died while in the line of duty or a duty related death. The beneficiary of a deceased member who did not die in the line of duty is eligible for a monthly benefit if the member was: (1) eligible for retirement at the time of death or, (2) under the age of 55 with at least 60 months of service credit and currently working for a participating agency at the time of death or (3) no longer working for a participating agency but at the time of death had at least 144 months of service credit. If the beneficiary of a deceased member is not eligible for a monthly benefit, the beneficiary will receive a lump-sum payment of the member's accumulated account balance.

Cost Of Living Adjustment (COLA)

SB2 of 2013 eliminated all future COLAs unless the State Legislature so authorizes on a biennial basis and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

Insurance Benefits

For members participating prior to July 1, 2003, the system pays a percentage of the monthly premium for single coverage based on the service credit accrued at retirement. Hazardous members also receive a percentage paid for eligible spouse or dependent coverage based on the accrued hazardous service at retirement.

For members participating on or after July 1, 2003, a dollar contribution amount is paid toward insurance coverage. Any portion paid toward eligible spouse and dependent coverage is based on the member's hazardous service credit. The member must have a minimum of 10 years of service to be eligible for insurance benefits if the participation date is between July 1, 2003 and August 31, 2008, and 15 years of service if the participation date is on or after September 1, 2008. A nonhazardous member will receive \$10 for each year of service and hazardous members receive \$15 for each year of service. Since July 2004, the dollar amount increases annually on July 1 by 1.5%. Members can earn an additional dollar contribution amount if they surpass the career threshold defined in Kentucky Revised Statute 61.702.

Refunds

Upon termination of employment, a refund of member contributions and accumulated interest is available to the member.

Interest On Accounts

For employees participating prior to September 1, 2008, the interest paid is set by the Board of Trustees and will not be less than 2.0%, for employees participating on or after September 1, 2008 but before January 1, 2014, interest will be credited at a rate of 2.5%. For employees participating on or after January 1, 2014, interest will be credited at a minimum rate of 4.0%.

Benefit Changes Since The Prior Valuation

There have been no benefit changes since the prior valuation.

DRAFT 11-12-2025

Plan Statistics

Definitions

Active members are those members who are currently employed by a participating agency and contributing to KRS as a condition of employment.

Inactive members are those members who are no longer employed with a participating agency but have not yet retired or taken a refund of contributions.

Retired members include both members and beneficiaries who are receiving a monthly benefit from KRS.

A single member may have multiple accounts. For these tables, persons who participate in two or more of the KRS plans; SPRS, KERS Hazardous or KERS Nonhazardous, will appear in each plan in which they have service credit.

These tables do not include individuals receiving payments under dependent child accounts, Qualified Domestic Relations Orders (QDRO), or multiple beneficiary accounts.

KERS Nonhazardous Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	39,561	48,506	46,366	134,433
2017	38,128	49,693	47,317	135,138
2018	36,160	50,772	48,985	135,917
2019	34,700	51,944	49,886	136,530
2020	32,688	54,234	50,518	137,440
2021	31,066	55,437	51,783	138,286
2022	30,293	56,636	52,429	139,358
2023	32,093	57,247	52,524	141,864
2024	33,135	58,154	52,686	143,975
2025	34,093	59,166	52,763	146,022

KERS Hazardous Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	4,585	5,054	3,992	13,631
2017	4,660	5,453	4,120	14,233
2018	4,551	5,889	4,397	14,837
2019	4,402	6,414	4,563	15,379
2020	4,667	7,263	4,696	16,626
2021	4,412	8,022	4,890	17,324
2022	4,295	8,568	5,013	17,876
2023	4,581	9,031	5,048	18,660
2024	4,910	9,454	5,084	19,448
2025	4,954	9,835	5,212	20,001

SPRS Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	934	430	1,539	2,903
2017	934	453	1,557	2,944
2018	917	470	1,623	3,010
2019	932	511	1,666	3,109
2020	798	592	1,698	3,088
2021	775	638	1,734	3,147
2022	844	670	1,748	3,262
2023	868	718	1,749	3,335
2024	872	749	1,736	3,357
2025	863	781	1,753	3,397

DRAFT 11-12-2025

KRS Membership As of June 30				
Fiscal Year	Active	Inactive	Retired	Total
2016	45,080	53,990	51,897	150,967
2017	43,722	55,599	52,994	152,315
2018	41,628	57,131	55,005	153,764
2019	40,034	58,869	56,115	155,018
2020	38,153	62,089	56,912	157,154
2021	36,253	64,097	58,407	158,757
2022	35,432	65,874	59,190	160,496
2023	37,542	66,996	59,321	163,859
2024	38,917	68,357	59,506	166,780
2025	39,910	69,782	59,728	169,420

Participating Employers

Principal Participating Employers in KERS As of June 30, 2025			
Fiscal Year	Rank	Covered Employees	% of Total System
DEPARTMENT FOR COMMUNITY BASED SERVICES	1	4,914	13.06%
DEPARTMENT OF HIGHWAYS	2	3,703	9.84%
DEPARTMENT OF CORRECTIONS	3	3,584	9.52%
JUDICIAL DEPARTMENT ADMINISTRATIVE OFFICE OF THE COURTS	4	1,477	3.92%
DEPARTMENT OF JUVENILE JUSTICE	5	1,113	2.96%
UNIFIED PROSECUTORIAL SYSTEM	6	994	2.64%
KENTUCKY STATE POLICE	7	899	2.39%
DEPARTMENT OF REVENUE	8	739	1.96%
DEPARTMENT OF VETERANS AFFAIRS	9	702	1.87%
ENVIRONMENTAL PROTECTION	10	668	1.77%
ALL OTHERS		18,845	50.07%
Total		37,638	100.00%

Schedule of Participating Employers in KERS As of June 30, 2025		
Agency Classification	Number of Agencies	Covered Employees
County Attorneys	56	239
Health Departments	60	2,199
Master Commissioner	31	53
Non-P1 State Agencies	32	595
Other Retirement Systems	1	18
P1 State Agencies	133	30,453
Regional Mental Health Units	10	2,770
Universities	7	1,311
Total	330	37,638
Total Employees By Tier Levels		
Tier 1		11,610
Tier 2		5,050
Tier 3		20,978

Schedule of Participating Employers in SPRS As of June 30, 2025		
Agency Classification	Number of Agencies	Covered Employees
Kentucky State Police - Uniformed Police Officers	1	863
Total Employees By Tier Levels		
Tier 1		275
Tier 2		183
Tier 3		405

DRAFT 11-12-2025**Member Monthly Benefit**

Average Monthly Benefit by Length of Service in KRS As of June 30, 2025 (in Whole \$)						
Fiscal Year	KERS Nonhazardous		KERS Hazardous		SPRS	
	Number of Accounts	Average Monthly Benefit	Number of Accounts	Average Monthly Benefit	Number of Accounts	Average Monthly Benefit
Under 5 years	7,377	\$222	1,052	\$225	166	\$742
5 or more but less than 10	6,232	445	881	577	60	921
10 or more but less than 15	5,828	739	828	1,048	71	1,474
15 or more but less than 20	5,111	1,105	773	1,594	129	2,120
20 or more but less than 25	5,499	1,463	1,397	2,100	564	2,818
25 or more but less than 30	13,777	2,318	212	3,018	495	3,830
30 or more but less than 35	6,538	3,261	61	3,788	211	4,819
35 or more	2,401	4,605	8	5,049	57	6,237
Total	52,763	\$1,643	5,212	\$1,284	1,753	\$3,089
<i>Note: These tables reflect the Average Monthly Pension Benefit. A single member may have multiple accounts, which contribute to one pension. These tables do not reflect dependent child accounts, Qualified Domestic Relations Order (QDRO) accounts or multiple beneficiary accounts.</i>						

Fiduciary Net Position

Fiduciary Net Position - KERS						
As of June 30 (\$ in Thousands)						
Fiscal Year	Nonhazardous			Hazardous		
	Pension	Insurance	Total	Pension	Insurance	Total
2016	\$1,980,292	\$668,318	\$2,648,610	\$527,880	\$437,397	\$965,277
2017	2,092,781	781,406	2,874,187	605,921	484,442	1,090,363
2018	2,048,890	846,762	2,895,652	651,173	513,384	1,164,557
2019	2,286,625	942,136	3,228,761	687,877	527,108	1,214,985
2020	2,362,231	1,006,498	3,368,729	697,366	514,740	1,212,106
2021	3,085,014	1,353,123	4,438,137	874,928	624,889	1,499,817
2022	3,076,743	1,301,522	4,378,265	819,237	579,902	1,399,139
2023	3,607,206	1,465,489	5,072,695	902,567	616,322	1,518,889
2024	4,297,571	1,692,094	5,989,665	1,029,921	667,917	1,697,838
2025	\$5,143,284	\$1,833,872	\$6,977,156	\$1,148,670	\$724,103	\$1,872,773

Fiduciary Net Position - SPRS			
As of June 30 (\$ in Thousands)			
Fiscal Year	Pension	Insurance	Total
2016	\$218,013	\$160,949	\$378,962
2017	256,383	178,191	434,574
2018	268,425	189,994	458,419
2019	287,242	200,128	487,370
2020	295,044	200,245	495,289
2021	357,660	246,004	603,664
2022	552,926	230,015	782,941
2023	592,826	246,797	839,623
2024	653,216	272,091	925,307
2025	\$742,853	\$289,472	\$1,032,325

DRAFT 11-12-2025

Fiduciary Net Position - KRS			
As of June 30 (\$ in Thousands)			
Fiscal Year	Pension	Insurance	Total
2016	\$2,726,185	\$1,266,664	\$3,992,849
2017	2,955,085	1,444,039	4,399,124
2018	2,968,488	1,550,140	4,518,628
2019	3,261,744	1,669,372	4,931,116
2020	3,354,641	1,721,483	5,076,124
2021	4,317,602	2,224,016	6,541,618
2022	4,448,906	2,111,439	6,560,345
2023	5,102,599	2,328,608	7,431,207
2024	5,980,708	2,632,102	8,612,810
2025	\$7,034,807	\$2,847,447	\$9,882,254
<i>Note: For additional historical data for all charts presented, please visit our website for previous annual reports at https://kyret.ky.gov/Publications/Pages/Annual-Reports.aspx</i>			

DRAFT 11-12-2025**Changes in Fiduciary Net Position**

Changes in Fiduciary Net Position - KERS Nonhazardous Pension Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Members' Contributions	\$101,677	\$100,544	\$104,972	\$93,759	\$96,594	\$90,202	\$89,607	\$84,579	\$96,615	\$104,867
Employers' Contributions	512,670	644,803	619,988	948,866	948,578	1,134,180	141,027	136,445	156,007	154,394
General Fund Appropriations	—	58,193	67,574	75,858	—	—	912,705	240,000	240,000	300,000
Health Insurance Contributions (HB1)	4,817	5,156	5,786	5,963	1	(8)	(13)	(12)	(18)	(37)
Actuarially Accrued Liability Contributions	—	—	—	—	—	—	—	898,545	899,663	864,522
Employer Cessation	—	53,215	17	10,643	20	—	63,113	—	—	—
Net Investment Income (Loss)	(20,662)	220,985	147,577	114,918	53,696	528,439	(165,904)	220,258	356,018	493,287
Northern Trust Settlement	—	—	301	37	—	—	—	—	—	—
Pension Spiking	414	909	1,564	95	(6)	52	24	16	25	15
Total Additions	598,916	1,083,805	947,779	1,250,139	1,098,883	1,752,865	1,040,559	1,579,831	1,748,310	1,917,048
Deductions										
Benefit Payments	923,288	948,489	967,374	988,349	999,813	1,009,501	1,023,375	1,023,704	1,032,124	1,046,018
Refunds	12,130	11,819	13,603	12,342	11,523	8,953	12,116	11,847	11,693	11,154
Administrative Expenses	10,807	10,974	10,692	11,712	11,941	11,627	13,339	13,817	14,128	14,163
Capital Project Expenses	181	34	—	—	—	—	—	—	—	—
Total Deductions	946,406	971,316	991,669	1,012,403	1,023,277	1,030,081	1,048,830	1,049,368	1,057,945	1,071,336
Net Increase (Decrease) in Fiduciary Net Position	(\$347,490)	\$112,489	(\$43,890)	\$237,736	\$75,606	\$722,784	(\$8,271)	\$530,463	\$690,366	\$845,712

Changes in Fiduciary Net Position - KERS Nonhazardous Insurance Plan										
As of June 30 (\$ in Thousands)										
Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employers' Contributions	\$131,935	\$133,024	\$132,364	\$173,576	\$170,479	\$153,571	\$31,611	\$35,549	\$41,362	\$30,272
Actuarially Accrued Liability Contributions	—	—	—	—	—	—	101,637	87,674	87,782	1,860
Net Investment Income (Loss)	(3,904)	90,915	61,331	43,202	10,624	258,595	(85,555)	128,052	166,714	195,070
Retired Reemployed (HB1)	3,880	3,765	4,055	3,996	4,502	4,705	5,041	5,885	7,484	8,591
Member Drug Reimbursement	—	1	5	3	2	—	—	4	4	4
Premiums Received from Retirees	240	248	216	184	183	182	182	(27)	79	33
Humana Gain Share Payment	—	—	—	3,079	—	17,167	7,321	4,851	8,440	—
Employer Cessation	—	15,567	—	1,391	25	28,400	2,405	—	—	—
Northern Trust Settlement	—	—	32	4	—	—	—	—	—	—
Health Insurance Contribution (HB1)	—	—	—	—	6,127	6,326	6,560	8,370	10,603	12,262
Total Additions	132,151	243,520	198,003	225,435	191,942	468,946	69,202	270,358	322,467	248,092
Deductions										
Healthcare Premiums	126,550	127,648	130,069	127,221	125,006	119,897	118,451	103,952	93,751	103,784
Administrative Expenses	821	861	760	875	847	815	821	771	727	684
Self Funded Healthcare Costs	2,095	1,920	1,819	1,962	1,724	1,609	1,525	1,668	1,378	1,843
Excise Tax	6	3	3	3	3	—	6	—	7	3

DRAFT 11-12-2025**Changes in Fiduciary Net Position - KERS Nonhazardous Insurance Plan**

As of June 30 (\$ in Thousands)

Total Deductions	129,472	130,432	132,651	130,061	127,580	122,321	120,803	106,391	95,863	106,313
Net Increase (Decrease) in Fiduciary Net Position	\$2,679	\$113,088	\$65,352	\$95,374	\$64,362	\$346,625	(\$51,601)	\$163,967	\$226,604	\$141,780

Changes in Fiduciary Net Position - KERS Hazardous Pension Plan

As of June 30 (\$ in Thousands)

Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Members' Contributions	\$15,055	\$17,523	\$17,891	\$17,118	\$19,769	\$19,961	\$20,588	\$17,459	\$21,568	\$22,128
Employers' Contributions	23,690	37,630	32,790	55,229	59,096	62,182	59,052	72,778	89,898	70,768
General Fund Appropriations	—	15,000	10,000	—	—	—	—	—	—	—
Health Insurance Contributions (HB1)	684	811	909	934	4	3	(5)	(7)	(8)	(32)
Net Investment Income (Loss)	(1,652)	70,993	51,848	36,704	6,805	174,922	(51,841)	77,261	102,139	121,344
Actuarially Accrued Liability Contributions (AALC)	—	—	—	—	—	—	—	—	—	—
Northern Trust Settlement	—	—	33	4	—	—	—	—	—	—
Pension Spiking	70	344	871	29	19	18	3	29	1	—
Total Additions	37,847	142,301	114,342	110,018	85,693	257,086	27,797	167,520	213,598	214,208
Deductions										
Benefit Payments	59,306	61,231	65,616	69,527	71,861	73,889	77,047	78,636	80,528	87,620
Refunds	2,211	2,106	2,501	2,684	3,168	4,380	4,976	4,041	4,133	6,212
Administrative Expenses	903	919	975	1,103	1,176	1,255	1,465	1,513	1,583	1,627
Capital Project Expenses	15	4	—	—	—	—	—	—	—	—
Total Deductions	62,435	64,260	69,092	73,314	76,205	79,524	83,488	84,190	86,244	95,458
Net Increase (Decrease) in Fiduciary Net Position	(\$24,588)	\$78,041	\$45,250	\$36,704	\$9,488	\$177,562	(\$55,691)	\$83,330	\$127,354	\$118,750

Changes in Fiduciary Net Position - KERS Hazardous Insurance Plan

As of June 30 (\$ in Thousands)

Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employers' Contributions	\$15,929	\$4,688	\$4,302	\$3,725	\$4,482	\$23	\$1	\$37	\$45	\$3
Net Investment Income (Loss)	(882)	59,188	42,567	28,049	638	126,475	(27,406)	52,991	67,435	73,613
Retired Reemployed (HB1)	837	932	986	1,245	1,294	1,276	1,280	1,452	1,865	2,156
Actuarially Accrued Liability Contributions (AALC)	—	—	—	—	—	—	—	—	—	—
Member Drug Reimbursement	—	—	—	—	1	—	1	—	—	—
Premiums Received from Retirees	(13)	(51)	(50)	(19)	(5)	(11)	(54)	(69)	(24)	(53)
Humana Gain Share	—	—	—	213	—	1,253	548	368	651	—
Northern Trust Settlement	—	—	18	2	—	—	—	—	—	—
Health Insurance Contributions (HB1)	—	—	—	—	1,100	1,164	1,232	1,592	2,094	2,229
Total Additions	15,871	64,757	47,823	33,215	7,510	130,180	(24,398)	56,371	72,066	77,947
Deductions										
Health Insurance Premiums	17,490	17,562	18,697	19,280	19,630	19,800	20,355	19,748	20,260	21,575

DRAFT 11-12-2025**Changes in Fiduciary Net Position - KERS Hazardous Insurance Plan**

As of June 30 (\$ in Thousands)

Administrative Expenses	97	105	104	117	123	118	125	123	117	116
Self-Funded Healthcare Costs	—	45	79	94	125	112	109	80	94	70
Excise Tax Insurance	—	—	—	—	—	—	—	—	—	—
Total Deductions	17,587	17,712	18,880	19,491	19,878	20,030	20,589	19,951	20,471	21,761
Net Increase (Decrease) in Fiduciary Net Position	(\$1,716)	\$47,045	\$28,943	\$13,724	(\$12,368)	\$110,150	(\$44,987)	\$36,420	\$51,595	\$56,187

Changes in Fiduciary Net Position - SPRS Pension Plan

As of June 30 (\$ in Thousands)

Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Members' Contributions	\$5,149	\$5,349	\$5,522	\$5,062	\$4,767	\$4,752	\$4,773	\$5,250	\$5,703	\$6,017
Employers' Contributions	25,723	38,028	36,486	58,947	58,358	59,262	62,341	58,121	61,998	52,975
General Fund Appropriations	—	25,000	10,000	1,086	1,086	384	215,000	—	—	25,000
Health Insurance Contributions (HB1)	113	131	155	176	—	—	(26)	(8)	(12)	(11)
Net Investment Income (Loss)	(3,841)	26,795	18,487	14,863	6,359	61,966	(22,148)	40,801	57,058	72,006
Northern Trust Settlement	—	—	21	3	—	—	—	—	—	—
Pension Spiking	99	210	392	15	9	4	—	—	—	—
Total Additions	27,243	95,513	71,063	80,152	70,579	126,368	259,940	104,164	124,747	155,987
Deductions										
Benefit Payments	56,268	56,935	58,805	60,948	62,423	63,249	64,121	63,805	63,823	65,696
Refunds	11	26	22	162	88	273	280	166	220	346
Administrative Expenses	176	181	194	225	266	230	273	293	314	308
Capital Project Expenses	4	1	—	—	—	—	—	—	—	—
Total Deductions	56,459	57,143	59,021	61,335	62,777	63,752	64,674	64,264	64,357	66,349
Net Increase (Decrease) in Fiduciary Net Position	(\$29,216)	\$38,370	\$12,042	\$18,817	\$7,802	\$62,616	\$195,266	\$39,900	\$60,390	\$89,637

Changes in Fiduciary Net Position - SPRS Insurance Plan

As of June 30 (\$ in Thousands)

Additions	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Employers' Contributions	\$10,228	\$9,222	\$9,397	\$13,282	\$13,133	\$9,284	\$8,782	\$9,289	\$10,158	\$1,858
Net Investment Income (Loss)	(48)	21,570	16,420	10,766	1,108	50,051	(10,787)	21,426	26,836	29,780
Retired Reemployed (HB1)	9	—	—	6	—	—	—	—	5	30
Member Drug Reimbursement	—	—	—	—	—	—	—	—	—	—
Premiums Received from Retirees	(29)	(55)	(41)	(13)	(12)	(14)	(27)	(131)	(13)	(31)
Humana Gain Share	—	—	—	144	—	811	342	224	390	—
Northern Trust Settlement	—	—	8	1	—	—	—	—	—	—
Health Insurance contributions (HB1)	—	—	—	—	196	209	256	356	408	449
Total Additions	10,160	30,737	25,784	24,186	14,425	60,341	(1,434)	31,164	37,784	32,086
Deductions										
Health Insurance Premiums	13,836	13,405	13,881	13,942	14,215	14,487	14,461	14,290	12,412	14,614
Administrative Expenses	89	66	62	69	71	71	73	74	71	71

DRAFT 11-12-2025

Changes in Fiduciary Net Position - SPRS Insurance Plan										
As of June 30 (\$ in Thousands)										
Self-Funded Healthcare Costs	—	24	38	40	22	25	21	18	7	21
Excise Tax Insurance	—	—	—	—	—	—	—	—	—	—
Total Deductions	13,925	13,495	13,981	14,051	14,308	14,583	14,555	14,382	12,490	14,707
Net Increase (Decrease) in Fiduciary Net Position	(\$3,765)	\$17,242	\$11,803	\$10,135	\$117	\$45,758	(\$15,989)	\$16,782	\$25,294	\$17,380

DRAFT 11-12-2025**Schedule of Benefit Expenses**

The following tables include individuals receiving a monthly benefit as of June 30 in the indicated fiscal year. A single member may have multiple accounts which contribute to one pension. This table represents all individuals receiving a benefit including dependent children, Qualified Domestic Relations Order (QDRO) accounts and multiple beneficiary accounts. If a member has died or a disability decision is pending, the monthly benefit amount is reflected as zero until the account status changes.

Schedule of Benefit Expenses - KERS Nonhazardous				
As of June 30 (in whole \$)				
	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments
Fiscal Year 2016				
Average Benefit	\$989	\$1,886	\$1,005	\$902
Number of Accounts	7,390	35,192	2,770	1,014
Total Monthly Benefits	\$7,312,293	\$66,383,638	\$2,784,928	\$914,804
% of Total Monthly Benefits	9.45%	85.77%	3.60%	1.18%
Fiscal Year 2017				
Average Benefit	\$992	\$1,883	\$1,013	\$924
Number of Accounts	7,628	35,890	2,772	1,028
Total Monthly Benefits	\$7,565,780	\$67,591,003	\$2,807,938	\$950,318
% of Total Monthly Benefits	9.59%	85.65%	3.56%	1.20%
Fiscal Year 2018				
Average Benefit	\$998	\$1,879	\$1,019	\$940
Number of Accounts	8,070	37,141	2,767	1,007
Total Monthly Benefits	\$8,049,794	\$69,780,011	\$2,818,593	\$946,466
% of Total Monthly Benefits	9.87%	85.52%	3.45%	1.16%
Fiscal Year 2019				
Average Benefit	\$993	\$1,876	\$1,029	\$933
Number of Accounts	8,387	37,751	2,751	997
Total Monthly Benefits	\$8,328,706	\$70,826,696	\$2,831,527	\$930,110
% of Total Monthly Benefits	10.04%	85.42%	3.41%	1.12%
Fiscal Year 2020				
Average Benefit	\$984	\$1,872	\$1,031	\$937
Number of Accounts	8,622	38,233	2,676	987
Total Monthly Benefits	\$8,483,484	\$71,585,386	\$2,759,983	\$924,459
% of Total Monthly Benefits	10.13%	85.47%	3.30%	1.10%
Fiscal Year 2021				
Average Benefit	\$984	\$1,864	\$1,036	\$949
Number of Accounts	9,046	39,020	2,698	1,019
Total Monthly Benefits	\$8,897,420	\$72,724,923	\$2,796,355	\$966,951
% of Total Monthly Benefits	10.42%	85.17%	3.27%	1.13%
Fiscal Year 2022				
Average Benefit	\$987	\$1,860	\$1,031	\$966
Number of Accounts	9,279	39,508	2,609	1,033
Total Monthly Benefits	\$9,155,941	\$73,489,369	\$2,690,544	\$997,608
% of Total Monthly Benefits	10.61%	85.12%	3.12%	1.16%
Fiscal Year 2023				
Average Benefit	\$982	\$1,861	\$1,034	\$956
Number of Accounts	9,464	39,505	2,531	1,024
Total Monthly Benefits	\$9,291,103	\$73,531,803	\$2,615,997	\$979,166
% of Total Monthly Benefits	10.75%	85.09%	3.03%	1.13%
Fiscal Year 2024				
Average Benefit	\$981	\$1,862	\$1,027	\$990
Number of Accounts	9,704	39,488	2,456	1,038
Total Monthly Benefits	\$9,519,101	\$73,544,350	\$2,523,189	\$1,027,961
% of Total Monthly Benefits	10.99%	84.91%	2.91%	1.19%
Fiscal Year 2025				
Average Benefit	\$984	\$1,862	\$1,024	\$1,013

DRAFT 11-12-2025**Schedule of Benefit Expenses - KERS Nonhazardous****As of June 30 (in whole \$)**

Number of Accounts	9,867	39,477	2,390	1,029
Total Monthly Benefits	\$9,709,907	\$73,510,591	\$2,447,373	\$1,041,903
% of Total Monthly Benefits	11.20%	84.78%	2.82%	1.20%

Schedule of Benefit Expenses - KERS Hazardous**As of June 30 (in whole \$)**

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments
Fiscal Year 2016				
Average Benefit	\$984	\$1,542	\$663	\$730
Number of Accounts	2,046	1,658	194	94
Total Monthly Benefits	\$2,011,530	\$2,557,114	\$128,663	\$68,605
% of Total Monthly Benefits	42.21%	53.65%	2.70%	1.44%
Fiscal Year 2017				
Average Benefit	\$993	\$1,541	\$662	\$721
Number of Accounts	2,101	1,719	205	96
Total Monthly Benefits	\$2,086,732	\$2,648,685	\$135,625	\$69,255
% of Total Monthly Benefits	42.24%	53.61%	2.75%	1.40%
Fiscal Year 2018				
Average Benefit	\$1,002	\$1,551	\$684	\$737
Number of Accounts	2,215	1,877	205	100
Total Monthly Benefits	\$2,218,520	\$2,911,409	\$140,174	\$73,704
% of Total Monthly Benefits	41.52%	54.48%	2.62%	1.38%
Fiscal Year 2019				
Average Benefit	\$1,020	\$1,561	\$708	\$744
Number of Accounts	2,269	1,987	208	99
Total Monthly Benefits	\$2,315,435	\$3,101,783	\$147,342	\$73,702
% of Total Monthly Benefits	41.07%	55.01%	2.61%	1.31%
Fiscal Year 2020				
Average Benefit	\$1,017	\$1,561	\$701	\$739
Number of Accounts	2,334	2,061	207	94
Total Monthly Benefits	\$2,374,412	\$3,216,376	\$145,112	\$69,433
% of Total Monthly Benefits	40.90%	55.40%	2.50%	1.20%
Fiscal Year 2021				
Average Benefit	\$1,021	\$1,551	\$701	\$751
Number of Accounts	2,414	2,164	215	97
Total Monthly Benefits	\$2,464,831	\$3,355,473	\$150,742	\$72,837
% of Total Monthly Benefits	40.78%	55.52%	2.49%	1.21%
Fiscal Year 2022				
Average Benefit	\$1,032	\$1,560	\$711	\$786
Number of Accounts	2,434	2,267	216	96
Total Monthly Benefits	\$2,512,089	\$3,536,881	\$153,476	\$75,437
% of Total Monthly Benefits	40.01%	56.34%	2.44%	1.20%
Fiscal Year 2023				
Average Benefit	\$1,040	\$1,565	\$703	\$843
Number of Accounts	2,441	2,296	213	98
Total Monthly Benefits	\$2,538,237	\$3,592,494	\$149,801	\$82,626
% of Total Monthly Benefits	39.89%	56.46%	2.35%	1.30%
Fiscal Year 2024				
Average Benefit	\$1,049	\$1,579	\$708	\$863
Number of Accounts	2,444	2,327	214	99
Total Monthly Benefits	\$2,562,636	\$3,673,571	\$151,555	\$85,417
% of Total Monthly Benefits	39.59%	56.75%	2.34%	1.32%
Fiscal Year 2025				
Average Benefit	\$1,058	\$1,585	\$712	\$814
Number of Accounts	2,469	2,422	219	102

DRAFT 11-12-2025**Schedule of Benefit Expenses - KERS Hazardous**

As of June 30 (in whole \$)

Total Monthly Benefits	\$2,612,441	\$3,838,246	\$155,971	\$83,038
% of Total Monthly Benefits	39.05%	57.38%	2.33%	1.24%

Schedule of Benefit Expenses - SPRS

As of June 30 (in whole \$)

	Normal Retirement	Early Retirement	Disability Retirement	Beneficiary Payments
Fiscal Year 2016				
Average Benefit	\$3,579	\$3,135	\$1,269	\$2,008
Number of Accounts	155	1,277	82	25
Total Monthly Benefits	\$554,743	\$4,002,993	\$104,056	\$50,196
% of Total Monthly Benefits	11.77%	84.95%	2.21%	1.07%
Fiscal Year 2017				
Average Benefit	\$3,611	\$3,135	\$1,278	\$2,008
Number of Accounts	149	1,303	82	25
Total Monthly Benefits	\$538,032	\$4,084,771	\$104,788	\$50,196
% of Total Monthly Benefits	11.26%	85.50%	2.19%	1.05%
Fiscal Year 2018				
Average Benefit	\$3,642	\$3,128	\$1,289	\$2,082
Number of Accounts	153	1,361	83	26
Total Monthly Benefits	\$557,249	\$4,257,579	\$107,019	\$54,127
% of Total Monthly Benefits	11.20%	85.56%	2.15%	1.09%
Fiscal Year 2019				
Average Benefit	\$3,607	\$3,138	\$1,298	\$2,082
Number of Accounts	156	1,401	83	26
Total Monthly Benefits	\$562,630	\$4,395,857	\$107,737	\$54,127
% of Total Monthly Benefits	10.99%	85.85%	2.10%	1.06%
Fiscal Year 2020				
Average Benefit	\$3,628	\$3,154	\$1,339	\$2,137
Number of Accounts	152	1,440	80	26
Total Monthly Benefits	\$551,470	\$4,541,490	\$107,148	\$55,558
% of Total Monthly Benefits	10.49%	86.41%	2.04%	1.06%
Fiscal Year 2021				
Average Benefit	\$3,542	\$3,160	\$1,287	\$2,137
Number of Accounts	156	1,468	84	26
Total Monthly Benefits	\$552,551	\$4,638,826	\$108,101	\$55,558
% of Total Monthly Benefits	10.32%	86.63%	2.02%	1.04%
Fiscal Year 2022				
Average Benefit	\$3,565	\$3,163	\$1,275	\$2,077
Number of Accounts	159	1,481	83	25
Total Monthly Benefits	\$566,764	\$4,683,959	\$105,787	\$51,931
% of Total Monthly Benefits	10.48%	86.60%	1.96%	0.96%
Fiscal Year 2023				
Average Benefit	\$3,550	\$3,146	\$1,294	\$2,077
Number of Accounts	155	1,486	83	25
Total Monthly Benefits	\$550,304	\$4,674,802	\$107,386	\$51,931
% of Total Monthly Benefits	10.22%	86.82%	1.99%	0.97%
Fiscal Year 2024				
Average Benefit	\$3,511	\$3,145	\$1,286	\$2,172
Number of Accounts	155	1,481	76	24
Total Monthly Benefits	\$544,210	\$4,658,414	\$97,752	\$52,129
% of Total Monthly Benefits	10.17%	87.03%	1.83%	0.97%
Fiscal Year 2025				
Average Benefit	\$3,398	\$3,157	\$1,256	\$2,218
Number of Accounts	164	1,493	72	24

DRAFT 11-12-2025**Schedule of Benefit Expenses - SPRS**

As of June 30 (in whole \$)

Total Monthly Benefits	\$557,280	\$4,713,293	\$90,403	\$53,234
% of Total Monthly Benefits	10.29%	87.05%	1.67%	0.98%

Active Refunds**Active Refunds Report For the Period ended June 30, 2025 (in Whole \$)**

System	Tier	Active Termination Refunds		Active Death Refunds		Totals	
		Number of Refunds	Amount of Refunds	Number of Refunds	Amount of Refunds	Number of Refunds	Amount of Refunds
KERS Nonhazardous	1	81	1,360,067	73	142,601	154	1,502,668
	2	77	598,781	7	49,746	84	648,527
	3	725	8,624,984	29	165,492	754	8,790,476
	Total	883	10,583,832	109	357,839	992	10,941,671
KERS Hazardous	1	7	48,152	4	11,627	11	59,779
	2	10	56,006	3	39,946	13	95,952
	3	305	5,711,184	8	56,108	313	5,767,292
	Total	322	5,815,342	15	107,681	337	5,923,023
SPRS	1	1	21,763	—	—	1	21,763
	2	—	—	—	—	—	—
	3	7	324,143	—	—	7	324,143
	Total	8	345,906	—	—	8	345,906
Totals		1,213	\$16,745,080	124	\$465,520	1,337	\$17,210,600

Analysis of Initial Retirees**Analysis of Initial Retirees As of June 30 (in Whole \$)**

	KERS Nonhazardous	KERS Hazardous	SPRS
Fiscal Year 2016			
Number of Accounts	2,043	205	57
Average Service Credit (months)	207	160	234
Average Final Compensation	\$47,429	\$44,494	\$65,535
Average Monthly Benefit	\$1,351	\$1,225	\$2,953
Average System Payment for Health Insurance	\$558	\$870	\$1,425
Fiscal Year 2017			
Number of Accounts	2,094	191	30
Average Service Credit (months)	208	146	241
Average Final Compensation	\$46,753	\$47,604	\$68,401
Average Monthly Benefit	\$1,339	\$1,150	\$2,935
Average System Payment for Health Insurance	\$558	\$872	\$1,192
Fiscal Year 2018			
Number of Accounts	2,682	328	68
Average Service Credit (months)	223	167	241
Average Final Compensation	\$48,552	\$51,219	\$71,132
Average Monthly Benefit	\$1,481	\$1,392	\$3,035
Average System Payment for Health Insurance	\$578	\$1,033	\$1,365
Fiscal Year 2019			
Number of Accounts	1,993	234	63
Average Service Credit (months)	204	174	254
Average Final Compensation	\$47,824	\$51,901	\$73,795
Average Monthly Benefit	\$1,355	\$1,532	\$3,341
Average System Payment for Health Insurance	\$569	\$1,015	\$1,391
Fiscal Year 2020			
Number of Accounts	1,755	195	54

DRAFT 11-12-2025

Analysis of Initial Retirees As of June 30 (in Whole \$)			
	KERS Nonhazardous	KERS Hazardous	SPRS
Average Service Credit (months)	211	150	245
Average Final Compensation	\$47,069	\$51,021	\$78,468
Average Monthly Benefit	\$1,352	\$1,242	\$3,313
Average System Payment for Health Insurance	\$579	\$1,013	\$1,404
Fiscal Year 2021			
Number of Accounts	1,644	201	32
Average Service Credit (months)	201	143	217
Average Final Compensation	\$46,600	\$49,664	\$72,942
Average Monthly Benefit	\$1,276	\$1,248	\$2,872
Average System Payment for Health Insurance	\$560	\$1,019	\$1,347
Fiscal Year 2022			
Number of Accounts	1,910	221	46
Average Service Credit (months)	213	165	245
Average Final Compensation	\$48,028	\$52,575	\$76,377
Average Monthly Benefit	\$1,389	\$1,515	\$3,287
Average System Payment for Health Insurance	\$599	\$1,020	\$1,345
Fiscal Year 2023			
Number of Accounts	1,479	136	13
Average Service Credit (months)	190	146	186
Average Final Compensation	\$50,304	\$52,473	\$73,081
Average Monthly Benefit	\$1,332	\$1,315	\$2,737
Average System Payment for Health Insurance	\$640	\$1,151	\$1,208
Fiscal Year 2024			
Number of Accounts	1,483	146	16
Average Service Credit (months)	195	150	171
Average Final Compensation	\$50,548	\$57,500	\$70,651
Average Monthly Benefit	\$1,310	\$1,430	\$2,492
Average System Payment for Health Insurance	\$680	\$1,173	\$1,366
Fiscal Year 2025			
Number of Accounts	1,467	218	38
Average Service Credit (months)	202	145	241
Average Final Compensation	\$54,244	\$59,993	\$94,353
Average Monthly Benefit	\$1,425	\$1,453	\$3,857
Average System Payment for Health Insurance	\$644	\$852	\$1,625
<i>Note: This table represents all individuals who had an initial retirement date within the fiscal year.</i>			

Payment Options

Payment Options Selected by Retired Members As of June 30, 2025 (in Whole \$)							
	Basic	Other	Certain	Pop Up	Adjustment	Survivorship	Annuity
KERS Nonhazardous							
Number of Accounts	19,591	21	6,722	10,109	3,111	13,173	36
Monthly Benefits	\$28,836,997	\$47,430	\$10,360,648	\$20,517,477	\$5,401,371	\$21,536,521	\$9,330
KERS Hazardous							
Number of Accounts	1,450	6	562	1,432	315	1,442	5
Monthly Benefits	\$1,639,556	\$5,498	\$703,154	\$2,173,315	\$385,618	\$1,781,168	\$1,387
SPRS							
Number of Accounts	193	1	133	757	172	497	0
Monthly Benefits	\$562,285	\$3,084	\$383,844	\$2,622,410	\$337,722	\$1,504,864	\$—
KRS Total							
Number of Accounts	21,234	28	7,417	12,298	3,598	15,112	41
Monthly Benefits	\$31,038,838	\$56,012	\$11,447,646	\$25,313,202	\$6,124,711	\$24,822,553	\$10,717
<i>The information in this table represents accounts administered by KPPA. A single member may have multiple accounts, which contribute to one pension.</i>							

DRAFT 11-12-2025

Employer Contribution Rates

In KERS and SPRS, both the employee and the employer contribute a percentage of creditable compensation to KRS.

The employee contribution rate is set by state statute. Nonhazardous employees contribute 5% while Hazardous duty and SPRS members contribute 8%. Employees hired on or after September 1, 2008, contribute an additional 1% to health insurance.

The actual pension and insurance employer contribution rates that were paid are shown below.

Under Kentucky Revised Statutes 61.565, KERS and SPRS employer contribution rates are determined by the KRS Board based on an annual actuarial valuation. However, KERS and SPRS employer rates are subject to approval by the Kentucky General Assembly through the adoption of the biennial Executive Branch Budget. The tables on pages 90 and 91 in the Actuarial Section, shows the KERS and SPRS employer contribution rates that were actuarial recommended rates in the annual valuation. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the Plan an allocated share of the cost required to amortize the unfunded liability.

Employer Contribution Rates (%) As of June 30										
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KERS Nonhazardous*										
Actual Rate	38.77%	48.59%	49.47%	83.43%	83.43%	84.43%	10.10%	9.97%	9.97%	8.44%
KERS Hazardous										
Actual Rate	26.34%	23.82%	23.70%	36.85%	36.85%	36.00%	33.43%	31.82%	31.82%	23.74%
SPRS										
Actual Rate	75.76%	89.21%	91.24%	146.28%	146.28%	143.48%	146.06%	99.43%	99.43%	68.10%
<i>*2021 House Bill 8 changed the manner in which KERS Nonhazardous pays employer contributions. Beginning in FY22, each employer pays the normal cost, which is the rate stated above, along with an actuarial accrued liability payment that is calculated and provided by the actuary.</i>										

Insurance Contracts

KRS provides medical insurance and other managed care coverage for eligible retired members.

Participation in the insurance program is optional and requires the completion of the proper forms at the time of retirement in order to obtain the insurance coverage. KRS provides access to health insurance coverage through the Kentucky Employees' Health Plan (KEHP) for recipients until they reach age 65 and/or become Medicare eligible. After a retired member becomes eligible for Medicare, coverage is available through a Medicare eligible plan offered by KRS. A retired member's spouse and/or dependents may also be covered on health insurance through KRS.

Insurance Benefits Paid to Retirees & Beneficiaries Participating in a KRS Health Insurance Plan As of June 30, 2025 (in Whole \$)			
	KERS Nonhazardous	KERS Hazardous	SPRS
Number	28,354	2,826	1,558
Average Service Credit (Months)	312	266	319
Average Monthly System Payment for Health Insurance	\$309	\$702	\$945
Average Monthly Member Payment for Health Insurance	\$36	\$38	\$24
Total Monthly Payment for Health Insurance	\$9,804,680	\$1,772,276	\$1,202,802

DRAFT 11-12-2025

Insurance Contracts by Type As of June 30										
KERS Nonhazardous	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	441	411	460	441	433	428	434	433	395	371
KEHP Couple/Family	656	663	696	700	666	633	612	553	473	418
KEHP Single	8,876	8,627	8,638	8,304	7,942	7,415	7,141	6,693	6,334	5,977
Medicare without Prescription	1,286	1,229	1,179	1,141	1,089	1,026	989	957	939	848
Medicare with Prescription	19,447	20,215	21,117	21,713	22,271	22,648	22,903	22,976	22,947	20,740
KERS Hazardous	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	97	88	96	103	112	104	116	118	108	102
KEHP Couple/Family	439	432	478	493	491	491	477	470	462	458
KEHP Single	663	667	686	699	677	667	686	653	621	549
Medicare without Prescription	66	72	73	83	82	82	84	72	66	59
Medicare with Prescription	1,302	1,401	1,495	1,584	1,662	1,693	1,746	1,796	1,843	1,658
SPRS	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	77	79	74	77	85	89	90	92	79	77
KEHP Couple/Family	447	420	426	454	459	448	454	434	415	422
KEHP Single	246	251	253	224	226	221	217	230	239	196
Medicare without Prescription	18	17	21	16	16	13	14	17	16	14
Medicare with Prescription	850	897	941	975	998	1,003	1,016	1,022	1,019	849
KRS Total	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
KEHP Parent Plus	615	578	630	621	630	621	640	643	582	550
KEHP Couple/Family	1,542	1,515	1,600	1,647	1,616	1,572	1,543	1,457	1,350	1,298
KEHP Single	9,785	9,545	9,577	9,227	8,845	8,303	8,044	7,576	7,194	6,722
Medicare without Prescription	1,370	1,318	1,273	1,240	1,187	1,121	1,087	1,046	1,021	921
Medicare with Prescription	21,599	22,513	23,553	24,272	24,931	25,344	25,665	25,794	25,809	23,247

DRAFT 11-12-2025

Acronym Glossary for Kentucky Retirement Systems

As of December 5, 2024

Phrase	Acronym
Actuarially Determined Contribution	ADC
Actuarial Accrued Liability	AAL
Annual Comprehensive Financial Report	ACFR
Board of Trustees	Board
Collateralized Mortgage Obligations	CMO
Commonwealth of Kentucky	Commonwealth
Consumer Price Index	CPI
County Employees Retirement System	CERS
Cost of Living Adjustment	COLA
Department of Employee Insurance	DEI
Emerging Market Debt	EMD
Entry Age Normal Cost Method	EANC
Exchange Traded Funds	ETFs
Fair Value	FV
Fiscal Year (Ended)	FY(E)
Gabriel, Roeder, Smith & Co.	GRS
Generally Accepted Accounting Principles	GAAP
Geometric Average Net Investment Return	GANIR
Governmental Accounting Standards Board	GASB
House Bill	HB
Investment Management Agreement	IMA
Investment Policy Statement	IPS
Internal Revenue Service	IRS
Information Technology	IT
Judicial Form Retirement System	JFRS
Kentucky Administrative Regulations	KAR
Kentucky Employees' Health Plan	KEHP
Kentucky Employees Retirement Systems	KERS
Kentucky Public Pensions Authority	KPPA
Kohlberg, Kravis, Roberts	KKR
Management's Discussion and Analysis	MD&A
Net Asset Value	NAV
Net OPEB Liability	NOL
Net Pension Liability	NPL
Not Rated	NR
Other Postemployment Benefits	OPEB
Pacific Alternative Asset Management Company	PAAMCO
Perimeter Park West Incorporated	PPW
Qualified Domestic Relations Order	QDRO
Required Supplementary Information	RSI
Senate Bill	SB
Short Term Investment Funds	STIFs
State Police Retirement System	SPRS
Summary Annual Financial Report	SAFR
Total Pension Liability	TPL
Teachers' Retirement System	TRS
Unfunded Actuarial Accrued Liability	UAAL
Unfunded Accrued Liability	UAL
Unrelated Business Income	UBI

DRAFT 11-12-2025



KENTUCKY RETIREMENT SYSTEMS
1260 LOUISVILLE ROAD, FRANKFORT, KY 40601

KRS members are current and former employees of state and quasi-governmental agencies and Kentucky State Police officers.

Photo, front cover: Kentucky State Capitol rotunda. The building is undergoing renovations to modernize infrastructure and enhance accessibility while preserving its historic significance.





KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



December 4, 2025

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, IL 60601-1210

RE: Certificate of Achievement for Excellence in Financial Reporting
Report #COA-2024-00811

Pursuant to the instructions included in the report referenced above, responses to the comments and suggestions for improvement of the County Employees Retirement System's (CERS) Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2024, follow:

Comment 101: Cover, table of contents, and formatting

Refer to the first page of the table of contents. Consider using the same regular font as the captions for the notes to the financial statements, rather than bold font, for the captions "combining statement of fiduciary net position" and combining statement of changes in fiduciary net position."

The formatting of the table of contents should clearly indicate that the notes to the financial statements are an integral part of the basic financial statements.

Management concurs with the recommendation. For the 2025 ACFR, the same font is used for the basic financial statements and the notes to the financial statements.

The table of contents should clearly segregate the five essential sections: the introductory section, the financial section, the investment section, the actuarial section, and the statistical section. The formatting of the table of contents should clearly indicate that the required supplementary information and other supplementary information are part of the financial section. Also, note that the other supplementary information on page 70 and the report on internal control are not "required supplementary information" but "other supplementary

information” and therefore, should not be included under the caption “required supplementary information.”

Management concurs with the recommendation. The table of contents depicts that the required supplementary information and the other supplementary information are part of the financial section. The five essential sections are color coded to depict the different sections.

Comments 113: Pension-related note disclosures

The notes should disclose whether the postemployment benefit plan is a single-employer, agent multiple-employer, or cost sharing multiple-employer plan.

Management concurs with the recommendation. The financial statement Note B has been updated to include that the plans are cost sharing multiple-employer plans.

Comment 114 Required supplementary information

Also, remove the reference to the other supplementary information on page 58, the divider page for required supplementary information.

Only items specifically identified by the GASB as required supplementary information should be so categorized. Other mandated presentation should be presented elsewhere in the annual comprehensive financial report.

Management concurs with the statement. The reference to the other supplementary information has been removed from the required supplementary information.

Sincerely,

Michael B. Lamb, CPA
Chief Financial Officer

Enclosure

cc: Ryan P. Barrow
Executive Director

Connie A. Davis, CIA, CGAP, CRMA
Director of Accounting

Errin Surratt
Deputy Executive Director

/ACFR Submission Letter - 2025

DRAFT



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



December 4, 2025

Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, IL 60601-1210

RE: Certificate of Achievement for Excellence in Financial Reporting
Report #COA-2024-00812

Pursuant to the instructions included in the report referenced above, responses to the comments and suggestions for improvement of the Kentucky Retirement System's (KRS) Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2024, follow:

Comment 101: Cover, table of contents, and formatting

Refer to the first page of the table of contents. Consider using the same regular font as the captions for the notes to the financial statements, rather than bold font, for the captions "combining statement of fiduciary net position" and combining statement of changes in fiduciary net position."

The formatting of the table of contents should clearly indicate that the notes to the financial statements are an integral part of the basic financial statements.

Management concurs with the recommendation. For the 2025 ACFR, the same font is used for the basic financial statements and the notes to the financial statements.

The table of contents should clearly segregate the five essential sections: the introductory section, the financial section, the investment section, the actuarial section, and the statistical section. The formatting of the table of contents should clearly indicate that the required supplementary information and other supplementary information are part of the financial section. Also, note that the other supplementary information on page 70 and the report on internal control are not "required supplementary information" but "other supplementary

information” and therefore, should not be included under the caption “required supplementary information.”

Management concurs with the recommendation. The table of contents depicts that the required supplementary information and the other supplementary information are part of the financial section. The five essential sections are color coded to depict the different sections.

Comments 113: Pension-related note disclosures

The notes should disclose whether the postemployment benefit plan is a single-employer, agent multiple-employer, or cost sharing multiple-employer plan.

Management concurs with the recommendation. The financial statement Note B has been updated to include that the plans are cost sharing multiple-employer plans or single employer plans.

Comment 114 Required supplementary information

Also, remove the reference to the other supplementary information on page 63, the divider page for required supplementary information.

Only items specifically identified by the GASB as required supplementary information should be so categorized. Other mandated presentation should be presented elsewhere in the annual comprehensive financial report.

Management concurs with the statement. The reference to the other supplementary information has been removed from the required supplementary information.

Sincerely,

Michael B. Lamb, CPA
Chief Financial Officer

Enclosure

cc: Ryan P. Barrow
Executive Director

Connie A. Davis, CIA, CGAP, CRMA
Director of Accounting

Errin Surratt
Deputy Executive Director

/KRS ACFR Submission Letter - 2025

DRAFT



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Ryan Barrow
Executive Director

FROM: Dominique McKinley
Division Director, Enterprise & Technology Services

DATE: November 10, 2025

SUBJECT: Information Security Assessment Summaries

Since 2006, KPPA has contracted with a third party to perform an annual assessment of the security of the KPPA information infrastructure. In June of 2025, Crowe performed an information security assessment that included the following activities:

- **External Penetration Assessment:** The objective of the External Penetration Assessment was to assess the ability of the KPPA network to resist attacks from external threats. Crowe identified KPPA systems and services that were accessible on the KPPA external network. Crowe then attempted to identify and verify vulnerabilities that could allow an attacker to gain elevated access to the KPPA network or to gain access to sensitive information. Crowe also assessed the security awareness of KPPA employees through surreptitious attempts to persuade employees to divulge information and execute malicious programs.
- **Internal Penetration Assessment:** The objective of the Internal Penetration Assessment was to assess the ability of the KPPA network to resist attacks from internal threats. Crowe identified KPPA systems and services that were accessible on the KPPA internal network. Crowe then attempted to identify and verify vulnerabilities that could allow an attacker to gain elevated access to the KPPA network or to gain access to sensitive information. Crowe also assessed the security awareness of KPPA employees through surreptitious attempts to persuade employees to gain access to the internal network and employee workstations.
- **Microsoft 365 Security Assessment:** The overall objective of the assessment was to assess the ability of KPPA's Office 365 configuration to resist attacks from the perspective of an external attacker as well as internal malicious user role or accidental exposure.

- **Static & Dynamic Web Application Assessments:** The overall objective of the assessment was to assess the ability of KPPA's applications to resist attacks from the perspective of an unauthenticated attacker as well as an attacker leveraging an authenticated role. Crowe attempted to identify and verify any vulnerabilities that could allow an attacker to gain unauthorized access to the application or to sensitive information.

Findings

Finding Criticality	Information Security Assessment
High Risk	0
Moderate Risk	4
Low Risk	14
Best Practice	1
Total Findings	19

High Risk – Requires immediate remedy and, if left uncorrected, exposes KPPA to significant or immediate risk of loss, asset misappropriation, data compromise or interruption, fines and penalties, or increased regulatory scrutiny.

Moderate Risk – Requires timely remedy and, if left uncorrected, may expose KPPA to risk of loss or misappropriation of company assets, compromise of data, fines and penalties, or increased regulatory scrutiny. These issues should be resolved in a timely manner, but after any high priority issues.

Low Risk – Should be addressed as time and resources permit. While it is not considered to represent significant or immediate risk, repeated oversights without corrective action or compensating controls could lead to increased exposure or scrutiny.

Best Practice – Represents operational efficiencies or improvements for consideration by management based on industry best practices and Crowe's experiences.

Additional Recommendations

The annual third-party information security audit is a critical measurement of how well KPPA is protecting our resources and member data. In addition to the findings from the assessments, I recommend the following:

Third Party Infrastructure Assessment

- A third party information security audit should once again be approved and conducted to ensure remediation efforts were successful and to identify any new risks and vulnerabilities. The assessment should be conducted in 2026.

Assessment Remediation

- The Division of Enterprise & Technology Services should continue to ensure that issues identified in the Crowe assessment report, along with issues identified in previous assessment reports, are remediated and that controls remain in place when system changes occur. All recommendations should be implemented or in the case of business needs that make implementation not feasible, the risk of not implemented should be addressed through the formal security exemption process.

Personnel Related

- KPPA needs to proactively continue to make security-focused training available to all business and technical employees, as well as targeted security awareness materials related to the mission and operations of KPPA. This training will meet regulatory requirements and help ensure that our staff members protect member data and resources.

cc: John Chilton, KRS Chief Executive Officer
Ed Owens, CERS Chief Executive Officer
Erin Surratt, Executive Director, Office of Benefits
Mike Lamb, Chief Financial Officer, Office of Operations
Steve Willer, Executive Director, Office of Investments
Michael Board, Executive Director, Office of Legal Services
Lori Casey, Division Director, Human Resources
Connie Davis, Division Director, Accounting
Kristen Coffey, Chief Auditor



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Members of the KPPA Audit Committee

FROM: Jillian Hall, Staff Attorney, Office of Legal Services
Beth Camic, Staff Assistant, Office of Legal Services

DATE: November 4, 2025

SUBJECT: Potential Information Disclosures/Breaches Affecting the Kentucky Public Pensions Authority (“KPPA”), Fiscal Year 2026 Quarter 1

DATA ON POTENTIAL DISCLOSURES/BREACHES FY 2026 1st QUARTER

Total Disclosures/Breaches Reports Investigated: 8

<u>Total Number Investigated</u>	<u>Type</u>
1	Implicated HIPAA/HITECH
0	Implicated state law
1	Implicated KPPA Data Disclosure Notification Policy
6	Found not to be a disclosure/breach

Total Members Affected by Potential Disclosures/Breaches: 268

Total Potential Disclosures/Breaches by Source of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Source</u>
1	KPPA, KRS, or CERS
267	External (e.g., vendor, business associate)

Total Potential Disclosures/Breaches by Method of Disclosure/Breach

<u>Total Number of Disclosures/Breaches</u>	<u>Method</u>
0	Email
1	Mail
0	Self-Service
0	Phone
0	Fax
1	Other

SYNOPSIS ON POTENTIAL DISCLOSURES/BREACHES

KPPA, KRS, and CERS Disclosures/Breaches

- **Federal law (HIPAA/HITECH):** There were **no** potential breaches of protected health information by the KPPA.
- **State law (KRS 61.931, et seq.):** There were **no** potential “security breaches” of “personal information” as defined by state law by the KPPA.
- **KPPA Internal Data Disclosure Notification Policy:** The following disclosures occurred under the KPPA’s Data Disclosure Notification Policy.

Background: A member reported receiving an envelope addressed to them, but it contained checks belonging to another member.

Root Cause: Human error in mailing preparation.

Follow Up: The recipient returned the misdelivered mail, and KPPA confirmed the other member promptly received their check. The recipient also received a reissued check before the next payday.

External Disclosures/Breaches

The KPPA received **one** notification from a KPPA vendor or business associate this quarter that a security breach or disclosure had occurred.

Background: On August 18, 2025, KPPA was notified by a vendor that a cybersecurity event involving a subcontractor’s services had impacted 267 KPPA members within a limited portion of their network.

Root Cause: Cybersecurity event.

Follow Up: The subcontractor immediately implemented emergency response protocols, notified law enforcement, and sent notice to affected members and other required agencies. The contracted entity and its subcontractor are evaluating additional security enhancements to reduce the likelihood of a similar cybersecurity event in the future. The contractor notified affected members.

RECOMMENDATION

This memorandum is provided for informational purposes only.



KENTUCKY PUBLIC PENSIONS AUTHORITY

Ryan Barrow, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



MEMORANDUM

TO: Kentucky Public Pensions Authority Audit Committee

FROM: Stephanie Hold, Investigator, Office of Legal Services

DATE: November 18, 2025

SUBJECT: Tips Received Regarding Fraud, Waste, and Abuse

The information contained in this memo concerns tips regarding potential fraud, waste and abuse received by the Kentucky Public Pensions Authority (KPPA), including updates on all open cases and cases closed since the last meeting of the KPPA Audit Committee (Audit Committee).

OPEN FRAUD TIP CASES

Since the Audit Committee met on August 26, 2025, the KPPA received five (5) new fraud tips. Four (4) tips were closed following a review and one (1) is currently pending for additional information.

As of the date of this memo, the KPPA has four (4) cases in open status. The following chart provides current information for all open cases as of the date of this Memorandum:

Date Reported	Allegation(s)	Current Action
01/22/2024	Disability retirement fraud.	The Office of Legal Services has gathered information and is working with Disability and Survivor Benefits to coordinate with the MMRO.
06/12/2024	Employer not making the required retirement contributions for employees.	The Office of Legal Services is leaving open and assisting ERCE as needed.
06/16/2024	Prearranged agreement to return to work for the same employer and failure to have the required break in service.	The allegation related to the member was substantiated and the Office of Benefits has taken action; however, the Office of Legal Services is investigating employer reporting issues uncovered as a result of the investigation.

Date Reported	Allegation(s)	Current Action
09/27/2025	Prearranged agreement to return to work for another participating agency.	The Office of Legal Services is investigating.

FRAUD TIPS CLOSED SINCE LAST MEETING

As of the date of this memo, five (5) cases have been closed since the last meeting of the KPPA Audit Committee. The following case(s) were closed since the last meeting:

Date Reported	Allegation(s)	Disposition
12/13/2022	Failure of a KERS employer to report all employees in regular fulltime positions.	After full review, all members were either reported or had opted out of participating in KPPA benefits when the employer began participating.
07/25/2025	Prearranged agreement to return to work for another participating agency.	Office of Legal Services obtained information which did not support the fraud tip received.
08/27/2025	CHFS Waiver Fraud	Office of Legal Services contacted the tipster and provided the appropriate agency contact to report the information.
09/03/2025	Employer not making the required employee contributions.	Provided all information, as well as tipster contact information, to ERCE for follow-up.
09/20/2025	KTRS Insurance Fraud	Office of Legal Services contacted the tipster to confirm the allegation was solely related to the KTRS and provided the appropriate contact information to make a report.

RECOMMENDATION

This memorandum is provided for informational purposes only.



Kentucky Public Pensions Authority

Division of Internal Audit



To: Members of the KPPA Audit Committee

From: Kristen N. Coffey, CICA
Chief Auditor

Date: November 18, 2025

Subject: Fiscal Year 2025 Internal Audit Budget as of September 30, 2025

Account Number	Account Name	FYE 2026 Budget	FY 2026 Actual Expenditures	Remaining Budget	Percent Remaining
111	Salaries	\$ 400,000.00	\$ 88,787.06	\$ 311,212.94	77.80%
121	Employer Paid FICA	30,600.00	6,399.16	24,200.84	79.09%
122	Employer Paid Retirement	169,372.36	38,835.91	130,536.45	77.07%
123	Employer Paid Health Insurance	50,000.00	14,591.16	35,408.84	70.82%
124	Employer Paid Life Insurance	60.00	14.00	46.00	76.67%
259T	Conference Expenses	4,000.00	-	4,000.00	100.00%
361T	Travel - In State	1,000.00	-	1,000.00	100.00%
362T	Travel - Out State	3,000.00	-	3,000.00	100.00%
381T	Dues & Subscriptions	1,500.00	-	1,500.00	100.00%
399T	Miscellaneous	-	-	-	-
847T	Computer Equipment	16,500.00	14,469.10	2,030.90	12.31%
	Total	\$ 676,032.36	\$ 163,096.39	\$ 512,935.97	75.87%

847T Computer Equipment

This is for the audit software utilized by Internal Audit. Amount paid in 1st Quarter covers all audit employees for June 2025 to June 2026.

KPPA Audit Committee Meeting - KPPA Audit Committee Administrative Updates

Project Code	Project Name	Phase	Scheduled Start	Actual Start	Scheduled End	Actual End	Total Audit Hours	FY 2025 Hours	Total FY 2026 Hours to Date	Estimated Hours	Estimated Hours Variance	Percentage Variance Estimated vs. Actual
2025-8*	Inventory Process	Fieldwork	7/1/2025	7/1/2025	8/29/2025	1/0/1900	243.25	206.25	37.00	100.00	(56.75)	-23%
2026-1	GAINR Calculation	Completion	7/1/2025	7/1/2025	9/30/2025	9/22/2025	112.50	0.00	112.50	300.00	(187.50)	-167%
2026-2	Process for Updating the KPPA Website	Completion	7/1/2025	7/1/2025	9/19/2025	1/0/1900	262.00	0.00	262.00	250.00	12.00	5%
2026-3	Trustees Payments	Completion	7/1/2025	7/1/2025	9/17/2025	1/0/1900	412.00	0.00	412.00	300.00	112.00	27%
2026-4	Normal Member Benefit Payments	Planning	8/11/2025	9/15/2025	10/31/2025	1/0/1900	251.00	0.00	251.00	350.00	(99.00)	-39%
2026-5	Disability Benefit Payments	Planning	8/11/2025	9/15/2025	10/31/2025	1/0/1900	151.00	0.00	151.00	350.00	(199.00)	-132%
2026-6	Procurement Process	Planning	9/2/2025	9/2/2025	12/19/2025	1/0/1900	279.50	0.00	279.50	400.00	(120.50)	-43%
2026-7	Tier 3 Opt-in Process	Not Started	9/29/2025	1/0/1900	12/19/2025	1/0/1900	0.00	0.00	0.00	500.00	(500.00)	#DIV/0!
2026-8	Hearing Officer Payments	Completion	7/1/2025	7/1/2025	9/17/2025	9/29/2025	289.25	0.00	289.25	300.00	(10.75)	-4%
2026-9	Post-retirement Audit Process	Not Started	12/1/2025	1/0/1900	2/13/2026	1/0/1900	0.00	0.00	0.00	250.00	(250.00)	#DIV/0!
2026-10	Establishment of Process Back-ups	Not Started	12/1/2025	1/0/1900	3/13/2026	1/0/1900	0.00	0.00	0.00	250.00	(250.00)	#DIV/0!
2026-11	Employer Audit Process (specific to House Bill 8)	Not Started	2/2/2026	1/0/1900	5/15/2026	1/0/1900	103.50	101.50	2.00	350.00	(348.00)	-17400%
2026-12	Annual Dependent Verification Process	Not Started	3/16/2026	1/0/1900	5/16/2026	1/0/1900	0.00	0.00	0.00	250.00	(250.00)	#DIV/0!
2026-13	Training Related to Various Leave Types	Not Started	3/1/2026	1/0/1900	5/15/2026	1/0/1900	0.00	0.00	0.00	300.00	(300.00)	#DIV/0!
2026-14	System Build Process	Not Started	4/1/2026	1/0/1900	6/30/2026	1/0/1900	0.00	0.00	0.00	400.00	(400.00)	#DIV/0!
2026-15	Manual Remittance Process	Not Started	5/1/2026	1/0/1900	6/30/2026	1/0/1900	0.00	0.00	0.00	500.00	(500.00)	#DIV/0!
2026-16	Administrative Regulations Update Process	Not Started	5/1/2026	1/0/1900	6/30/2026	1/0/1900	0.00	0.00	0.00	250.00	(250.00)	#DIV/0!
2026-20	KERS Trustee Election	Planning	7/1/2025	7/1/2025	4/30/2026	1/0/1900	65.50	0.00	65.50	100.00	(34.50)	-53%
2026-21	Office Space Utilization Review	Not Started	1/16/2026	1/0/1900	2/16/2026	1/0/1900	0.00	0.00	0.00	30.00	(30.00)	#DIV/0!
2026-22	Open Audit Recommendation Review	Not Started	1/5/2026	1/0/1900	3/31/2026	1/0/1900	4.75	0.00	4.75	50.00	(45.25)	-953%
2026-23	Charter and Policy Updates	Not Started	8/1/2025	1/0/1900	10/31/2025	1/0/1900	0.00	0.00	0.00	15.00	(15.00)	#DIV/0!
2026-24	ACFR/SAFR Review	Not Started	8/18/2025	1/0/1900	2/13/2026	1/0/1900	22.50	0.00	22.50	75.00	(52.50)	-233%
2026-25	FY 2027 Risk Assessment and Audit Plan	Not Started	1/5/2026	1/0/1900	6/30/2026	1/0/1900	0.00	0.00	0.00	125.00	(125.00)	#DIV/0!
2026-26	Internal Audit Key Performance Indicators	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	9.25	0.00	9.25	24.00	(14.75)	-159%
2026-27	Internal Audit Process Documentation and Updates	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	74.50	0.00	74.50	75.00	(0.50)	-1%
2026-28	Miscellaneous KPPA Group Participation/Projects	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	181.00	0.00	181.00	240.00	(59.00)	-33%
2026-30	Board/Committee Meetings	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	56.75	0.00	56.75	300.00	(243.25)	-429%
2026-31	Internal Audit Meetings	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	162.00	0.00	162.00	490.00	(328.00)	-202%
2026-32	KPPA (non-Board) Meetings	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	69.00	0.00	69.00	100.00	(31.00)	-45%
2026-33	Continuing Professional Education	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	6.00	0.00	6.00	200.00	(194.00)	-3233%
2026-34	On-The-Job Staff Training	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	157.50	0.00	157.50	200.00	(42.50)	-27%
2026-35	Staff Performance Evaluations	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	78.50	0.00	78.50	100.00	(21.50)	-27%
2026-36	KPPA Leadership Program	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	12.25	0.00	12.25	50.00	(37.75)	-308%
2026-37	Internal Audit Staff Hiring	Not Started	7/1/2025	1/0/1900	6/30/2026	1/0/1900	0.00	0.00	0.00	60.00	(60.00)	#DIV/0!
	Reserve Hours		1/0/1900	1/0/1900	1/0/1900	1/0/1900	0.00	0.00	0.00	429.00	(429.00)	#DIV/0!
	Administrative Hours	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	60.25	0.00	60.25	350.00	(289.75)	-481%
	Non-Working Hours	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	550.75	0.00	550.75	875.00	(324.25)	-59%
	Holiday	Fieldwork	7/1/2025	7/1/2025	6/30/2026	1/0/1900	75.00	0.00	75.00	500.00	(425.00)	-567%

*Budget variance takes into account the full budget for the audit, not just the FY 25 budget hours.

Total Hours Worked 3,689.50 **307.75** **3,381.75**
Total Hours Scheduled 3,337.50
Total Overtime Hours 44.25
Average OT by Employee 8.85

Explanation of Overages 10% or greater

2026-3: Lead auditor assigned was still in training, and the reviewer changed part of the way through the audit. Both resulted in additional time being spent on the audit than originally estimated.



KPPA
Kentucky Public Pensions Authority

2026-1

Review of Tier 3 GANIR Calculation

Lead Auditor: Madeline Evans

Issue Date: September 22, 2025

The following acronyms will be used throughout the report:

1. KPPA – Kentucky Public Pensions Authority
2. CERS – County Employees Retirement System
3. KERS – Kentucky Employees Retirement System
4. SPRS – State Police Retirement System
5. KRS – Kentucky Retirement Systems
6. Board(s) – Board of Trustees
7. CEO – Chief Executive Officer
8. CIO – Chief Investment Officer
9. CFO – Chief Financial Officer
10. KPPA Executive Management Team – KPPA Executive Director, KPPA Deputy Executive Director, KPPA CIO, KPPA Executive Director – Office of Benefits, KPPA Executive Director – Office of Legal Services, and KPPA CFO
11. GANIR – Geometric Average Net Investment Return
12. BNY/custodial bank – Bank of New York
13. ACFR – Annual Comprehensive Financial Report

Report Contents

<u>Overall Opinion.....</u>	<u>1</u>
<u>Strategic Risk Addressed (Objective).....</u>	<u>1</u>
<u>Audit Scope</u>	<u>1</u>
<u>Summary of Findings and Observations</u>	<u>2</u>
<u>Commendations</u>	<u>2</u>
<u>Audit Standards</u>	<u>2</u>
<u>Appendix A – Audit Results.....</u>	<u>3</u>
<u>Findings</u>	<u>3</u>
<u>Appendix B – Control Matrix.....</u>	<u>4</u>

Overall Opinion

Process generally complies with relevant regulations, policies, and procedures. Additional research is needed to ensure compliance with all relevant statutes (see finding on page 3). Internal controls are established and working effectively and efficiently.

Strategic Risk Addressed (Objective)

Review the tier 3 GAINR calculation process and ensure compliance with statutes/regulations/ policies. Confirm controls are established to ensure proper calculation and appropriate interest.

Audit Scope

The Review of Tier 3 GANIR Calculation audit was conducted from July 1, 2025 to September 2, 2025. The scope of the audit was fiscal year 2025.

Summary of Findings and Observations

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year.

- One finding was noted during the audit – Upside Sharing Calculations May Not Follow Statutes. Additional details related to the findings, including the corresponding recommendation can be found in Appendix A.

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability.

- No observations were noted during this audit.

We noted one Opportunity for Improvement that we communicated to the Office of Legal Services in a separate letter dated September 22, 2025.

Commendations

We appreciate the time that the Office of Investments took to explain how BNY and Solovis work with KPPA staff to ensure the accuracy of the returns used to calculate the GANIR.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Office of Investments and the Office of Legal Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Audit Results

Findings

1. Upside sharing calculations may not follow statutes																																																																																																															
Recurring Issue:	No																																																																																																														
Condition:	Once the GANIR is determined, it is used to calculate the upside sharing amount of the interest applied to tier 3 member accounts. Currently, the Upside Sharing amount is calculated using the plan's GANIR - CERS Hazardous, CERS Non-Hazardous, KERS Hazardous, KERS Non-Hazardous, and State Police.																																																																																																														
Criteria:	Definition of System Kentucky Revised Statutes 16.505(1) in relation to statutes 16.505 to 16.652 states, "System means the State Police Retirement System...." Kentucky Revised Statutes 61.510(1) in relation to statutes 61.510 to 61.705 states, "System means the Kentucky Employees Retirement System...." Kentucky Revised Statutes 78.510(1) in relation to statutes 78.510 to 78.852 states, "System means the County Employees Retirement System...." Tier 3 interest credit Kentucky Revised Statutes 16.583(4)(b), 61.597(4)(b), 78.5512(4)(b), and 78.5516 (4)(b) state, "If the member contributed to the hybrid cash balance plan during the fiscal year, the interest credit added to the member's account for that fiscal year shall be determined by multiplying the member's accumulated account balance on June 30 of the preceding fiscal year by a percentage increase equal to: 1. Four percent (4%); plus 2. Seventy-five percent (75%) of the system's geometric average net investment return in excess of a four percent (4%) rate of return." (emphasis added)																																																																																																														
Cause:	The statutes use the word "system," which is clearly defined. However, there are separate statutes discussing the calculation for hazardous and non-hazardous members.																																																																																																														
Effect:	If Upside Sharing were calculated based on system GANIR, rather than plan, the following differences would have been noted to the tier 3 interest rates for 2020-2024. <table border="1"> <thead> <tr> <th></th><th colspan="3">GANIR by System</th><th colspan="5">Current method GANIR</th><th colspan="5">Difference between System and Current GANIR</th></tr> <tr> <th></th><th>KERS</th><th>CERS</th><th>SPRS</th><th>KERS</th><th>KHAZ</th><th>CERS</th><th>CHAZ</th><th>SPRS</th><th>KERS</th><th>KHAZ</th><th>CERS</th><th>CHAZ</th><th>SPRS</th></tr> </thead> <tbody> <tr> <td>2024</td><td>5.97</td><td>6.79</td><td>6.15</td><td>5.79</td><td>6.60</td><td>6.75</td><td>6.89</td><td>6.15</td><td>0.18</td><td>-0.63</td><td>0.04</td><td>-0.10</td><td>0.00</td></tr> <tr> <td>2023</td><td>5.34</td><td>5.92</td><td>5.57</td><td>5.21</td><td>5.80</td><td>5.89</td><td>6.01</td><td>5.57</td><td>0.13</td><td>-0.46</td><td>0.03</td><td>-0.09</td><td>0.00</td></tr> <tr> <td>2022</td><td>5.37</td><td>5.7</td><td>5.58</td><td>5.28</td><td>5.70</td><td>5.68</td><td>5.79</td><td>5.58</td><td>0.09</td><td>-0.33</td><td>0.02</td><td>-0.09</td><td>0.00</td></tr> <tr> <td>2021</td><td>8.14</td><td>8.79</td><td>8.25</td><td>7.96</td><td>8.74</td><td>8.76</td><td>8.90</td><td>8.25</td><td>0.18</td><td>-0.60</td><td>0.03</td><td>-0.11</td><td>0.00</td></tr> <tr> <td>2020</td><td>4.68</td><td>5.01</td><td>4.85</td><td>4.57</td><td>5.07</td><td>4.97</td><td>5.15</td><td>4.85</td><td>0.11</td><td>-0.39</td><td>0.04</td><td>-0.14</td><td>0.00</td></tr> </tbody> </table>														GANIR by System			Current method GANIR					Difference between System and Current GANIR						KERS	CERS	SPRS	KERS	KHAZ	CERS	CHAZ	SPRS	KERS	KHAZ	CERS	CHAZ	SPRS	2024	5.97	6.79	6.15	5.79	6.60	6.75	6.89	6.15	0.18	-0.63	0.04	-0.10	0.00	2023	5.34	5.92	5.57	5.21	5.80	5.89	6.01	5.57	0.13	-0.46	0.03	-0.09	0.00	2022	5.37	5.7	5.58	5.28	5.70	5.68	5.79	5.58	0.09	-0.33	0.02	-0.09	0.00	2021	8.14	8.79	8.25	7.96	8.74	8.76	8.90	8.25	0.18	-0.60	0.03	-0.11	0.00	2020	4.68	5.01	4.85	4.57	5.07	4.97	5.15	4.85	0.11	-0.39	0.04	-0.14	0.00
	GANIR by System			Current method GANIR					Difference between System and Current GANIR																																																																																																						
	KERS	CERS	SPRS	KERS	KHAZ	CERS	CHAZ	SPRS	KERS	KHAZ	CERS	CHAZ	SPRS																																																																																																		
2024	5.97	6.79	6.15	5.79	6.60	6.75	6.89	6.15	0.18	-0.63	0.04	-0.10	0.00																																																																																																		
2023	5.34	5.92	5.57	5.21	5.80	5.89	6.01	5.57	0.13	-0.46	0.03	-0.09	0.00																																																																																																		
2022	5.37	5.7	5.58	5.28	5.70	5.68	5.79	5.58	0.09	-0.33	0.02	-0.09	0.00																																																																																																		
2021	8.14	8.79	8.25	7.96	8.74	8.76	8.90	8.25	0.18	-0.60	0.03	-0.11	0.00																																																																																																		
2020	4.68	5.01	4.85	4.57	5.07	4.97	5.15	4.85	0.11	-0.39	0.04	-0.14	0.00																																																																																																		
Recommendations:	KPPA Legal Services should review the referenced statutes and offer an opinion or guidance on whether the Upside Sharing for tier 3 members should be calculated using the plan's GANIR or the system's GANIR.																																																																																																														
Management Response:	It is feasible for KPPA Legal Services to research and review the applicable law and provide an opinion. It should be noted that when Tier 3 was implemented, the Office of Legal Services was part of the implementation team and participated in the approval process of the current calculation method. However, given the importance and the potential impact, another review is possible. That review and opinion will not in and of itself correct the cause, if correction is necessary, it will provide further validation or insight and options to the rest of the executive management on how the cause may be addressed.																																																																																																														
Implementation Date:	June 30, 2026																																																																																																														
Auditor Response:	We appreciate the willingness to review this item given the importance and potential impact. We also agree that once the review is completed by Legal Services, if corrective action is determined to be necessary, additional members of the KPPA Executive Management team should be included when determining the best way to implement the recommended corrective action.																																																																																																														

Appendix B – Control Matrix

The following formula was used to recalculate the GANIR – 60 monthly returns were used to calculate the 5-year return.

$$\left(\prod_{i=1}^n x_i \right)^{\frac{1}{n}} = \sqrt[n]{x_1 x_2 \dots x_n}$$

where:
 $x_1, x_2, \dots$ = Portfolio returns for each period
 n = Number of periods

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Trustees do not receive accurate, complete, or timely information.	ACFR is presented each year for board approval.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management communicates necessary information externally. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	The GANIR is calculated at year end and included in the ACFR for both CERS and KRS. The ACFR is presented to the respective Board for acceptance.	Confirmed that CERS and KRS approved FY 2024 GANIR rates.	Both the CERS and KRS Boards accepted their respective ACFR, which included the GANIR calculation.
2.	Policies/procedures/internal controls are not established, documented, effective or efficient.	Procedures are reviewed and updated as needed.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	Procedures related to the calculation and verification of returns used in the GANIR calculation are documented and maintained in Solovis.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are documented, up-to-date, and available to staff.
3.	GANIR is calculated incorrectly.	Solovis performs an independent check on monthly returns.	Risk Assessment: Management considers the potential for fraud when identifying, analyzing and responding to risks. Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management communicates necessary information externally. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Monthly, all data used to calculate the GANIR, for each plan, is verified by a third-party vendor. KPPA's custodial bank is the official record keeper for KPPA financial and accounting data. Monthly, BNY staff provide a performance report to various staff in the Office of Investments and the Division of Accounting. This report shows the one, three, five, and ten year returns, per plan. Additionally, the returns are shown gross of fees, net of investment fees, and net of investment fees and other expenses. The GANIR calculation is based on return that is net of investment fees and other expenses. To verify BNY calculations, each month Solovis independently recalculates returns. Within 10 business days of receiving notice from BNY that the data is finalized, Solovis staff download all transactions for the last two months from the BNY Nexen portal. Solovis compares their start and end values for fund, plan, and pool level to the data obtained from BNY. A recalculation is determined to be a deviation if it falls outside the established parameters: - Individual funds: End value within \$1, Start value within \$1, Net cash flow within \$1, Return within 5 basis points. - Plans: End value within \$100, Start value within \$100, Return within 5 basis points. - Pools: End value within \$1, Start value within \$1, Net cash flow within \$1, Return within 5 basis points.	- Reviewed Solovis reconciliation worksheets and confirmed that variances were explained and resolved. - Recalculated the 5-year geometric average and Tier 3 interest earned. - Calculated the upside sharing for tier 3 members for the past five years for each system (CERS, KERS and SPRS) vs for each plan.	- Of the 22 Solovis reconciliation worksheets, only two worksheets from December 2024 detected variances outside the acceptable range. These variances were resolved in February 2025: - Strategic Value - new account not listed on the BNY report. - Magnetar - small size resulted in return over 100,000%. Solovis showed actual return percent, but BNY report maximum return is 100,000%. - KERS Hazardous showed a six basis point various, but all underlying funds matched. Variance was result of the construction of the returns on the Solovis report. - Auditor was able to recalculate the 5-year return net of investment fees and other expenses, and the Tier 3 interest

				Asset classes: Net Cash Flows within \$1, End Value with \$1, Start Value within \$1, Return within 5 basis points. When notification is received from Solovis that the reconciliation is complete, Office of Investments staff review the reconciliation to ensure no deviations are noted outside the acceptable levels. If there is a deviation outside of the acceptable tolerance, Office of Investments staff, Solovis and BNY staff research the cause and provide an explanation. The cause of the deviation is documented. After speaking to the KPPA General Counsel, it was determined that the KPPA Office of Legal Services has never been asked to provide an official opinion on the GANIR calculation as it pertains to Kentucky Revised Statutes 16.583(4)(b), 61.597(4)(b), 78.5512(4)(b), and 78.5516 (4)(b). However, Legal Services has provided guidance indicating that the GANIR is to be calculated using the "net of administrative and investment fees" amount, which includes all fees and expenses incurred by each system. This is the calculation method currently being used.		earned for 2020-2024. All recalculations matched what was reported in the ACFR. 3. Differences were noted when calculating the upside sharing by system (as potentially outlined in the statutes) versus when calculating the upside sharing using the current method of by plan. Of the 25 comparisons between the GANIR calculated by system and the current method over the past 5 years, 15 comparisons are more than 5 basis points different. (See finding on page 3, which includes the variances).
4.	Administrative and investment fees taken from returns is incorrect.	Expenses are allocated and reviewed throughout the year.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs the entity's information system and control activities. Information and Communication: Management uses quality information to achieve the organization's objectives.	After speaking to the KPPA General Counsel, it was determined that the KPPA Office of Legal Services has never been asked to provide an official opinion on the GANIR calculation as it pertains to Kentucky Revised Statutes 16.583(4)(b), 61.597(4)(b), 78.5512(4)(b), and 78.5516 (4)(b). However, Legal Services has provided guidance indicating that the GANIR is to be calculated using the "net of administrative and investment fees" amount, which includes all fees and expenses incurred by each system. This is the calculation method currently being used. BNY staff allocate all fees either by AUM or by direct instruction from Investment Operations staff according to the KPPA approved split. The accuracy of these allocation has been reviewed in various recent audits and was not reviewed again in this audit.	- Recent audits have reviewed the allocation method of "investment administrative fees and expenses." Additional allocation testing was not conducted for this audit. - Confirmed staff are calculating the GANIR based on guidance provided by the Office of Legal Services.	- Recent audits have reviewed the allocation method of "investment administrative fees and expenses." Additional allocation testing was not conducted for this audit. - Auditor confirmed that the current GANIR calculation is net of <u>all</u> fees and expenses incurred by each system, which is in line with the guidance provided by the Office of Legal Services.
5.	GANIR is not properly reported in the ACFR.	GANIR rates are verified by Office of Investments.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management communicates necessary information externally.	The Office of Investments emails the GANIR for each plan to the Division of Accounting – Investment Operations at the end of the fiscal year. The GANIR is used to calculate the interest applied to tier 3 member accounts. The same email is used to report the GANIR in the ACFR.	Confirmed that GANIR is properly reported in each ACFR.	Fiscal year 2024 GANIR rates were reported correctly in the ACFR.



KPPA
Kentucky Public Pensions Authority

2026-1

Review of Tier 3 GANIR Calculation

Lead Auditor: Madeline Evans

Issue Date: September 22, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA – Kentucky Public Pensions Authority
2. CERS – County Employees Retirement System
3. KRS – Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO – Chief Executive Officer
6. CIO – Chief Investment Officer
7. CFO – Chief Financial Officer
8. KPPA Executive Management Team – KPPA Executive Director, KPPA Deputy Executive Director, KPPA CIO, KPPA Executive Director – Office of Benefits, KPPA Executive Director – Office of Legal Services, and KPPA CFO
9. Legal Services – KPPA Office of Legal Services
10. GANIR – Geometric Average Net Investment Return
11. BNY – Bank of New York

Strategic Risk Addressed

Review the tier 3 GANIR calculation process and ensure compliance with statutes/regulations/ policies. Confirm controls are established to ensure proper calculation and appropriate interest.

Audit Scope

The Review of Tier 3 GANIR Calculation audit was conducted from July 1, 2025 to September 2, 2025. The scope of the audit was fiscal year 2025. In addition to the items included in that report, we noted one opportunity for improvement that we wanted to communicate to management.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Office of Investments and Office of Legal Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Opportunities for Improvement

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. No management response is required for these items; however, management did opt to provide a response, which has been included.

Official legal opinion not on file regarding the GANIR

Finding: Regarding the GANIR, Kentucky Revised Statutes 16.583(4)(d), 61.597(4)(d), 78.5512(4)(d), and 78.5516 (4)(d) state, "For purposes of this subsection, "system's geometric average net investment return": 1. Means the annual average geometric investment return, net of administrative and investment fees and expenses, over the last five (5) fiscal years as of the date the interest is credited to the member's account...."

Legal guidance has been provided to indicate that "net of administrative and investment fees and expenses" is to be interpreted as using the BNY return shown as "net of investment fees and other expenses." This is the method currently being used by KPPA staff. However, during the audit, it was revealed that not all members of management interpreted this statute in the same manner.

Cause: After discussion with KPPA General Counsel it was determined that Legal Services is not typically asked to provide formal guidance or opinion unless there is ambiguity in a statute's language. KPPA Legal Services staff do not believe the language in these statutes is unclear; therefore, no official opinion has been provided.

Effect: Without an official Legal Services opinion, there could be a misunderstanding or disagreement on how to calculate the GANIR.

Recommendations: While Legal Services staff have provided guidance on the GANIR calculation method, KPPA Executive Management should determine if an official Legal Services opinion is needed, specifically pertaining to the meaning of "net of administrative and investment fees and expenses."

Management Response: It is feasible for KPPA Executive Management to determine if an official Legal Services opinion is needed. However, it is my understanding that when Tier 3 was implemented that the implementation and build documents were reviewed by all necessary parties, including KPPA Legal at the time, and all parties approved.



KPPA
Kentucky Public Pensions Authority

2026-2

Review Process to Update KPPA Website

Lead Auditor: William Prince

Issue Date: October 14, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
8. Communications – KPPA Division of Communications
9. WHD – Web Help Desk

Report Contents

Overall Opinion	1
Strategic Risk Addressed (Objective).....	1
Audit Scope	1
Summary of Findings and Observations	1
Commendations	2
Appendix A – Control Matrix	3

Overall Opinion

Process generally complies with relevant statutes, regulations, policies, and procedures. Internal controls are established but steps could be taken to make the process more effective.

Strategic Risk Addressed (Objective)

Review the process for updating the KPPA website. Confirm controls are established to ensure the website reflects accurate information.

Audit Scope

The Review Process to Update KPPA Website audit was conducted from July 1, 2025 to September 11, 2025. The scope of the audit was information posted to the website as of the date of fieldwork.

Summary of Findings and Observations

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year.

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability.

No findings or observations were noted as a result of this audit.

We noted other Opportunities for Improvement that we communicated to the Division of Communications in a separate letter dated September 17, 2025 (DRAFT). Additionally, during the audit, we noted an item we wanted to bring to management's attention: Kentucky Revised Statutes require the reporting of net of fees investment returns, asset allocation, and performance against benchmarks to be posted by individual manager on a quarterly basis. All individual managers are posted, with the exception of those in the Private Equity portfolio. The quarterly reports only show this information for Private Equity Composite, and not the individual Private Equity managers based on guidance received from the Investment Committee in 2017 as a result of the vintage pooled structure of the Private Equity portfolio.

Commendations

Auditor would like to commend the Division of Communications for their assistance with this project. Staff members were knowledgeable and helpful throughout the audit process.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Communications. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Control Matrix

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Policies/procedures/internal controls are not established, documented, effective or efficient	Procedures are reviewed and updated as needed	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Monitoring: Management remediates identified internal control deficiencies in a timely manner.	The Division of Communications maintains procedures related to the technical process for updating the KPPA website as a part of their process documentation. Communications staff continue to add to the existing process documentation related to updating the KPPA website.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are up to date. Updating the website is a continual and fluid process. Communications staff monitor the procedures and update them as necessary.
2.	KPPA website does not contain required information	Divisions are responsible for statutorily required items	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management communicates necessary information externally.	Communications staff are the only individuals at KPPA that have edit access to the KPPA website. Any updates or new information that must be posted to the website is sent to Communications. There are two ways that KPPA staff submit website update requests to Communications: 1. Primary method: WHD tickets – Most requests (75%-80%) come through the submission of a web help desk ticket using the category "Communications - Website" on the ticket submission. 2. Secondary (not advertised) method: Email or Phone – Executive and/or time sensitive requests may be submitted by email or call to Communications staff. Occasionally, requests are made by email, phone, or Microsoft Teams; however, Communications encourages the use of WHD for all requests. The various KPPA divisions are responsible for submitting tickets to upload/edit content on their specific KPPA webpages, including statutorily required contents.	Auditor reviewed the KPPA website to ensure that all statutorily required materials were present and up to date.	Statutes require 44 various items to be posted to the KPPA website. Auditor tested 100% of these items. • 42 of 44 statutorily required items were present and up to date. • One statutorily required item (Summary Plan Description) was included on the website, but the last revision date is from 2022 (See Management Letter Item #3). • One statutorily required item is not on the website (dollar value of profit sharing) as KPPA does not participate in this activity. While statutorily required items were present on the website, auditor noted there is not an easy way to ensure these items are posted and available to the public (See Management Letter Item #1).
3.	Requests to update the website are not made by appropriate individual	Communications verifies that the request is coming from an appropriate source	Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management uses quality information to achieve the organization's objectives.	When a request is received, Communications staff review the requestee and ensure it is someone they would expect to make an update request to that webpage. If not, Communications staff will confirm the request with the primary contact for the division responsible for the area of the website being updated.	Auditor reviewed all Web Help Desk tickets submitted to the Division of Communications under the code of "website" and created a list of all the submitters of those "website" tickets. Auditor confirmed with Communications that all tickets were submitted by the expected individual.	Thirty-five unique individuals submitted a WHD ticket for an update to the KPPA Website. The Division of Communications confirmed that all individuals were those responsible for the webpage in which they requested an update.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
4.	Inaccurate information is posted on the KPPA website	Webpage owner approves changes prior to them being published	Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	When a WHD ticket is submitted for Communications, all staff members receive an email notification. The Assistant Director receives a second email notification, as the ticketing system default assigns all tickets to the Assistant Director. If the ticket is for a website update, a member of the Communications staff takes ownership of the ticket to begin working on the request. In most cases, this step occurs within one day of the ticket submission. That staff member will go into the back end of the KPPA website and make the requested change. If the request involves a more complicated change, a dialogue will begin between Communications and the requesting division about how to best implement the requested change. After the requested change has been made, the ticket is updated with relevant notes and closed. When closing each ticket, staff utilizes the "Save and Email" option so that the requestor receives notification and is prompted to verify the changes. For more complex or non-routine requests, Communications staff may share the change with the requesting division before publishing it to ensure the proper change has been made.	1. Auditor spoke with multiple KPPA divisions to ascertain the appropriate responsible party for each KPPA website page. 2. Auditor navigated to every page on the KPPA website and verified that the page was functioning and contained the appropriate information. 3. Auditor opened every document and followed every link on each webpage and verified that documents were up-to-date and links were functional.	There are 158 individual webpages on the KPPA website. 1. All 158 webpages were functioning and contained accurate information. 2. When looking at links and documents, the following were found: 134 of 158 webpages were up to date. - One webpage was in the process of being removed from the website. 14 webpages contained information that did not have a revision date or had a revision date of more than two years ago. (See Management Letter Item #3) - Six webpages contained broken links. (See Management Letter Item #2) - One page contained both a broken link and information with a revision date of more than two years ago. (See Management Letter Items #2 and #3) - One page did not contain a committee recording video. (See Management Letter Item #2)
5.	Updates are not made to the KPPA website in a timely manner	Web Help desk tickets track the timeline of requests	Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management uses quality information to achieve the organization's objectives.	Communications tracks their open website requests through the WHD ticket system. All members of the Communications team receive the email alerts when a new ticket is submitted allowing them to cover if the staff member primarily responsible for handling website updates is out of the office. All WHD tickets require a due date to be included when the ticket is filled out. If this due date is not achievable Communications will reach out to the requesting division to work out a reasonable due date for the request In some cases, requests are more long term in nature and tickets may be placed on hold by Communications staff. By default, WHD sends reminder emails to the assigned tech once a ticket is past its due date, unless it has been placed on hold. Everyone in Communications can access their tickets under the "My Tickets" tab and staff review these on a regular basis. Additionally, all Communications staff can view all open tickets under the "Group Tickets" tab.	Auditor took a sample of the web help desk ticket requests made to Communications and verified that the ticket was addressed in a timely manner.	Auditor reviewed 507 Web Help Desk tickets submitted to update the KPPA website. All 507 were completed in a timely manner.



KPPA
Kentucky Public Pensions Authority

2026-2

Review Process to Update KPPA Website

Lead Auditor: William Prince

Issue Date: October 14, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
8. Communications – KPPA Division of Communications

Strategic Risk Addressed

Review the process for updating the KPPA website. Confirm controls are established to ensure the website reflects accurate information.

Audit Scope

The Review Process to Update KPPA Website audit was conducted from July 1, 2025 to September 11, 2025. The scope of the audit was information posted to the website as of the date of fieldwork. No findings or observations were noted during the audit, but we noted three opportunities for improvement that we wanted to communicate to management.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Communications. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Opportunities for Improvement

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. No management response is required for these items; however, management has opted to provide a response, which has been included.

1. Statutorily required information not tracked or easily located

Finding: Statutes require 44 various items to be posted to the KPPA website. Auditor tested 100% of these items. All statutorily required items were present on the website, however, these items are not tracked separately and there is not an easy way to ensure all statutorily required items are posted and available to the public.

Additionally, the statutes require the quarterly net of fees investment returns, asset allocation, and performance against benchmarks to be posted by individual manager. This information is presented in the meeting materials for the Investment Committee meetings and is not kept on a separate page on the KPPA website. As a result, this information is not as easy to locate as the other statutorily required information.

Cause: There is not currently a process in place to distinguish which items posted to the website are statutorily required.

Effect: Users of the KPPA website may be unable to locate all statutorily required information.

Recommendations:

1. Communications staff provide a spreadsheet containing each KPPA website to page owners to periodically confirm that the webpages are accurate and up to date. Communications staff should add a column to this spreadsheet indicating whether the information on the page is statutorily required.
2. Communications staff should work with the Office of Investments to determine if it would be beneficial to post statutorily required information on an easily identifiable page on the KPPA website or to at least add a note to one of the KPPA pages directing the public on how to find the statutorily required items related to the individual managers.

Management Response: Recommendation #1 – The Division of Communications has reviewed the 44 statutorily required items compiled by the Division of Internal Audit. The relevant pages are updated as new information becomes available, existing policies are updated, and when trustees or their board/committee membership changes. The Communications Director will work with Executive Management to enhance the website review process so that subject matter experts tasked with reviewing the website have a reference resource that outlines these statutory requirements. Recommendation #2 – The Compliance Officer initiated discussions with Communications in May 2025 regarding the Investments section of the site. Communications staff is currently working with the Compliance Officer to implement improvements and streamline information published under Investments.

Communications is working toward completing these tasks by June 30, 2026.

2. Webpages are missing information or contain broken links

Finding: Auditor reviewed all 158 KPPA webpages to ensure pages contained accurate information and that links worked properly.

- Seven webpages contained broken links.
- The "Meeting Calendar" webpage does not contain the video for the May 22, 2025 Administrative/Disability Appeals Committees video.

Cause: KPPA maintains a large and dynamic website with an extensive document repository. Previously, Communications staff conducted a semi-annual website review through a coordinated spreadsheet process across divisions. However, this practice has been paused in recent years due to shifting priorities and staffing adjustments within the Division of Communications. As a result, a minimal number of broken links may occasionally occur.

Effect: Users of the KPPA may not be able to successfully access the documents or videos they need.

Recommendation: Communications staff should work with responsible divisions to update broken links and add the missing Committee meeting video.

Management Response: Given the scale and complexity of the site, broken links may occur and are addressed as they are identified; however, this does not reflect a broader issue with site performance or

reliability. Communications staff is committed to maintaining accurate and accessible content. To be proactive and limit the occurrence of broken links, Communications added a "Report Broken Link" link to the footer of the KPPA website more than five years ago. This link is accessible on all webpages and gives any user the option to click Report Broken Link to send an email directly to all Communications staff and report the broken link so it can be reviewed and removed or repaired. This provides a real time reporting option outside of the internal website review process.

The seven links and video link identified during this audit have been addressed by Communications.

Auditor Response: On October 13, 2025, auditor confirmed that all broken links noted in the audit had been corrected or removed and the missing video link had been added to the website.

3. Forms and documents lack clear documentation of recent reviews

Finding: Fifteen of 158 KPPA webpages contained information with no revision date or a revision date of more than two years ago.

Cause: Currently, there is not an established procedure that requires the last review date to be documented. As a result, it is difficult to ensure a recent review has been conducted to verify the document or form is up to date.

Effect: Users may not be confident that they are receiving the most up-to-date information because the revisions dates are several years old.

Recommendation: Communications should work with the KPPA Executive Management team and various KPPA divisions to determine if it would be beneficial to add a "last reviewed date" to documents and forms uploaded to the website.

Management Response: This finding covers multiple categories of document types published to the site. The process in place for maintaining published content emphasizes the significance of including and updating the revision date, as supported by the 143 of 158 webpages with documents having a revision date within the past two years. The following should be noted for each category identified:

- **Forms:** Agency forms represent the largest category (39%) of the documents flagged. Agency forms may be subject to the Administrative Regulation process, which is based on a seven-year review cycle. Additionally, forms are typically not updated unless there is a law change, process change, or the regulation is up for review.
- **Board Policies:** Policies are only updated when the Boards take action to modify and approve policy changes.
- **Employer Publications:** Specific chapters of the Employer Reporting Manual have not required updates as they pertain to Employer Self Service functionality which has not substantially changed in recent years. The same applies to most employer documents identified; these processes have not changed significantly; therefore, the existing documentation remains valid.
- **Member Publications:** In some cases, one-time documents are created for a specific purpose, such as explanation of law changes, and may not have a revision date as they are published once and eventually archived when appropriate. Additionally, most health insurance documents are specific to a plan year and are rarely revised during the plan year. KPPA keeps multiple plan years published for business reasons and archives plan year documents every two to three years based on guidance from management.

The Division of Communications will evaluate each category and make recommendations to Executive Management. Communications staff anticipate completing this work by June 30, 2026.



KPPA
Kentucky Public Pensions Authority

2026-3
Review of Trustee Payments
Final Audit Report

Lead Auditor: James Westbay

Issue Date: November 10, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. KERS – Kentucky Employees Retirement System
5. SPRS – State Police Retirement System
6. Board(s) – Board of Trustees
7. CEO - Chief Executive Officer
8. CFO - Chief Financial Officer
9. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
10. DAC – Disability Appeals Committee
11. AAC – Administrative Appeals Committee
12. Internal Audit – KPPA Division of Internal Audit
13. HR – KPPA Division of Human Resources
14. eMARS - enhanced Management Administrative Reporting System
15. KHRIS – Kentucky Human Resource Information System

Report Contents

Overall Opinion	1
Strategic Risk Addressed (Objective).....	1
Audit Scope	1
Summary of Findings and Observations	2
Commendations	2
Appendix A – Audit Results.....	3
Finding.....	3
Observations	3
Appendix B – Control Matrix.....	5

Overall Opinion

Process may not fully comply with relevant statutes, regulations, policies, and/or procedures. Internal controls are established, but steps could be taken to strengthen the controls or make the process more effective or efficient.

Strategic Risk Addressed (Objective)

Review the process for making payments to Trustees and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure expenses are properly paid, supported, tracked, coded, and allocated.

Audit Scope

The Review of Trustee Payments audit was conducted from July 1, 2025 to September 11, 2025. The scope of the audit was payments to Trustees during fiscal year 2025.

Summary of Findings and Observations

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year.

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability.

The following Findings and/or Observations were noted during our review. Additional details related to the findings and observations, including the corresponding recommendations can be found in Appendix A.

1. Payment not consistently made or withheld if required training hours not met.
2. Audit Committee members paid different per diem rates.
3. Various issues noted related to the Trustee training program.

We noted two other Opportunities for Improvement that we communicated to the KPPA Executive Management Team in a separate letter dated October 28, 2025.

Commendations

We would like to thank the Executive Staff Assistant and the CERS/KRS/KPPA management for their assistance during this audit. They worked with Internal Audit staff to help provide detailed explanations related to sampled invoices and the related eMARS payment documents. Additionally, they worked with Internal Audit staff to ensure audit recommendations were feasible and would correct the root cause of the findings.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; and the KPPA Executive Management Team. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Audit Results

Finding

1. Payment not consistently made or withheld if required training hours not met	
Recurring Issue:	No
Condition:	Payments to trustees for per diem and prep time were not consistently paid to or withheld from Trustees who did not obtain the 12 required training hours in the previous education year. - One individual completed no hours in the previous education year but was inadvertently paid \$190 for two meetings held in April 2025. At the time of payment (and on the date this report was issued), this individual had not completed any training hours in the current education year. - One trustee was not paid for September 2024 meetings, despite the training requirement being met at the time of the meetings. - At the time payment was withheld, the Trustee was credited with completing 10 training hours in the previous education year. In October 2024, it was determined she had actually completed 22 training hours in the previous education year. - At the time payment was withheld, the Trustee was credited with completing 8 training hours in the current education year. In October 2024, it was determined she had actually completed 20 training hours in the current education year. Note: Both exceptions are related to KERS Trustees.
Criteria:	Kentucky Revised Statutes 61.645(18)(b) and 78.782(17)(b) state, "If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement system shall withhold payment of the per diem and travel expense due to the board member under this section until the board member has met the annual training requirements."
Cause:	The statute requiring payment to be withheld if training hours are not completed in the previous education year is not being enforced. Furthermore, the exceptions to this rule are not applied consistently.
Effect:	Trustees were paid \$190 during the scope of the audit, despite not meeting the training requirements.
Recommendations:	- The KRS CEO should ensure payments to trustees are made or withheld consistently if the annual training requirement has not been met. - The CERS and KRS Boards should determine if retroactive payments can be paid if it is determined a trustee has completed all required training hours. If it is determined that retroactive payments can be made, the Trustee Education Program Policy should be updated to reflect this process.
Management Response:	- Management agrees with Condition 1.1 - This appears to have occurred due to clerical error resulting in an overpayment of \$190.00. This matter has been discussed with the responsible employee(s). Going forward, staff have been instructed to more thoroughly review Per Diem Worksheets prior to submission to the CEOs/Executive Director and have placed the \$190.00 amount as a future debit to this Trustee account. This action is intended to minimize clerical errors and ensure accurate reporting. - Management disagrees with Conditions 1.2 - At the time of the September 2024 meetings, the Trustee was not in compliance with the education requirement, and payment was appropriately withheld. It was not until October 2024 that the Trustee inquired about, and received CEO approval for, a professional certification course that met the criteria for allowable education. The current Trustee Educational Policy does not specify whether per diem payments may be retroactively applied once compliance is achieved in a prior education year. In this case, management supports the decision made by the employee(s), who followed the current policy as written. Management has sent to the CEOs a revised policy to address this issue along with some other priorities.
Implementation Date:	June 30, 2026
Auditor Response:	While we understand management's stance that the policy was followed in relation to Condition 1.2, we have included this item to bring to light the inconsistency of applying the policy in relation to completed training hours. One individual was paid despite not completing any training hours in the previous or current education year. The second individual was not paid despite having completed most of the training hours, and it ultimately being determined that she had completed all required training hours.

Observations

2. Audit Committee members paid different per diem rates	
Recurring Issue:	No
Condition:	One KPPA Audit Committee member is paid a higher per diem rate than other individuals on the KPPA Audit Committee.
Criteria:	Attorney General Opinion 80-10 states, "Eligible members of the board of trustees may receive per diem payments from each of the three state retirement systems providing they have acted for each of those systems at a particular meeting and such is specifically reflected in the minutes thereof." (emphasis added) Note: The minutes for the KPPA Audit Committee do not reflect that work is being done on any group other than KPPA.
Cause:	Two members of the Audit Committee are not a part of the KPPA Board. Based on guidance received from KPPA Legal Services, attendance at the KPPA Audit Committee for these individuals is recorded on the per diem worksheets for their respective system, rather than on the KPPA per diem worksheet. As a result, the KRS representative is paid at the KRS per diem rate.
	Note: The CERS representative was paid the same rate as the KPPA members because the CERS and KPPA per diem rates are the same.
Effect:	One Audit Committee member could be receiving a per diem rate higher than intended.

Recommendations:	The KPPA Executive Director should discuss the KPPA Audit Committee per diem issue with the CEOs of both CERS and KRS and determine if a change needs to be made how attendance is recorded for the KPPA Audit Committee meetings. Possible resolutions: 1. No changes made and the KRS representative continues to be paid at a higher rate for the Audit Committee meetings. 2. The two additional Audit Committee members could be assigned a separate PERNR so that they could be paid at the KPPA per diem rate. This would allow all KPPA Audit Committee members to be paid the same rate.
Management Response:	Kentucky Revised Statutes 61.505(6) governs per diem payments to KPPA Board Members and provides for a per diem of \$80. That is the amount received by the four (4) members of the KPPA Audit Committee who are KPPA Board Members. Kentucky Revised Statutes 78.782(7) governs per diem payments to CERS Trustees and provides for a per diem of \$80. That is the amount received by the one (1) CERS Trustee, who is not a KPPA Board Member, serving on the KPPA Audit Committee. Because KRS Trustees govern both KERS & SPRS, they receive per diem payments pursuant to Kentucky Revised Statutes 16.640 & KRS 61.645(7). Because KRS Trustees are acting for both KERS & SPRS they both per diems totally \$110 (\$80 for KERS & \$30 for SPRS). That is the amount received by the one (1) KRS Trustee, who is not a KPPA Board Member, serving on the KPPA Audit Committee. Payments must be made in accordance with State law.
Implementation Date:	June 30, 2026
Auditor Response:	Given the various statutes, Internal Audit understands the KPPA reasoning for the payment amounts currently being made. However, the referenced Attorney General opinion explains that a trustees may be paid the rate of multiple boards only if the minutes specifically reflect that business for multiple systems is being conducted. The minutes for the KPPA Audit Committee only reference that business is being conducted for KPPA. Furthermore, after speaking with the CERS and KRS CEOs, there was an indication that further review was needed to determine if the proper rates are currently being paid. Our recommendation was made in an effort to ensure all those involved are on the same page with how to move forward.

3. Various issued noted related to the Trustee training program	
Recurring Issue:	No
Condition:	There are no official procedures related to how trustee training hours are to be tracked. Instead notes related to this process are maintained by the Administrative Specialist to the KPPA Executive Director. Additionally, the following issues were noted pertaining to the trustee training program: 1. The term “education year” as defined in the reimbursement policy for CERS and KRS is not the same terminology referenced in the related statute. 2. 17 of 146 trainings did not have an External Training Verification Form signed by the respective CEO. 3. 2 of 146 training did not have an External Training Verification Form or other appropriate documentation showing proof of training on file.
Criteria:	200 Kentucky Administrative Regulations 38:070 states, “(2) Each fiscal officer shall develop and document internal controls...(3) an internal control plan shall include...(f) Detailed procedures to be followed in the performance of job duties and functions, to emphasize duties that comprise the overall framework of accountability and internal controls, and to help assure the continuation of agency operations in the event of staffing changes....” Kentucky Revised Statutes 61.645(18)(b) and 78.782(17)(b) state, “If a trustee fails to complete the annual required training during the calendar or fiscal year, the retirement systems shall withhold payment of the per diem and travel expenses due to the board member....” (emphasis added) The CERS Trustee Education Program Policy Section II 5. and KRS Trustee Education Program Policy Section II 6. state, “Education Year is the twelve (12) months commencing on a Trustee's date of appointment and on the anniversary of the date thereafter.” The CERS Trustee Education Program Policy and KRS Trustee Education Program Policy Section VI 3 state, “Each Trustee attending an Approved Education Activity shall certify to the CERS/KRS CEO on an Approved Education Activity Certification of Completion form that the Trustee attended the Approved Education Activity and the total hours earned.”
Cause:	The individual responsible for tracking the Trustee training hours has changed three times in the past three years.
Effect:	New individuals completing the task may not be aware of how to properly track training hours, which could lead to payments being made to Trustees who have not completed their training requirement (see finding #1).
Recommendations:	1. KPPA Legal Services should continue working with the CERS and KRS CEOs to determine if the definition of “education year” should be updated to reflect the language in the statute that requires annual training to be completed in a calendar or fiscal year. 2. To strengthen the trustee training program, the CERS and KRS CEO should consider taking the following steps: a. Ensure a signed External Training Verification Form or Education Activity Certification of Completion is on file for all training hours reported on the training hour tracking spreadsheet. In lieu of a signed form, an email indicating approval of training could be retained on file. b. Ensure support is provided and maintained for each training activity. For example, the agenda, course outline, or other materials describing the training content. Note: While there was not a specific finding noted for this item during the audit, Internal Audit believes maintaining documentation related to the completed training courses will ensure training is appropriately recorded in the event of staffing changes. 3. The process for tracking trustee training hours should be officially documented and saved on the KPPA SharePoint Process Documentation website. The notes utilized by the Administrative Specialist can be utilized when documenting this process.
Management Response:	Management agrees with the recommendations. Management has updated and distributed draft policies to the CEOs for their Board’s review. Additionally, the process documentation for Trustee Education Tracking is currently documented with job aids and has been updated to the KPPA SharePoint Process Documentation section.
Implementation Date:	December 31, 2026
Auditor Response:	On October 20, 2025, Internal Audit verified that the Trustee Education Tracking process had been added to the KPPA SharePoint Process Documentation site.

Appendix B – Control Matrix

During fiscal year 2025, Trustees submitted 30 travel reimbursement claims totaling \$5,673. Judgmental sampling was applied, and the largest reimbursement was selected for each Trustee who submitted a travel claim. If a Trustee had multiple payments of the same amount and another payment of a differing amount, that differing amount was also included in the sample. This resulted in a sample of 13 travel claims totaling \$2,380, representing 42% of the testing population by value and 43% by count.

During fiscal year 2025, a total of 91 meetings were held. Judgmental sampling was used to select four months with the most meetings while ensuring each board and committee had at least one meeting in the selected months. A total of 37 meetings were examined, representing 41% of the testable population.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Policies/procedures/internal controls are not established, documented, effective or efficient	Procedures are reviewed and updated as needed	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	The KPPA Executive Director's Staff Assistant maintains the written procedures related to this process on SharePoint. Updates are made when needed.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures about how trustee training is verified are not included in procedures posted to SharePoint. (see Observation #3)
2.	Per diem or travel is reimbursed for non-official duties	CEO or KPPA Executive Director approves per diem worksheets	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Per diem and preparation forms for each CERS and KRS Trustee are reviewed by the respective CEO. Per diem and preparation forms for KPPA Board members are reviewed by the KPPA Executive Director. Prior to approving the per diem and preparation forms, the reviewer compares the attendance list to the meeting minutes to ensure that Trustees are only reimbursed for meetings that were actually attended (virtually or in person). If meeting minutes are not prepared at the time of the review, The CEO or Executive Director can review the recorded video of the meeting or request the Roll Call sheet from the Executive Staff Assistant, or a combination thereof, in order to compare the per diem worksheet to those attending the meetings. Prep time charged per meeting is also reviewed for reasonableness. After the approved worksheets are returned, the Executive Director's Staff Assistant forwards them to the Human Resource Administrator.	Compared meeting attendance records to per diem and prep worksheets to confirm payment was made only when official business was conducted.	All payments made to Trustees were for official business.
3.	The wrong rates for per diem and travel are used	Per diem rate is coded in KHRIS according to PERNR number	Control Activity: Management designs the entity's information system and control activities.	The Executive Director's Staff Assistant sends prep forms to Trustees after they attend a Board or Committee meeting. These are processed as they are received. If the Trustee submits the prep form after the pay period, the time charged will be paid in the next pay period. The Executive Director's Staff Assistant fills in the per diem worksheet for each board (CERS, KPPA and KRS) by noting which meetings fell into the given time period and marking Trustees as attending or not. Time recorded on prep worksheets is added to the per diem worksheet. The total of per diem for each meeting attended and prep time is added together to get the total payment due for the pay period. The Staff Assistant requests travel reimbursement forms at the same time as the prep forms. The Staff Assistant compares the rates used by the Trustees to the rate from the Finance Cabinet or she fills in the correct rate if the Trustee has given her permission to fill in the form on their behalf.	Recalculated the total owed to Trustees based on meeting attendance and prep time. Ensured recalculated amount matched actual amount paid.	Two of 37 per diem worksheets showed one KPPA Audit Committee member being paid a higher per diem rate than other individuals on the KPPA Audit Committee. (see Observation #2)
4.	The wrong rates for per diem and travel are used	Procurement reviews rates used in travel payment documentation	Control Environment: Oversight body and management oversees entity's internal control system. Control Activity: Management designs control activities to achieve objectives and respond to risks.	The Executive Director's Staff Assistant sends prep forms to Trustees after they attend a Board or Committee meeting. These are processed as they are received. If the Trustee submits the prep form after the pay period, the time charged will be paid in the next pay period. The Executive Director's Staff Assistant fills in the per diem worksheet for each board (CERS, KPPA and KRS) by noting which meetings fell into the given time period and marking Trustees as attending or not. Time recorded on prep worksheets is added to the per diem worksheet.	Recalculated travel reimbursement claims using Google Maps mileage and the mileage and meal rates established by the Finance and Administration Cabinet. Ensured the recalculated amount matched the amount actually paid.	All 13 sampled travel reimbursement claims utilized the correct travel and meal reimbursement rates.

				The total of per diem for each meeting attended and prep time is added together to get the total payment due for the pay period. The Staff Assistant requests travel reimbursement forms at the same time as the prep forms. The Staff Assistant compares the rates used by the Trustees to the rate from the Finance Cabinet or she fills in the correct rate if the Trustee has given her permission to fill in the form on their behalf.		
--	--	--	--	---	--	--

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
5.	Per diem or travel reimbursements are not approved properly	Staff Assistant ensures forms and travel claims are approved by appropriate individual	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks.	Per diem and preparation forms as well as travel reimbursement claims for each CERS and KRS Trustee are reviewed by the respective CEO. Per diem and preparation forms as well as travel reimbursement claims for KPPA Board members are reviewed by the KPPA Executive Director, the Staff Assistant ensures the forms and travel claims are signed before submitting them for payment.	Confirmed that per diem, prep time and travel payments are approved by appropriate CEO's	52 documents were reviewed for appropriate approval signatures. 1. 34 of these documents were signed by the CEO or executive director himself. 2. 16 were signed with permission granted by the executive director staff assistant. 3. Two were signed by the executive director staff assistant based on verbal authorization that cannot be independently verified. (see Opportunity for Improvement #1 – management letter)
6.	Per diem, prep time and travel may not have actually occurred	Approver ensures Trustee actually attended meetings, ensures reasonability of prep time request	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks.	Prior to approving the per diem and preparation forms or travel reimbursement claims, the reviewer (CERS CEO, KRS CEO, or KPPA Executive Director) compares the per diem and travel worksheets to the meeting attendance records to ensure the Trustee actually attended the meeting. A note is made on the Roll Call sheet if a Trustee who is attending in person requests a travel reimbursement. Prep time charged per meeting is also reviewed for reasonableness. After approval, the Executive Director's Staff Assistant forwards per diem and preparation forms to the Human Resource Administrator for payment and travel reimbursement claims to Procurement staff for additional review.	Auditor reviewed recorded meetings and verified which Trustees were in attendance. Auditor ensured Trustee attendance was properly reflected on the per diem worksheets for the respective meetings.	Attendance for two of 37 meetings was not properly recorded on the related per diem worksheets. Both instances are related to the DAC/AAC meetings. - In one instance, an individual's attendance was not recorded on the per diem worksheet despite attending the meeting. - In the other instance an individual was marked as present on the per diem worksheet, but the video and minutes of the meeting reflect this individual was not present. (see Opportunity for Improvement #2 – management letter)
7.	Per diem, prep time and travel may not have actually occurred	Approver ensures Trustee actually attended meetings, ensures reasonability of prep time request	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks.	Prior to approving the per diem and preparation forms or travel reimbursement claims, the reviewer (CERS CEO, KRS CEO, or KPPA Executive Director) compares the per diem and travel worksheets to the meeting attendance records to ensure the Trustee actually attended the meeting. A note is made on whether attendance was virtual or in person. Prep time charged per meeting is also reviewed for reasonableness. After approval, the Executive Director's Staff Assistant forwards per diem and preparation forms to the Human Resource Administrator for payment and travel reimbursement claims to Procurement staff for additional review.	Created a trend analysis of time charged by each Trustee per Board or Committee meeting to ensure review time seemed reasonable. For outliers, spoke with reviewer for further explanation on the review hours. Auditor determined that all prep time charged was reasonable.	Of the 74 prep sheets were submitted during the 8 sampled pay periods, only 2 prep times charged appeared to be outliers as compared to the average time charged per meeting type. However, sufficient reasoning was provided to explain why the time charged was acceptable given the content of the meeting or method of consolidating prep worksheets into one.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
8.	Paid amount does not match reimbursement documentation	Accounting reviewer refers to travel payment uploaded to eMARS by procurement	Control Activity: Management designs control activities to achieve objectives and respond to risks.	The Staff Assistant sends approved per diem worksheets to HR as soon as they are approved. The Human Resource Administrator enters the total number of prep hours and 7.5 hours per day of meetings attended for each Trustee personnel number into KHRIS. The HR administrator runs a simulation twice before payroll runs to ensure payments were calculated correctly. Additionally, the HR Assistant Director periodically audits payroll records. The Staff Assistant provides approved travel reimbursement forms to Procurement staff, who then forward the forms to Accounting for payment through eMARS. The Graduate Accountant enters the information into eMARS and the Graduate Accountant Supervisor reviews the entry prior to approving it for payment.	Compared the amount on the travel claim to the actual reimbursement paid in eMARS and ensured the totals agreed.	All 13 travel claims matched the actual reimbursement paid.
9.	Per diem and other reimbursements are not paid timely	Administrative Specialist request per diem and prep time worksheets before the end of pay period	Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management uses quality information to achieve the organization's objectives. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	The Executive Director's Staff Assistant sends prep forms to Trustees after they attend a Board or Committee meeting. These are processed as they are received and paid within a month of being received. If a Trustee submits the information after the pay period, the payment will be made in the next pay period or once they become compliant within their current education year.	Confirm meetings were paid within 2 pay periods	Within the 4 sampled months, there were 8 pay periods containing 31 per diem worksheets and 74 prep forms. All 31 per diem worksheets and 74 preparation forms reviewed were paid in within 2 pay periods.
10.	Payment for per diem or travel is not withheld if annual training requirements are not met.	The Board and Commissions Support Specialist verifies that initial orientation and annual training requirements are met prior to per diem payment	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Trustees cannot receive payment for per diem, prep time, or travel unless all required training from the prior training year is completed. The Administrative Specialist tracks hours completed for each Trustee based on their term year, which starts when they are appointed. The Administrative Specialist informs the Staff Assistant of which Trustees have not met the required training hours. For those Trustees, the Staff Assistant places an "*" on the per diem in the pay amount column. This ensures a payment will not be calculated for the Trustee.	Ensured that reimbursements were made only to those trustees that were current on training requirements.	1. One trustee was paid per diem for attending or preparing for meetings even though they did not meet the hours required by the reimbursement policies. 2. One trustee was not paid even though requirements were met. (See Finding #1)
11.	Trustee training may not be verified appropriately	Trustee training is approved by CEO's	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management designs control activities to achieve objectives and respond to risks. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Trustees submit completed and signed external training forms, via email, to the Administrative Specialist. This information is forwarded to each Board's CEO to review training for appropriateness of subject material, validate training hours claimed, and sign and approve the training request. The approved training hours are sent to the Administrative Specialist and are recorded on the Trustee Education spreadsheet. Prior to each quarter ending, the Administrative Specialist sends the Trustees and CEOs a progress report that shows the current number of training hours earned by each Trustee. If a Trustee has not met the minimum training hours, the CEO should discuss the requirements with the Trustee and offer suggested trainings to meet the standards. All reports and documentation related to training are stored on SharePoint.	Confirmed that training was independently verifiable and approved by the appropriate CEO.	146 trainings were rewarded for 20 trustees for the 2024 training year. Of the 146 trainings listed, 127 (87%) could be verified. The remaining 19 (13%) trainings could not be independently verified for the following reasons: 1. 17 training verification forms were provided, but not approved by the appropriate CEO either by signature or email. 2. Two training verification forms were not available. Additionally, the term "education year" as defined in the reimbursement policy for CERS and KRS is not the same terminology referenced in the related statute. (See Observation #3)



KPPA
Kentucky Public Pensions Authority

2026-3
Review of Trustee Payments
Management Letter

Lead Auditor: James Westbay

Issue Date: November 11, 2025

Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, and KPPA CFO
8. Internal Audit – KPPA Division of Internal Audit
9. DAC – Disability Appeals Committee
10. AAC – Administrative Appeals Committee

Strategic Risk Addressed

Review the process for making payments to Trustees and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure expenses are properly paid, supported, tracked, coded, and allocated.

Audit Scope

The Review of Trustee Payments audit was conducted from July 1, 2025 to September 11, 2025. The scope of the audit was payments to Trustees during fiscal year 2025. In addition to the items included in that report, we noted two opportunities for improvement that we wanted to communicate to management.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; and the KPPA Executive Management Team. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Opportunities for Improvement

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees.

1. Permission to sign forms on behalf of CEO not on file
Internal Audit reviewed 52 per diem and/or prep forms. Of those, 18 were signed by the KPPA Executive Director's Staff Assistant. For 16 of those 18 items, documentation was on file granting the Staff Assistant permission to sign the forms on behalf of the CEO, but the remaining two did not have permission from the CEO on file. In the two noted instances, it is believed that verbal approval was given to sign these forms, so no documentation was available for review. Additionally, there is not an established process for

granting the Staff Assistant permission to sign documents on behalf of the KPPA Executive Director or CERS and KRS CEOs.

Recommendation: The CEOs and KPPA Executive Director should coordinate with the Staff Assistant to develop an official procedure to follow when granting the Staff Assistant access to sign documents on their behalf. Consider including the following elements in the procedures:

- Determine a standardized period where permission is granted (case by case, per month, pay period, etc.)
- Require permission to be granted in writing, rather than verbally or at least require written follow-up of a verbal approval.

Management Response: Management acknowledges that, in certain circumstances, staff have accepted verbal approval to facilitate the timely processing of forms related to Trustee per diems and reimbursements. Management agrees to review and evaluate this practice to ensure it aligns with internal control requirements and documentation standards. Appropriate adjustments will be made as necessary to strengthen compliance and accountability.

2. Attendance at meetings recorded incorrectly

Attendance for two of 37 meetings was not properly recorded on the related per diem worksheets. Both instances are related to the DAC/AAC meetings.

- One individual's attendance was not recorded on the per diem worksheet despite the Trustee attending the meeting. In this instance, payment was not improperly withheld because the Trustee who attended, but was not recorded as present was not eligible to receive payment for the meeting.
- One individual was marked as present on the per diem worksheet, but the video and minutes of the meeting reflect this individual was not present. As a result, the Trustee received payment for a meeting that he did not attend.

Recommendations: This issue occurred as a result of a communication error between staff and not a failed process. We recommend that the KPPA Executive Director and CERS and KRS CEOs continue to confirm proper attendance records when reviewing per diem worksheets.

Management Response: Management acknowledges this communication issue and will work with the DAC/AAC scheduling staff to ensure that accurate and complete attendance records are maintained moving forward. The overpayment of \$80.00 has been added as a debit on the Trustee account.



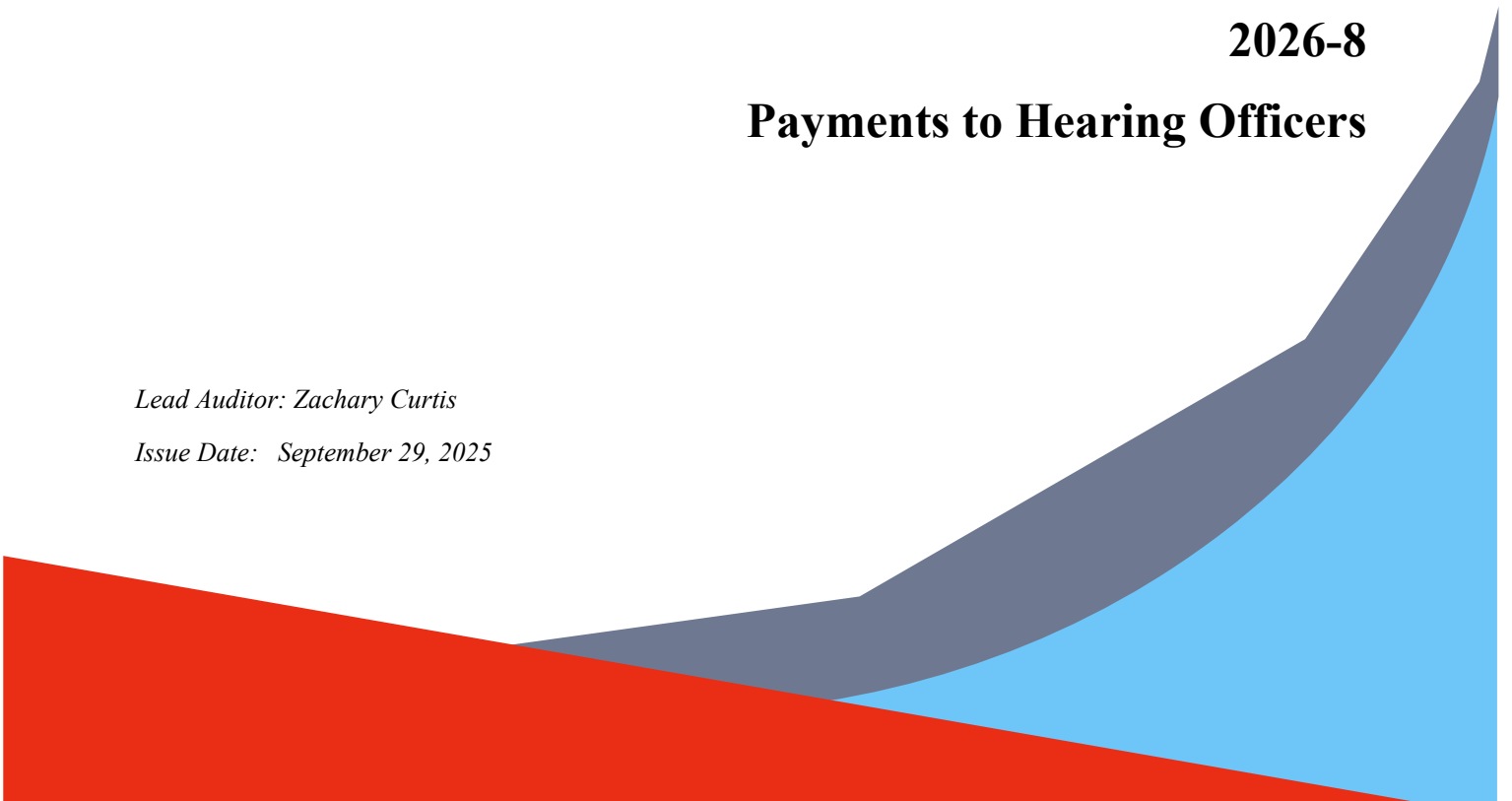
KPPA
Kentucky Public Pensions Authority

2026-8

Payments to Hearing Officers

Lead Auditor: Zachary Curtis

Issue Date: September 29, 2025



Acronyms

The following acronyms will be used throughout the report:

1. KPPA - Kentucky Public Pensions Authority
2. CERS - County Employees Retirement System
3. KRS - Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO - Chief Executive Officer
6. CFO - Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director – Office of Benefits, KPPA Executive Director – Office of Legal Services, and KPPA CFO
8. Legal Services – KPPA Office of Legal Services
9. Accounting – KPPA Division of Accounting
10. eMARS – enhanced Management Administrative Reporting System
11. PSC – Personal Service Contract
12. AAN – Administrative Action Number
13. ILOD – In-line of Duty

Report Contents

Overall Opinion	1
Strategic Risk Addressed (Objective).....	1
Audit Scope	1
Summary of Findings and Observations	2
Commendations	2
Audit Standards	2
Appendix A – Control Matrix	3
Appendix B – Hearing Officer Case Distribution	5

Overall Opinion

Process generally complies with relevant statutes, regulations, policies, and procedures. Internal controls are established and working effectively and efficiently.

Strategic Risk Addressed (Objective)

Review the process for making payments to hearing officers and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure expenses are properly paid, supported, tracked, coded, and allocated.

Audit Scope

The Payments to Hearing Officers audit was conducted from July 1, 2025, to September 9, 2025. The scope of the audit was hearing officer invoices paid in fiscal year 2025.

Summary of Findings and Observations

No findings or observations were noted as a result of this audit.

- A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year.
- An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability.

Commendations

We would like to thank Legal Services staff for their assistance and prompt responses to questions related to this project.

Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Office of Legal Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

Appendix A – Control Matrix

During fiscal year 2025, four hearing officers were paid a total of \$189,267. These payments were made through 55 individual invoices. Auditor selected a sample that included the largest invoice and then the four highest valued invoices per hearing officer. One hearing officer only had one invoice for the year, so this created a sample size of 14. The travel expenditures on these invoices were also reviewed. There were 15 travel reimbursements on the selected invoices. Sample included 29 payments (14 contracted work and 15 travel reimbursements) totaling \$86,494. The sample made up 53% of the size and 46% of the value of the total population.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
1.	Policies/procedures/internal controls are not established, documented, effective or efficient.	Procedures are reviewed and updated as needed.	Control Environment: Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives. Control Activity: Management implements control activities through policies. Information and Communication: Management uses quality information to achieve the organization's objectives.	The Legal Services Staff Assistant and Paralegal maintain the written procedures on SharePoint. Updates are made when needed.	Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.	Procedures are established, documented, up-to-date, effective, efficient, and available to staff.
2.	Payment issued for a purpose not related to KPPA.	Approver ensures work documented on invoices is for a legitimate business purpose.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Contracted hearing officers submit their invoices monthly for completed services performed for the prior month. Invoices are submitted to the hearing officer's group email address. Submitted invoices must include a PSC Invoice Form, along with an itemized invoice for services performed, and a separate itemized invoice for any mileage claimed. Invoices will include the AAN which will show business purpose for submission.	Reviewed submitted invoices to ensure work was conducted for a KPPA business purposes.	All 29 invoices showed that work was conducted for a KPPA business purpose.
3.	Potential over/under payments made to hearing officers.	Reviewer ensures invoices are complete and accurate.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management uses quality information to achieve the organization's objectives. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	Submitted invoices are required to have an AAN which is used to look up the case in ProLaw. The Non-Advocacy Paralegal/Administrative Appeals Coordinator or Administrative Specialist Senior compares the case activity in ProLaw to the invoice activity descriptions to ensure consistency and reasonableness of hours charged. Additionally, the Non-Advocacy staff double checks the time billed based on the total hours listed on the invoice and the hourly rate provided in the contract. If any discrepancies are noted during the initial review, the Non-Advocacy staff will reach out to the hearing officer or the Non-Advocacy General Counsel for further explanation/reasoning for total amount of hours on a specific case.	1. Hearing officer invoices were recalculated using the total hours billed multiplied by the respective hourly rate. 2. Mileage rates were recalculated using the state approved mileage rate and the submitted maps. All recalculated amounts agreed to the submitted invoices.	1. All 29 invoices were recalculated by auditor. Recalculated amount matched the submitted amount. 2. 15 of 29 invoices were for mileage reimbursements. All 15 used the proper mileage reimbursement rate.
4.	Unapproved payments being made to hearing officers	Invoices have two levels of review	Control Activity: Management designs control activities to achieve objectives and respond to risks.	After the submitted invoice has been reviewed by the Non-Advocacy Paralegal/Administrative Appeals Coordinator or Administrative Specialist Senior it is sent to Non-Advocacy General Counsel for a second level review. This review consists of confirming the total number of hours, hourly rate, total to be paid, and reasonableness of hours charged. After both reviews are completed, the General Counsel signs the forms. If the General Counsel is unavailable, the second level review and signature is completed by the Non-Advocacy Staff Attorney Supervisor.	Reviewed submitted invoices and ensured they were properly approved by Legal Services staff.	All 29 Hearing Officer invoices were properly approved.

Item	Risk	Control	COSO Element and Principle	Staff Process to Mitigate Risk	Testing Procedures	Testing Results
5.	Payments are not made on time.	Legal staff monitor emails on a daily basis to ensure invoices are being reviewed for payment.	Control Activity: Management designs control activities to achieve objectives and respond to risks. Information and Communication: Management uses quality information to achieve the organization's objectives.	Hearing officers submit invoices to an email address that is monitored daily by the 1st level reviewers of these invoices. After all reviews are completed, the 1 st level reviewer sends the invoice to Accounting for payment.	Compared invoice received date to invoice payment date and ensured the invoice was paid within 30 days of receipt.	All 29 samples were paid within the 30-day payment timeframe.
6.	Invoice amount does not match approved amount paid.	Payments are entered and approved by separate individuals; reviewer ensures payment amount matches invoice.	Control Activity: Management designs control activities to achieve objectives and respond to risks.	After Legal Services has reviewed and approved the invoice, it is submitted for payment to Accounting via email to the Accounting Invoice group email address with the original invoice attached.	Compared invoice amount to actual payment amount and ensured the two agreed.	All 29 hearing officer payments matched the invoiced amount.
7.	Duplicate reimbursements made to hearing officers.	After payment, the invoice is closed and eMARS will not allow another payment against that same invoice.	Control Activity: Management designs the entity's information system and control activities.	Legal Services Staff Assistant is added to the email sent to the Accounting shared email inbox. The Staff Assistant updates contract dollar amount spent/remaining for tracking purposes. Additionally, the Graduate Accountant II has created an expenditure tracking spreadsheet used to ensure the item has not been previously paid. eMARS also keeps track of paid invoices and does not allow an invoice with the same number to be paid.	Reviewed all payments to hearing officers for fiscal year 2025 and ensured no duplicate payments were made.	No duplicate payments were noted during the review of all hearing officer payments for fiscal year 2025.
8.	Payments made to hearing officers exceeds contracted amount.	eMARS does not allow payments above the contracted total	Control Activity: Management designs the entity's information system and control activities. Monitoring: Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results.	After Legal Services has reviewed and approved the invoice, it is submitted for payment to Accounting via email to the Accounting Invoice group email address. The invoice to be paid is attached to the email. Additionally, the Legal Services Staff Assistant is copied on the email so she can update the amount charged against the contract, for tracking purposes, to ensure the contract amount is not exceeded. Along with tracking the contract expenditures, eMARS has an internal control which will not allow payments charged to a contract to exceed the total value.	Total payments made against the hearing officer contract were reviewed to ensure total payments have not exceeded the contract total.	Total payments to hearing officers have not exceeded contracted amounts.

Appendix B – Hearing Officer Case Distribution

During fiscal year 2025, there were 280 active cases assigned to four contracted hearing officers and three KPPA full-time employed hearing officers. Active cases were assigned to the following categories:

1. **Duty Related** – cases concerning injuries, illnesses, or conditions that are directly connected to the individual’s job duties.
2. **Hazardous** – cases involving claims tied to hazardous duty positions (e.g., police, firefighters, corrections) with enhanced retirement or benefit provisions.
3. **Hazardous ILOD** – cases addressing disability or death claims that result from hazardous duty claims that result from hazardous duty work performed in the line of duty.
4. **Illegal Refund** – cases involving improper or unauthorized return of retirement contributions or benefits.
5. **Not Qualified** – cases where an applicant or employee is found ineligible for benefits, retirement status, or program participation under statutory or regulatory rules.
6. **Overpayment** – cases addressing excess benefit or salary payments made to an individual that must be recovered or offset.
7. **Pension Spiking** – cases involving allegations that an employee’s compensation was artificially increased near retirement to inflate pension benefits.
8. **Regular** – standard, non-specialized cases falling under normal retirement, benefits, or employment review.
9. **Reinstatement** – cases concerning an individual’s return to employment or to benefit eligibility after separation, termination, or suspension.
10. **Retired-Reemployed** – cases involving retirees who return to work, often raising questions about how this affects their retirement benefits.
11. **Termination** – cases concerning dismissal from employment, loss of benefits, or removal from retirement system participation.
12. **Timely Filing** – cases that examine whether an appeal, claim, or application was submitted within the legally required time limits.

Hearing Officer	Case Type												Grand Total
	Duty Related	Hazardous	Hazardous ILOD	Illegal Refund	Not Qualified	Over-payment	Pension Spiking	Regular	Rein-statement	Retired Reemployed	Termination	Timely Filing	
Contractor #1	1					1	4	15	2	1	39		63
Contractor #2	2	1	1					7	1		22		34
Contractor #3							3	7			4		14
Contractor #4	2	1	1	1	2	3	28	6	3		24	1	72
Grand Total	5	2	2	1	2	4	35	35	6	1	89	1	183

	Case Type										
KPPA Hearing Officers	Duty Related	Hazardous ILOD	Illegal Refund	Not Eligible	Over- payment	Pension Spiking	Regular	Rein- statement	Retired Reemployed	Termination	Grand Total
Current Employee	1						3			1	5
Supervisor	4	1	1	1	4	20	12	5	2	38	88
Former Employee						3	1				4
Grand Total	5	1	1	1	4	23	16	5	2	39	97