



**County Employees Retirement System
Finance Committee - Regular Meeting
November 24, 2025 at 2:00 PM ET (1:00 PM CT)
Live Video Conference/Facebook Live**

AGENDA

- | | |
|--|-----------------------|
| 1. Call to Order | Bill O'Mara |
| 2. Legal Public Statement | Eric Branco |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes* - August 18, 2025 | Bill O'Mara |
| 6. External Audit – CERS ACFR* | Eide Bailly |
| a. CERS Draft ACFR for FY ended June 30, 2025 | |
| b. Management Letter Comments | |
| c. Auditor Communications with those Charged with Governance | |
| 7. GOFA FY ACFR letter comments* | Mike Lamb |
| 8. Quarterly Financial Reports | Mike Lamb |
| a. Quarterly Financial Spreadsheet | |
| b. Administrative Expense to Budget | |
| c. Contribution Report | |
| d. Outstanding Invoice Report | |
| e. Penalty Waiver Report | |
| 9. Hazardous Duty Requests* | D'Juan Surratt |
| 10. Other Financial Updates | Steve Willer |
| a. Investment Trust Budget | |
| 11. Adjourn | Bill O'Mara |

****Committee Action May be Taken***

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
FINANCE COMMITTEE MEETING
AUGUST 18, 2025, AT 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Finance Committee held on August 18, 2025, the following members were present: William O'Mara (Chair), George Cheatham, Jim Tony Fulkerson, and Dr. Patricia Carver, and Steve Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Board, Nathan Goodrich, Steve Willer, Mike Lamb, Connie Davis, D'Juan Surratt, Phillip Cook, Sandy Hardin, and Sherry Rankin. Others in attendance included Eric Branco with Johnson Bowman Branco, LLP.

1. Mr. O'Mara called the meeting to order.
2. Mr. Branco read the Legal Public Statement.
3. Ms. Rankin called roll.
4. Ms. Rankin noted there was no *Public Comment*.
5. Mr. O'Mara introduced agenda item *Approval of Minutes – May 19, 2025* (Video 00:06:56 to 00:07:27). Mr. Fulkerson made a motion to approve the May 19, 2025, minutes as presented. Mr. Cheatham seconded the motion. The motion passed unanimously.
6. Mr. O'Mara introduced agenda item *Quarterly Financial Reports* (Video 00:07:27 to 00:38:51). Mr. Lamb presented the Quarterly Financial Reports to the Committee, reviewing several key documents, including the Fiscal Year End Financial Spreadsheet, Administrative Expense to Budget, Contribution Report, Past Due Invoice Report, and the Penalty Waiver Report. He addressed questions from the Committee members, providing clarity and detailed insights.

Mr. Cheatham asked about a 4.5% drop in private equity, and Mr. Willer explained it was due to distributions from existing investments without new reinvestments. Mr. Cheatham also raised concerns about long-overdue invoices. Mr. Surratt responded with updates on specific cases, including Bullitt County and the City of Clarkson, noting that ERCE had taken steps to prompt payment and implemented a new timeline-based invoicing process. The Committee members commended ERCE for its efforts in reducing outstanding invoices.

Mr. Cheatham also asked about the difference between budgeted and actual expenses for medical reviewers in the Administrative Budget. Mr. Lamb clarified that the \$1.8 million line item reflects the contract with MMRO (Managed Medical Review Organization), a third-party firm reviewing disability cases, and noted that costs remain stable due to their efficiency and current workload. Ms. Surratt added that a statutory change reduced the number of doctors required per case, contributing to cost savings. Initially, MMRO handled more cases than expected due to a backlog at that time. Mr. Board then addressed the current hearing backlog, reporting notable progress over the past year, with fewer cases pending and shorter wait times, thanks to additional hearing officers and internal process improvements.

7. Mr. O'Mara introduced agenda item ***Hazardous Duty Requests*** (Video 00:38:51 to 00:40:15). Mr. D'Juan Surratt presented eleven (11) police and/or fire positions, all requesting Hazardous Duty coverage. KPPA has reviewed the positions and determined that they meet the statutory guidelines for Hazardous Duty coverage.

Mr. Fulkerson made the motion to approve the Hazardous Duty requests as presented and forward to the CERS Board of Trustees for ratification. Mr. Webb seconded the motion. The motion passed unanimously.

8. Mr. O'Mara introduced agenda item ***Other Financial Updates*** (Video 00:40:15 to 00:48:25). Mr. Willer reviewed the Investment Trust Budget along with the Pension and

Insurance Investment Fees and Expenses for the quarter ending June 30, 2025. He noted that the overall investment expenses for the fiscal year were in line with the budget, with a total of \$11.3 million spent, representing an increase of \$4.0 million from the previous year. Mr. Willer provided additional budget details and addressed questions posed by the Committee members. Mr. Cheatham raised a question about the 57% increase in total expenses compared to the previous year, specifically asking how much of that was attributed to legal costs. Mr. Willer confirmed that the majority of the increase at the total pension level was due to higher legal expenses. Mr. Cheatham also noted that some vendors, such as S&P Global, appeared to be paid twice in the last fiscal year. Mr. Willer explained this was due to a transition from S&P Global to Russell as the index provider, with final payments for the previous contract appearing in fiscal year 2025 but covering fiscal year 2024 expenses. Regarding State Street, Mr. Willer clarified that no public trade cost analysis was conducted or billed in fiscal years 2024 or 2025, despite a \$10,000 budget allocation. Lastly, Mr. Cheatham asked about periodic use of tax accounting services for Indian public equity accounts. Mr. Willer responded he would follow up with Mr. Gilbert to determine whether to include those services in the 2026 budget.

9. Mr. O'Mara introduced agenda item ***RFP Status Update*** (Video 00:48:25 to 00:49:50). Mr. Willer reported that the Request for Proposal (RFP) process officially closed on August 11, 2025. The Investment staff has begun reviewing the responses in accordance with the CERS Procurement Policy requirements. This review process is expected to take a couple of weeks, and Mr. Willer noted that the team anticipates completing due diligence and presenting recommendations.
10. There being no further business, Mr. O'Mara declared the meeting ***adjourned***.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees 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 conjunction with this meeting.

Recording Secretary

I, William O'Mara, the Chair of the County Employees Retirement System Finance Committee, do certify that the Minutes of Meeting held on August 18, 2025, were approved on November 24, 2025.

Chair of the CERS Finance Committee

I have reviewed the Minutes of the August 18, 2025, CERS Finance Committee Meeting for content, form, and legality.

Executive Director
Office of Legal Services

DRAFT 11-18-2025

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

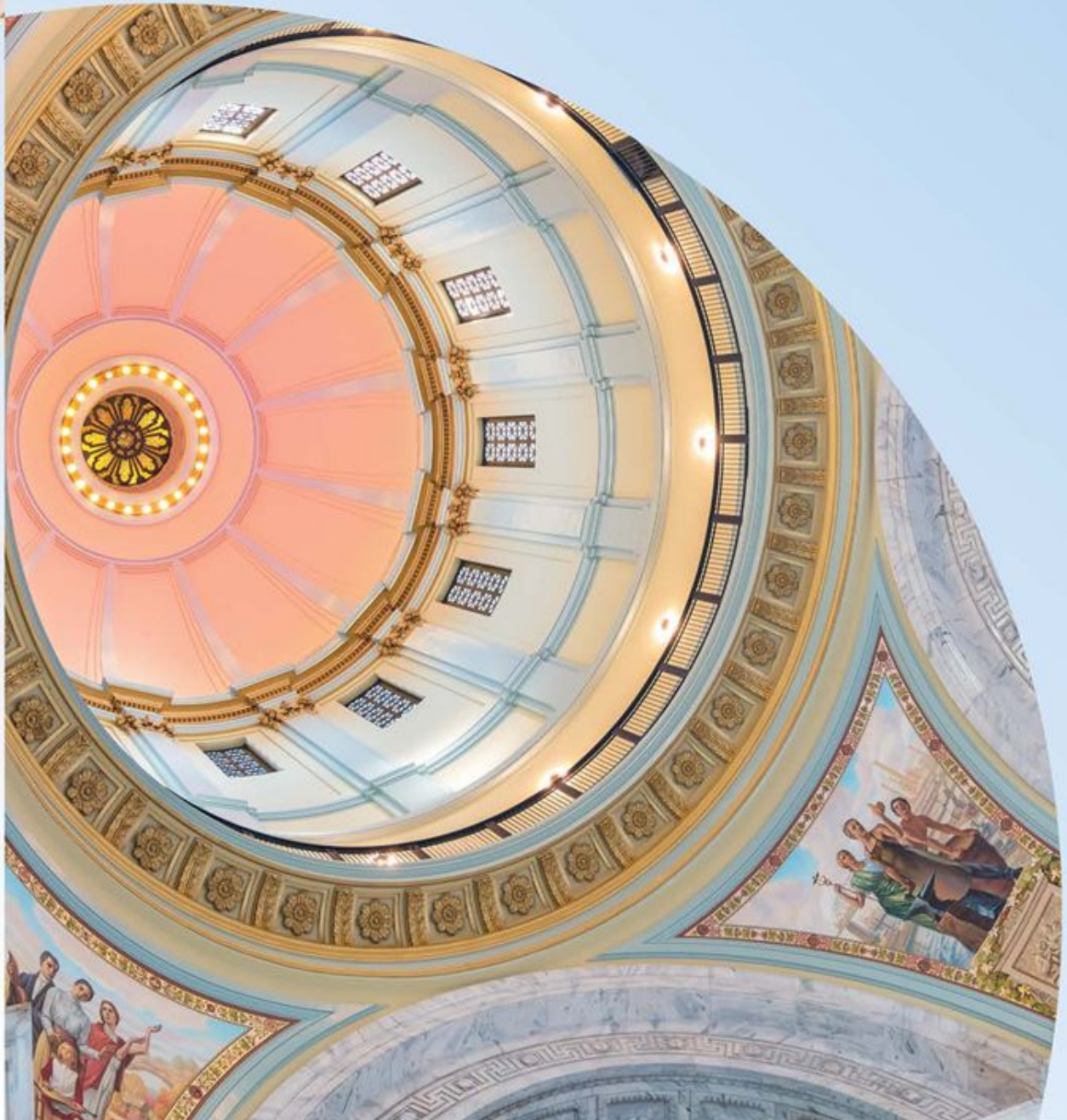


ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the fiscal year ended June 30, 2025

Available at kyret.ky.gov

Prepared by Kentucky Public Pensions
Authority's Division of Accounting



DRAFT 11-18-2025

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DRAFT 11-18-2025**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 and employer contributions 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 11-18-2025

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 11-18-2025

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 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 11-18-2025**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

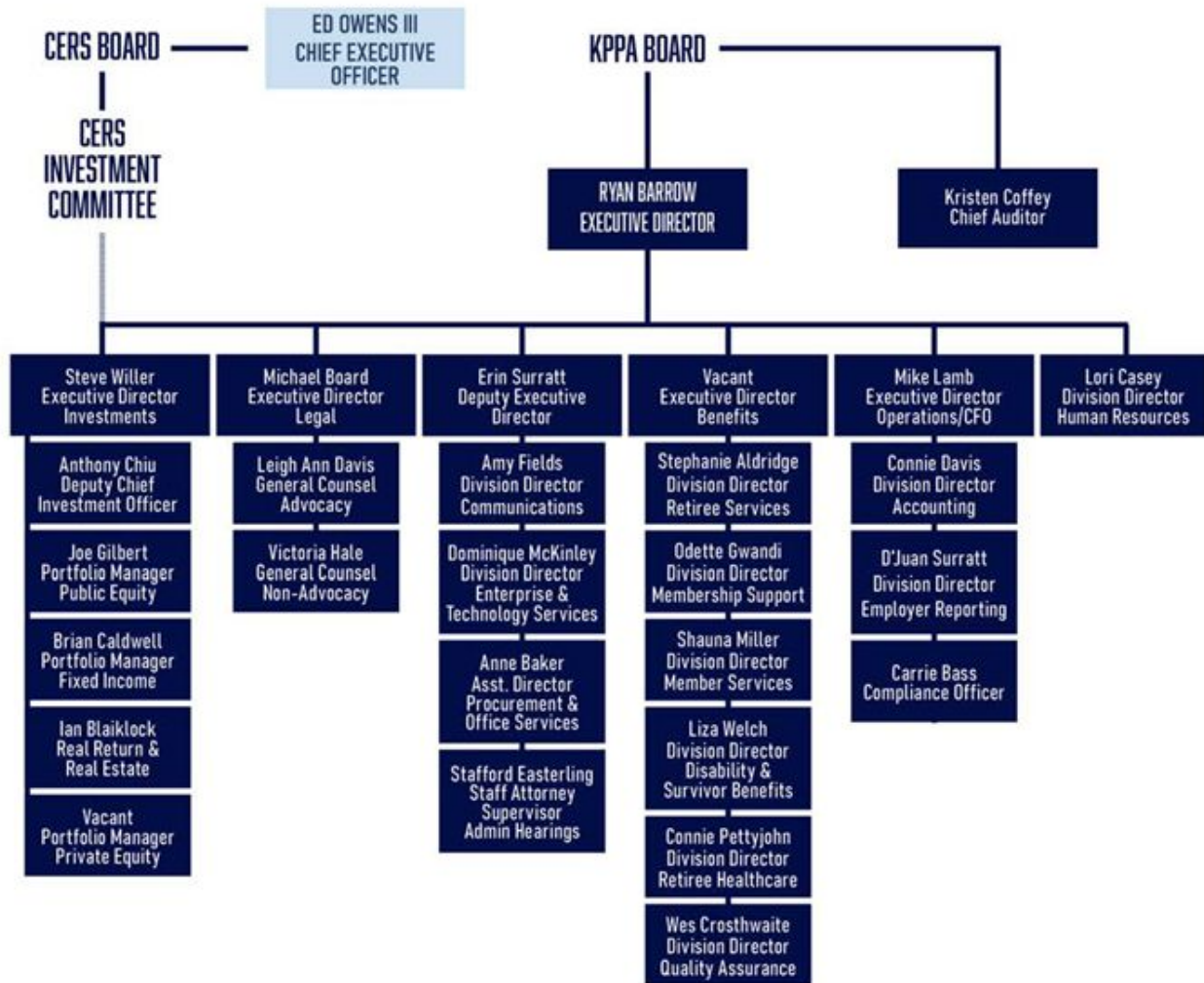
Term ends March 31, 2025*
Nominated by KLC

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

DRAFT 11-18-2025**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

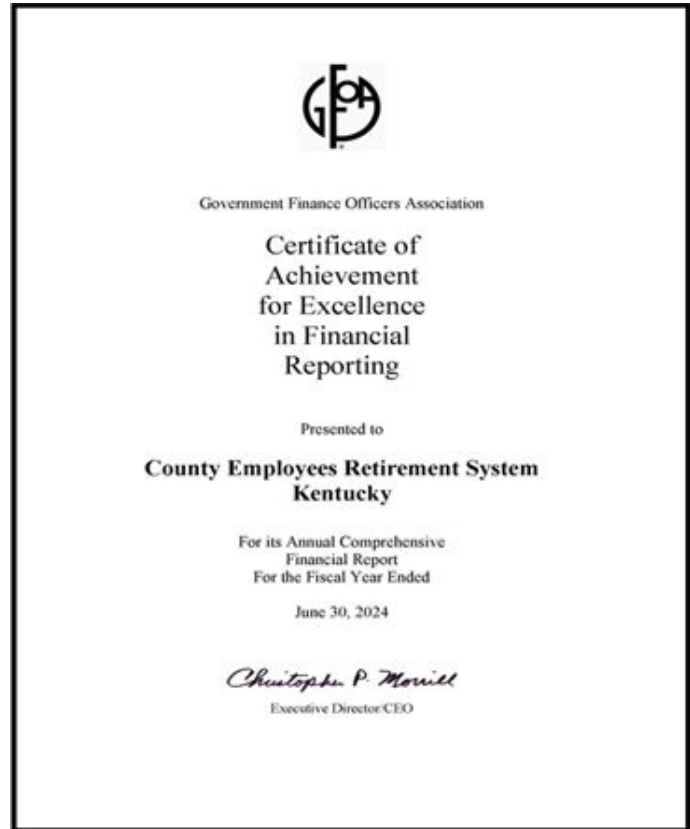
Master Custodian

BNY Mellon

Refer to the Investments Section for additional information regarding Investment Advisors (pages 71-73) and Schedules of Fees and Expenses (pages 73-75).

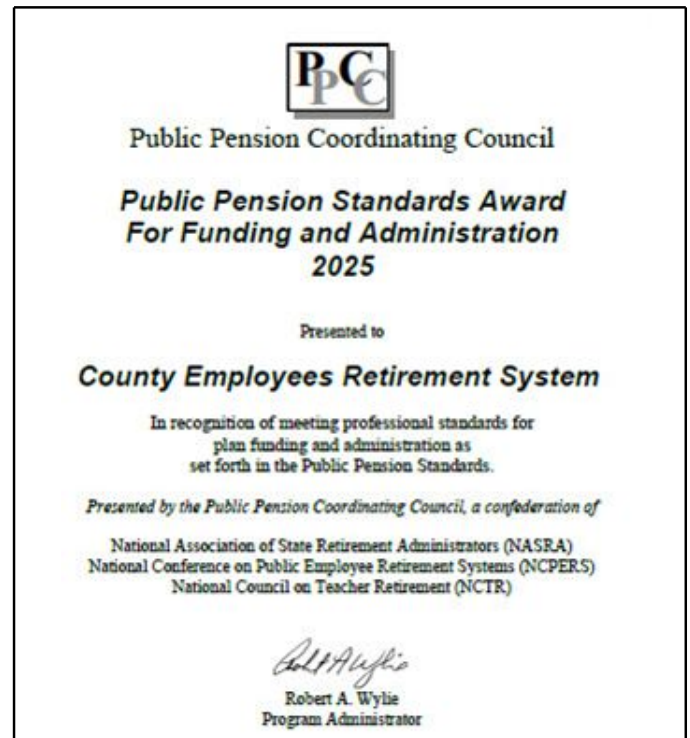
DRAFT 11-18-2025**Professional Awards****CERTIFICATE OF ACHIEVEMENT FOR
EXCELLENCE IN FINANCIAL REPORTING**

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 11-18-2025

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Independent Auditor's Report

To the Members
County Employees Retirement System
Frankfort, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the County Employees Retirement System (CERS), a component unit of the Commonwealth of Kentucky as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise CERS's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of CERS, as of June 30, 2025, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

DRAFT 11-18-2025**DRAFT COPY 11.17.25gbl**

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CERS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CERS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CERS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

DRAFT 11-18-2025**DRAFT COPY 11.17.25gbl*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise CERS's basic financial statements. The accompanying schedules of administrative expense, direct investment expense, and professional consultant fees are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedules of administrative expenses, direct investment expenses, and professional consultant fees are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

DRAFT 11-18-2025

DRAFT COPY 11.17.25gbl**Report on Summarized Comparative Information**

The CERS's basic financial statements for the year ended June 30, 2024 (not presented herein), were audited by other auditors whose report thereon dated December 5, 2024, expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended 2024 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December XX, 2025, on our consideration of CERS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CERS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CERS's internal control over financial reporting and compliance.

Boise, Idaho

December XX, 2025

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

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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 64 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 62 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.

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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%	90.91%	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 11-18-2025**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
<i>See accompanying notes which are an integral part of these combining financial statements.</i>						

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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.

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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.

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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.

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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

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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.

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

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

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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.

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

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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.

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.

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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%
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%

DRAFT 11-18-2025**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	
	As of June 30, 2025 (\$ in Thousands)		As of June 30, 2025 (\$ in Thousands)	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
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
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:

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- 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
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.

DRAFT 11-18-2025**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

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

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Foreign Currency Risk				
As of June 30, 2025 (\$ in Thousands)				
Type	Pension		Insurance	
	Nonhazardous	Hazardous	Nonhazardous	Hazardous
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
Polish Zloty	4,587	1,634	1,676	759
Pound Sterling	130,779	46,676	47,584	21,451
Romanian Leu	474	169	165	75
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.

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 11-18-2025**Fair Value Measurements and Application - Pension**

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

Asset Type	Nonhazardous			Total	Hazardous			Total
	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
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.

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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			Hazardous			
		Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Specialty Credit ⁽¹⁾	\$1,557,647	\$328,242	Daily - Quarterly	90 Days	\$520,443	\$119,307	Daily - Quarterly	90 Days
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	30 - 60 Days
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 NAV	\$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 11-18-2025**Fair Value Measurements and Application - Insurance**

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

	Nonhazardous			Total	Hazardous			Total
	Level				Level			
Asset Type	1	2	3	Fair Value	1	2	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.

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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 NAV	\$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 11-18-2025**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.

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

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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 47 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 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*.

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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.

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.

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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 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.

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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.

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.

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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%

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

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%

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.

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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 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:

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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."

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

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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.

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.

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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.

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.

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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.

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

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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.

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.

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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 of the TPL	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.

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Schedule of Changes in Employers' TPL - CERS Hazardous										
As of June 30 (\$ in Thousands)										
Year	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
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 of the TPL	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.										

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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.

DRAFT 11-18-2025**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.

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.

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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%
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 11-18-2025**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 11-18-2025**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

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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 11-18-2025**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.

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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%
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

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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				
	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%)	—%	—%

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 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

DRAFT 11-18-2025**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
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

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Members
County Employees Retirement System
Frankfort, Kentucky

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the County Employee Retirement System (CERS), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the CERS's basic financial statements and have issued our report thereon dated December XX, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CERS's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CERS's internal control. Accordingly, we do not express an opinion on the effectiveness of CERS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of CERS's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CERS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CERS's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CERS's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Boise, Idaho

December XX, 2025

DRAFT 11-18-2025**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.

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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

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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%

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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

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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	\$2,133
Performance Benchmark	1,000	993	1,129	1,208	1,285	1,287	1,618	1,515	1,659	2,106
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,883

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	\$2,133
Performance Benchmark	1,000	998	1,133	1,213	1,289	1,284	1,602	1,502	1,645	2,089
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,883
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	\$2,144
Performance Benchmark	1,000	998	1,133	1,213	1,289	1,284	1,602	1,502	1,646	2,089
Actuarial Assumed ROR	\$1,000	\$1,075	\$1,156	\$1,228	\$1,305	\$1,386	\$1,473	\$1,565	\$1,663	\$1,883

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.

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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 11-18-2025**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 11-18-2025**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

CERS Nonhazardous Pension		CERS 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

CERS Hazardous Pension		CERS 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 11-18-2025**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
CERS Nonhazardous		6.49%	10.22%	4.07%	11.25%	16.36%	21.24%	12.65%	14.84%
CERS Hazardous		7.06%	10.22%	4.46%	11.25%	16.46%	21.24%	12.71%	14.84%
Insurance	7/1/2002								
CERS Nonhazardous		2.14%	10.22%	4.02%	11.25%	16.25%	21.24%	12.99%	14.84%
CERS 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
CERS Nonhazardous		5.07%	1.17%	(2.64%)	(5.07%)	5.50%	2.01%	7.34%	4.71%
CERS Hazardous		5.07%	1.17%	(2.63%)	(5.07%)	5.52%	2.01%	7.34%	4.71%
Insurance	5/1/2009								
CERS Nonhazardous		5.18%	1.17%	(2.44%)	(5.07%)	5.37%	2.01%	7.30%	4.71%
CERS 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
CERS Nonhazardous		15.41%	5.35%	15.04%	6.22%	14.43%	9.93%	7.59%	5.01%
CERS Hazardous		15.74%	5.35%	15.47%	6.22%	14.70%	9.93%	7.74%	5.01%
Insurance	7/1/2011								
CERS Nonhazardous		14.68%	5.35%	13.97%	6.22%	13.47%	9.45%	7.22%	5.05%
CERS 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.

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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%.

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
CERS Nonhazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.13%	2.01%
CERS Hazardous		4.81%	4.88%	4.50%	4.75%	2.75%	2.88%	2.13%	2.01%
Insurance	7/1/1992								
CERS Nonhazardous		4.80%	4.88%	4.50%	4.75%	2.74%	2.88%	1.99%	2.01%
CERS 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

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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	
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
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

DRAFT 11-18-2025**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
Total	\$15,314	\$8,803	\$2,902	\$53,620	\$3,852	\$6,856	\$8,202	\$99,549
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
Total	\$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.

DRAFT 11-18-2025**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
Total	\$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
Total	\$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)

	CERS Nonhazardous		CERS Hazardous	
Expenses	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%
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%

DRAFT 11-18-2025**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%
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

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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%

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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 11-18-2025**Table 3a: Retirement Rate Assumptions CERS (See footnotes 1 - 3)**

Nonhazardous						Hazardous			
Age	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 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.

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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+	—%	—%

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- 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.

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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%

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Recommended Employer Contribution Rates

As of June 30

2025	2026-2027	5.03%	12.11%	17.14%	0.29%	17.43%
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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%
2023	2,560,387	3,366,332	3,398,375	(805,945)	(837,988)	131.48%	132.73%

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Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

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

Actuarial Liabilities							
Valuation Date	(1)	(2)	(3)	Actuarial Value of Assets	% of Actuarial Liabilities Covered by Actuarial Assets		
	Active Member Contributions	Retired Members & Beneficiaries	Active Members (Employer Portion)		(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%	—%
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%	—%

DRAFT 11-18-2025**Solvency Test**

As of June 30 (\$ in Thousands)

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 11-18-2025**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

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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

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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%	

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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%	8.42%	See www.kyret.ky.gov for most recent Actuarial Factors
CERS Hazardous	8.00%	7.50%	4.00%	8.58%	

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.

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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.

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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 11-18-2025**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 11-18-2025**Member Monthly Benefit**

Average Monthly Benefit by Length of Service in CERS As of June 30, 2025 (in Whole \$)					
Service Credit Range	Nonhazardous		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 11-18-2025**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 11-18-2025**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 11-18-2025**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 11-18-2025**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 11-18-2025**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 \$)**

		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
System	Tier						
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

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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 Nonhazardous							
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. House Bill 506 (2023 Regular Session), established, effective January 1, 2024, a Partial Lump Sum Option (PLSO). The PLSO provides for a one-time payment equal to 12, 24, 36, 48, or 60 times the monthly benefit under the Basic, Survivorship, or Annuity payment option, plus a monthly payment. The monthly payment is actuarially reduced to reflect the lump-sum payment amount, and those monthly amounts are included in the "monthly benefits" presented in this table. During fiscal year 2025 total one-time PLSO payments for CERS totaled \$71,187,741.</i>							

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Employer Contribution Rates

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

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%

DRAFT 11-18-2025**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 11-18-2025**Acronym Glossary for County Employees Retirement System**

As of December 4, 2025

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

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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.



KPPA
Kentucky Public Pensions Authority

Decemeber XX, 2025

To the Board of Trustees
County Employee Retirement System
Frankfort, Kentucky

We have audited the financial statements of the County Employee Retirement System (CERS) as of and for the year ended June 30, 2025, and have issued our report thereon dated December XX, 2025. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit under Generally Accepted Auditing Standards and *Government Auditing Standards*

As communicated in our letter dated July 21, 2025, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of the system of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of CERS solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding internal controls during our audit in our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* dated December XX, 2025.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and other firms utilized in the engagement, if applicable, have complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices*Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by CERS is included in Note A to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Accounting Estimates and Related Disclosures

Accounting estimates and related disclosures are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the various investment valuations with non-readily available market prices are based on a cash flow analysis and the most current information provided by the fund managers. We evaluated the key factors and assumptions used to develop the investment valuations and determined that it is reasonable in relation to the basic financial statements taken as a whole.
- Management's estimate of the actuarial calculation determining the total pension and OPEB liability. We evaluated the key factors and assumptions used to develop the total pension and OPEB liability estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the CERS financial statements relate to:

- The disclosure of investments in Note B to the financial statements requires disclosures to address Government Accounting Standards Board Statement No. 40 "*Deposit and Investment Risk Disclosure – an amendment of Government Accounting Standards Board Statement No. 3*" which addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, and interest rate risk. Also included in Note B is the required disclosure to address GASB Statement No. 72, *Fair Value Measurement and application*, which addresses the classifications of investment using a hierarchy structure based upon valuation inputs.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Uncorrected misstatements or matters underlying those uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even though the uncorrected misstatements are immaterial to the financial statements currently under audit.

The following summarizes uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Understatement of Alternative Investments	\$13,700,000
Overstatement of Non-Alternative investments	12,500,000
Understatement of Investment Income	1,200,000

The effect of these uncorrected misstatements, including the effect of the reversal of prior year uncorrected misstatements as of and for the year ended [Date], is an understatement of the net increase in fiduciary net position of approximately \$1,200,000, and understatement of ending fiduciary net position of the same amount.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Circumstances that Affect the Form and Content of the Auditor's Report

For purposes of this letter, professional standards require that we communicate any circumstances that affect the form and content of our auditor's report. We did not identify any circumstances that affect the form and content of the auditor's report.

Representations Requested from Management

We have requested certain written representations from management that are included in the management representation letter dated December XX, 2025.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with CERS, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as CERS's auditors.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information whether financial or nonfinancial, included in CERS's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to obtain assurance about such other information. However, in accordance with such standards, we have:

Read the other information (which comprises the introductory, investment, actuarial, and statistical sections) and considered whether a material inconsistency exists between the other information and the basic financial statements, or if the other information otherwise appears to be materially misstated. We did not note any such inconsistencies.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

This report is intended solely for the information and use of the Board of Trustees and management of the County Employee Retirement System and is not intended to be and should not be used by anyone other than these specified parties.

Boise, Idaho



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

Combining Statement of Fiduciary Net Position						
For the three month period ending September 30, 2025, with Comparative Totals for the three month period ending September 30, 2024 (\$ in thousands) (Unaudited)						
	Pension		Insurance		CERS Total	CERS Total
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous	2026	2025
ASSETS						
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$564	\$30	\$105	\$19	\$718	\$411
Short-term Investments	314,173	156,822	107,310	47,595	625,900	736,147
Total Cash and Short-term Investments	314,737	156,852	107,415	47,614	626,618	736,558
RECEIVABLES						
Accounts Receivable	63,959	24,428	5,054	1,743	95,184	95,559
Accounts Receivable - Investments	74,630	27,752	26,537	11,167	140,086	222,882
Total Receivables	138,589	52,180	31,591	12,910	235,270	318,441
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	1,420,899	508,418	518,242	243,757	2,691,316	2,438,138
Public Equities	5,279,441	1,904,775	1,929,806	892,007	10,006,029	9,220,283
Private Equities	581,981	207,785	222,827	123,370	1,135,963	1,237,384
Specialty Credit	2,188,954	782,435	802,471	365,416	4,139,276	3,796,420
Derivatives	160	59	428	192	839	(83)
Real Return	653,635	234,603	244,603	115,417	1,248,258	740,545
Real Estate	547,191	174,129	198,481	108,926	1,028,727	962,809
Total Investments, at Fair Value	10,672,261	3,812,204	3,916,858	1,849,085	20,250,408	18,395,496
Securities Lending Collateral Invested	291,930	105,256	90,252	42,657	530,095	479,156
CAPITAL/INTANGIBLE ASSETS						
Capital Assets	1,701	153	—	—	1,854	1,854
Intangible Asets	9,961	827	—	—	10,788	10,788
Accumulated Depreciation	(1,701)	(153)	—	—	(1,854)	(1,854)
Accumulated Amortization	(9,961)	(827)	—	—	(10,788)	(10,788)
Total Capital Assets	—	—	—	—	—	—
Total Assets	11,417,517	4,126,492	4,146,116	1,952,266	21,642,391	19,929,650
LIABILITIES						
Accounts Payable	5,215	991	56	(36)	\$6,226	6,807
Investment Accounts Payable	126,220	47,173	42,801	18,135	234,329	226,887
Securities Lending Collateral	291,930	105,256	90,252	42,657	530,095	479,156
Total Liabilities	423,365	153,420	133,109	60,756	770,650	712,850
Total Fiduciary Net Position Restricted for Benefits	\$10,994,152	\$3,973,072	\$4,013,007	\$1,891,510	\$20,871,741	\$19,216,800
NOTE - Variance Explanation for changes greater than 10% and more than \$1 million.						
Differences due to rounding, notes continued on next page.						
1) Short term investments are primarily comprised of cash on hand at the custodial bank, the variance in the balance is a result of the cash flows of each plan.						
2)The variance in Investment Accounts Receivable is primarily the result of pending trades.						
3) The increase in Core Fixed Income is a result of additional funding.						
4) The increase in Real Return is a result of additional funding of new managers and favorable market conditions.						
5) The variance is a result of the demand of the Securities Lending Program.						
6) The variance is a result of the demand of the Securities Lending Program.						

CERS Finance Committee Meeting - Quarterly Financials

Combining Statement of Changes In Fiduciary Net Position							
For the three month period ending September 30, 2025, with Comparative Totals for the three month period ending September 30, 2024 (\$ in thousands) (Unaudited)							
	Pension		Insurance		CERS	CERS	
	CERS Nonhazardous	CERS Hazardous	CERS Nonhazardous	CERS Hazardous	Total 2026	Total 2025	
ADDITIONS							
Member Contributions	\$39,544	\$17,269	\$—	\$—	\$56,813	\$51,673	9.95%
Employer Contributions	151,881	75,441	305	3,844	\$231,471	223,001	3.80%
Pension Spiking Contributions	(7)	2	—	—	(5)	33	(115.92%)
Health Insurance Contributions (HB1)	(33)	(14)	5,455	1,584	6,992	6,053	15.51%
Humana Gain Share Payment	—	—	—	—	—	—	—%
Medicare Drug Reimbursement	—	—	—	—	—	—	
Insurance Premiums	—	—	21	(16)	5	15	(64.09%)
Retired Reemployed Healthcare	—	—	5,099	584	5,683	4,995	13.79%
Total Contributions	191,385	92,698	10,880	5,996	300,959	285,770	
INVESTMENT INCOME							
From Investing Activities							
Net Appreciation (Depreciation) in FV of Investments	382,690	136,721	138,455	64,326	722,192	783,350	(7.81%)
Interest/Dividends	88,884	31,849	\$31,537	\$14,887	167,157	149,513	11.80%
Total Investing Activities Income (loss)	471,574	168,570	169,992	79,213	889,349	932,863	
Less: Investment Expense	14,996	5,155	5,806	2,947	28,904	29,508	(2.05%)
Less: Performance Fees	4,778	1,596	1,969	981	9,324	13,767	(32.27%)
Net Income (loss) from Investing Activities	451,800	161,819	162,217	75,285	851,121	889,588	
From Securities Lending Activities							
Securities Lending Income	3,137	1,177	1,027	401	5,742	5,618	
Less: Securities Lending Borrower Rebates (Income)/Expense	2,534	955	839	322	4,650	5,004	
Less: Securities Lending Agent Fees	90	33	28	12	163	92	
Net Income from Securities Lending	513	189	160	67	929	522	78.15%
Net Investment Income (loss)	452,313	162,008	162,377	75,352	852,050	890,110	
Total Additions	643,698	254,706	173,257	81,348	1,153,009	1,175,880	
DEDUCTIONS							
Benefit Payments	262,111	100,435	—	—	362,546	354,808	2.18%
Refunds	6,326	2,665	—	—	8,991	9,587	(6.22%)
Administrative Expenses	6,684	586	220	134	7,624	7,244	5.25%
Healthcare Expenses	—	—	35,664	26,008	61,672	58,850	4.79%
Self Funded Healthcare Costs	—	—	212	136	348	1,374	(74.69%)
Excise Tax	—	—	—	—	—	—	
Total Deductions	275,121	103,686	36,096	26,278	441,181	431,863	
Net Increase Decrease in Fiduciary Net Position Restricted for Pension Benefits	368,577	151,020	137,161	55,070	711,828	744,017	
Total Fiduciary Net Position Restricted for Benefits							
Beginning of Period	10,625,575	3,822,051	3,875,848	1,836,440	20,159,914	18,472,784	
End of Period	\$10,994,152	\$3,973,071	\$4,013,009	\$1,891,510	\$20,871,742	\$19,216,801	8.61%
NOTE - Variance Explanation for changes greater than 10% and more than \$1 million.							
Differences due to rounding, notes continued on next page.							
1) Retired Reemployed Healthcare contributions increased due to an increase in retired reemployed members in CERS Nonhazardous and CERS Hazardous.							
2) The increase in Interest/Dividends in a result of increased dividends from Public Equity.							
3) The decrease in Performance Fees is a result of a decline in carried interest from Private Equity and Specialty Credit.							
4) Self Funded Healthcare Costs decreased due to a decrease in reimbursements for claims on self funded retirees.							

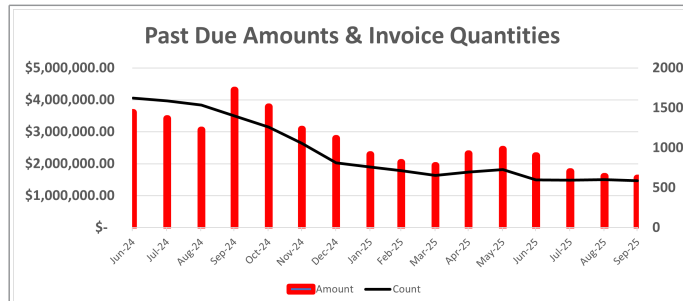
CERS Contribution Report

For the three month period ending September 30, 2025, with Comparative Totals for the three month period ending September 30, 2024 (\$ in Millions)

 CERS County Employees Retirement System	County Employees Retirement System			
	Nonhazardous		Hazardous	
	Pension			
	FY26	FY25	FY26	FY25
Member Contributions	\$39.5	\$36.1	\$17.2	\$15.6
Employer Contributions	134.1	130.5	67.7	65.5
Employer Pay Credit	17.8	15.5	7.8	7.0
Net Investment Income	69.6	56.4	25.3	20.4
Total Inflows	261.0	238.5	118.0	108.5
Benefit Payments/Refunds	268.4	263.2	103.1	101.2
Administrative Expenses	6.7	6.3	0.6	0.6
Total Outflows	275.1	269.5	103.7	101.8
NET Contributions	(\$14.1)	(\$31.0)	\$14.3	\$6.7
Realized Gain/(Loss)	97.2	208.4	34.7	73.4
Unrealized Gain/(Loss)	285.5	205.4	102.0	73.7
Change in Net Position	368.6	382.8	151.0	153.8
Beginning of Period	10,625.6	9,717.6	3,822.1	3,439.9
End of Period	10,994.2	10,100.4	3,973.1	3,593.7
Net contributions less Net Investment Income	(\$83.7)	(\$87.4)	(11.0)	(\$13.7)
Cash Flow as % if Net Assets	(0.76%)	(0.87%)	(0.28%)	(0.38%)
Net Investment Income	\$69.6	\$56.4	\$25.3	\$20.4
Yield as % of Net Assets	0.63%	0.56%	0.64%	0.57%

	County Employees Retirement System			
	Nonhazardous		Hazardous	
	Insurance			
	FY26	FY25	FY26	FY25
Employer Contributions	\$0.3	\$0.2	\$3.8	\$4.2
Insurance Premiums	—	—	—	—
Humana Gain Share	—	—	—	—
Retired Reemployed	5.1	4.4	0.6	0.6
Health Insurance Contributions	5.5	4.8	1.6	1.3
Net Investment Income	23.9	20.5	11.0	9.4
Total Inflows	34.8	29.9	17.0	15.5
Healthcare Premiums	35.9	34.3	26.1	25.9
Administrative Expenses	0.2	0.2	0.1	0.1
Total Outflows	36.1	34.5	26.2	26.0
NET Contributions	(1.3)	(4.6)	(9.2)	(10.5)
Realized Gain/(Loss)	45.7	86.7	21.3	43.1
Unrealized Gain/(Loss)	92.8	64.5	43.0	28.2
Change in Net Position	137.2	146.6	55.1	60.8
Beginning of Period	3,875.8	3,585.9	1,836.4	1,729.4
End of Period	\$4,013.0	\$3,732.5	\$1,891.5	\$1,790.2
Net contributions less Net Investment Income	(\$25.2)	(\$25.1)	(\$20.2)	(\$20.0)
Cash Flow as % if Net Assets	(0.63%)	(0.67%)	(1.07%)	(1.12%)
Net Investment Income	\$23.9	\$20.5	\$11.0	\$9.4
Yield as % of Net Assets	0.60%	0.55%	0.58%	0.53%

		Past Due Invoices As Of September 30, 2025								COMMENTS
Employer Name (Top Ten) Type of Invoice		0-90 days	91-180 days	181-360 days	1-2 years	2-3 years	3-5 years	> 5 years	Total Past Due	
KENTUCKY RIVER REGIONAL JAIL		(\$7,356)			\$79,271		\$748,970	\$144,923	\$965,808	With KPPA Legal
Omitted Employer					\$79,271		\$748,970	\$143,929	\$972,170	
Penalty-Monthly Reporting								\$1,000	\$1,000	
Monthly Reporting Invoice		(\$7,356)						(\$6)	(\$7,362)	
ELLIOTT CO AMBULANCE SERVICE			\$54,926	\$128,913	\$34,000		\$525	\$10,656	\$229,020	With KPPA Legal
Monthly Reporting Invoice			\$474	\$70,974				(\$185)	\$71,263	
Health Insurance Reimbursement			\$3,321	\$55,784				\$2,128	\$61,234	
Omitted Employer			\$51,130	\$155			\$63	\$1,713	\$53,061	
Penalty - Monthly Reporting				\$2,000	\$34,000			\$7,000	\$43,000	
Pension Spiking							\$463		\$463	
CITY OF JEFFERSON TOWN								\$133,008	\$133,008	All were paid in October 2025
Pension Spiking								\$133,008	\$133,008	
HOUSING AUTHORITY OF STURGIS		\$61,731							\$61,731	Have paid \$32,000 of Past due amounts.
Monthly Reporting Invoice		\$41,474							\$41,474	
Omitted Employer		\$20,257							\$20,257	
CARROLL CO BOARD OF EDUCATION		\$43,215							\$43,215	Not Paid as of 11/14
Health Insurance Reimbursement		\$43,215							\$43,215	
ADAIR CO BOARD OF EDUCATION				\$42,791					\$42,791	Employer actively working with ERCE on payment of past due amounts.
Health Insurance Reimbursement				\$42,791					\$42,791	
MAGOFFIN CO BOARD OF EDUCATION		\$43,554	\$63	(\$705)	(\$655)				\$42,258	Not Paid as of 11/14
Health Insurance Reimbursement		\$44,749							\$44,749	
Monthly Reporting Invoice		(\$1,195)	\$63	(\$705)	(\$655)				(\$2,491)	
GREENUP CO BOARD OF EDUCATION		\$40,185							\$40,185	Not Paid as of 11/14
Health Insurance Reimbursement		\$40,185							\$40,185	
Monthly Reporting Invoice		\$—							\$—	
KNOTT CO BOARD OF EDUCATION		\$39,067							\$39,067	Not Paid as of 11/14
Health Insurance Reimbursement		\$39,067							\$39,067	
CITY OF CAVE CITY		\$1,585	\$1,771	\$4,871	\$25,296				\$33,523	Employer actively working with ERCE on payment of past due amounts.
Monthly Reporting Invoice		\$654		\$4,871	\$13,954				\$19,479	
Health Insurance Reimbursement		\$931	\$909		\$11,342				\$13,182	
Omitted Employer			\$862						\$862	
ALL OTHER CERS EMPLOYERS		\$30,605	(\$162,908)	(\$49,113)	(\$5,132)	\$7,420	\$8,881	\$87,990	(\$82,257)	Employers working with ERCE toward past due resolution
Health Insurance Reimbursement		\$287,432	\$23,500	(\$1,203)	\$3,611			\$20,834	\$334,175	
Penalty-Monthly Reporting		\$12,926	\$7,000	\$13,000	\$5,000	\$7,000	\$8,000	\$19,000	\$71,926	
Omitted Employer		\$60,410	\$4,268		\$2,392		\$583	\$2,239	\$69,892	
Pension Spiking								\$36,875	\$36,875	
Standard Sick Leave		\$17,865							\$17,865	
Expense Allowance		\$1,256	(\$123)	\$1,736		\$482			\$3,352	
Expired Post Pending Invoice								\$378	\$378	
Refunded Member Contributions Due								\$48	\$48	
Personnel Adjustment			(\$1)		\$216			(\$180)	\$36	
Member Pension Spiking Refund		(\$4,764)	(\$886)	(\$12)	(\$458)				(\$6,121)	
Averaging Refund to Employer			(\$183,092)	(\$48,108)	(\$9,626)				(\$240,826)	
Monthly Reporting Invoice		(\$344,519)	(\$13,574)	(\$14,527)	(\$6,267)	(\$62)	\$298	\$8,796	(\$369,855)	
Total PAST Due		\$252,584	(\$106,148)	\$126,756	\$132,781	\$7,420	\$758,376	\$376,577	\$1,548,347	



KPPA ADMINISTRATIVE BUDGET FY 2025-2026 BUDGET-TO-ACTUAL SUMMARY ANALYSIS FOR THE THREE MONTHS PERIOD ENDING SEPTEMBER 30, 2025, WITH COMPARATIVE TOTALS FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2024						
CATEGORY	BUDGETED	FY 2025 EXPENSE	REMAINING	PERCENT REMAINING	FY 2024 EXPENSE	PERCENT DIFFERENCE
PERSONNEL	\$37,718,000	\$9,135,502	\$28,582,498	75.78%	\$8,849,836	3.23%
LEGAL CONTRACTS	1,820,000	148,577	1,671,423	91.84%	294,608	(49.57%)
AUDITING	250,000	13,033	236,967	94.79%	40,251	(67.62%)
ACTUARIAL SERVICES	550,000	—	550,000	100.00%	—	—%
MEDICAL REVIEWERS	1,800,000	274,885	1,525,115	84.73%	258,085	6.51%
OTHER PERSONNEL	1,085,000	26,185	1,058,815	97.59%	67,440	(61.17%)
PERSONNEL TOTAL	\$43,223,000	\$9,598,182	\$33,624,818	77.79%	\$9,510,220	0.92%
RENTALS - BUILDING & EQUIPMENT	1,400,000	292,920	1,107,080	79.08%	280,539	4.41%
INFORMATION TECHNOLOGY	4,005,000	1,043,291	2,961,709	73.95%	851,803	22.48%
OTHER OPERATIONAL	1,319,000	139,062	1,179,938	89.46%	167,406	(16.93%)
OPERATIONAL TOTAL	\$6,724,000	\$1,475,273	\$5,248,727	78.06%	\$1,299,748	13.50%
RESERVE	22,700	—	22,700	100.00%	—	—%
ADMINISTRATIVE BUDGETED AMOUNT	\$49,969,700	\$11,073,455	\$38,896,245	77.84%	\$10,809,968	2.44%

ADMINISTRATIVE BUDGET SUMMARY NOTES	
	KPPA has spent \$9.1 million through quarter one, which is 24.22% of the annual budget (leaving 75.78%) and is 3.23% higher than last year's quarter one total.
PERSONNEL (Staffing Subtotal):	The Locality Premium line item is included in the Salaries/Wages Budget line item.
LEGAL & AUDITING SERVICES:	KPPA has spent \$161,610 or 7.81% of the annual budget (leaving 92.19%), We have not yet received all the invoices related to the ACFR audits.
OTHER PERSONNEL CATEGORIES:	All other personnel categories are well under budget through the first quarter.
OPERATIONAL TOTAL:	KPPA has spent \$1.5 million in the operations category leaving 78.06% of the budget for the next three quarters.
OVERALL:	The total administrative expenses through quarter one were \$11 million, which was 2.44% higher than the prior year comparison, leaving 77.84% (or \$38.9M) of the original \$49.9 million budget. KPPA also received an additional \$145,900 from OSBD subsequent to the KPPA board approving this budget, bringing the total admin budget to \$50,115,600 (vs. the \$49,969,700 approved by the KPPA Board and presented here.)

KPPA ADMINISTRATIVE BUDGET FY 2025-2026 BUDGET-TO-ACTUAL ANALYSIS FOR THE THREE MONTHS PERIOD ENDING SEPTEMBER 30, 2025, WITH COMPARATIVE TOTALS FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2024						
Account Name	Budgeted	FY 2026 Expense	Remaining	PERCENT REMAINING	FY 2025 EXPENSE	PERCENT DIFFERENCE
PERSONNEL						
Staff						
Salaries/Wages	\$22,400,000	\$5,356,597	\$17,043,403	76.09%	\$5,117,359	4.68%
Wages (Overtime)	320,000	60,497	259,503	81.09%	49,207	22.94%
Locality Premium	—	115,623	-115,623	(100.00%)	—	100.00%
Emp Paid FICA	1,740,000	397,077	1,342,923	77.18%	368,985	7.61%
Emp Paid Retirement	9,730,000	2,367,696	7,362,304	75.67%	2,542,284	(6.87%)
Emp Paid Health Ins	3,200,000	821,226	2,378,774	74.34%	754,060	8.91%
Emp Paid Life Ins	3,000	798	2,202	73.40%	772	3.37%
Emp Paid Sick Leave	250,000	—	250,000	100.00%	—	—%
Adoption Assistance Benefit	15,000	—	15,000	100.00%	—	—%
Escrow For Admin Fees	5,000	—	5,000	100.00%	—	—%
Workers Compensation	20,000	12,485	7,515	37.58%	12,485	—%
Unemployment	10,000	0	10,000	100.00%	2,007	(100.00%)
Employee Training	25,000	3,503	21,497	85.99%	2,676	30.90%
Tuition Assistance	—	—	—	—	—	—%
Bonds	—	—	—	—	—	—%
Staff Subtotal	\$37,718,000	\$9,135,502	\$28,582,498	75.78%	\$8,849,836	3.23%
LEGAL & AUDITING SERVICES						
Legal Hearing Officers	270,000	37,494	232,506	86.11%	38,569	(2.79%)
Legal (Stoll, Keenon)	125,000	0	125,000	100.00%	—	—%
Frost Brown	600,000	82,385	517,615	86.27%	88,932	(7.36%)
Reinhart	—	—	—	—	—	—%
Ice Miller	500,000	14,260	485,740	97.15%	116,000	(87.71%)
Johnson, Bowman, Branco LLC	150,000	3,635	146,365	97.58%	34,942	(89.60%)
Dentons Bingham & Greenbaum	50,000	945	49,055	98.11%	—	100.00%
Kellerman Law PLC	100,000	9,617	90,383	90.38%	—	100.00%
Legal Expense	25,000	242	24,758	99.03%	16,166	(98.50%)
Auditing	250,000	13,033	236,968	94.79%	40,251	(67.62%)
Total Legal & Auditing Services	\$2,070,000	\$161,610	\$1,908,390	92.19%	\$334,860	(51.74%)
CONSULTING SERVICES						
Medical Reviewers	1,800,000	274,885	1,525,115	84.73%	258,085	6.51%
Escrow for Actuary Fees	—	—	—	—	—	—%
Total Consulting Services	\$1,800,000	\$274,885	\$1,525,115	84.73%	\$258,085	6.51%
CONTRACTUAL SERVICES						
Miscellaneous Contracts	1,000,000	13,784	986,216	98.62%	51,533	(73.25%)
Human Resources Consulting	10,000	—	10,000	100.00%	—	—%
Actuarial Services	550,000	—	550,000	100.00%	—	—%
Facility Security Charges	75,000	12,401	62,599	83.47%	15,907	(22.04%)
Contractual Subtotal	\$1,635,000	\$26,185	\$1,608,815	98.40%	\$67,440	(61.17%)
PERSONNEL SUBTOTAL	\$43,223,000	\$9,598,181	\$33,624,818	77.79%	\$9,510,220	0.92%
OPERATIONAL						
Natural Gas	50,000	1,906	48,094	96.19%	1,408	35.37%
Electric	140,000	27,789	112,211	80.15%	32,721	(15.07%)
Rent-Non State Building	105,000	—	105,000	100.00%	—	—%
Building Renatl - PPW	1,000,000	240,492	759,508	75.95%	240,492	—%
Copier Rental	100,000	21,279	78,721	78.72%	4,431	380.23%
Rental Carpool	5,000	1,454	3,546	70.92%	1,487	(2.22%)
Vehicle/Equip. Maintenance	1,500	—	1,500	100.00%	—	—%
Postage	480,000	28,699	451,301	94.02%	32,299	(11.15%)
Freight	500	—	500	100.00%	—	—%
Printing (State)	5,000	—	5,000	100.00%	50	(100.00%)
Printing (Non-State)	95,000	4,893	90,107	94.85%	—	100.00%

CERS Finance Committee Meeting - Quarterly Financials

Insurance	7,500	12,692	-5,192	(69.23%)	12,692	—%
Garbage Collection	8,000	604	7,396	92.45%	1,646	(63.30%)
Conference Expense	48,000	12,932	35,068	73.06%	18,076	(28.46%)
Conference Exp. Investment	1,000	0	1,000	100.00%	—	—%
Conference Exp. Audit	1,000	0	1,000	100.00%	—	—%
MARS Usage	65,000	14,760	50,240	77.29%	14,678	0.56%
COVID-19 Expenses	—	—	—	—	—	—%
Office Supplies	100,000	13,716	86,284	86.28%	9,275	47.88%
Furniture & Office Equipment	50,000	—	50,000	100.00%	85	(100.00%)
Travel (In-State)	15,000	1,132	13,868	92.45%	3,226	(64.91%)
Travel (In-State) Investment	500	—	500	100.00%	—	—%
Travel (In-State) Audit	1,000	—	1,000	100.00%	—	—%
Travel (Out of State)	77,000	19,705	57,295	74.41%	20,673	(4.68%)
Travel (Out of State) Investment	135,000	—	135,000	100.00%	—	—%
Travel (Out of State) Audit	3,000	—	3,000	100.00%	—	—%
Dues & Subscriptions	69,000	14,338	54,662	79.22%	12,118	18.32%
Dues & Subscriptions Investment	15,000	5,429	9,571	63.81%	6,360	(14.64%)
Dues & Subscriptions Audit	1,000	—	1,000	100.00%	—	—%
Miscellaneous	55,000	827	54,173	98.50%	449	—%
Miscellaneous Investment	—	—	—	—	—	—%
Miscellaneous Audit	—	—	—	—	—	—%
COT Charges	40,000	3,038	36,962	92.41%	3,267	(7.01%)
Telephone - Wireless	10,000	1,973	8,027	80.27%	1,790	10.22%
Telephone - Other	125,000	21,174	103,826	83.06%	47,694	(55.60%)
Telephone - Video Conference	15,000	948	14,052	93.68%	973	(2.57%)
Computer Equip./Software	3,900,000	1,025,493	2,874,507	73.71%	833,858	22.98%
Comp. Equip./Software Investment	—	—	—	—	—	—%
Comp. Equip./Software Audit	—	—	—	—	—	—%
OPERATIONAL SUBTOTAL	\$6,724,000	\$1,475,273	\$5,248,727	78.06%	\$1,299,748	13.50%
SUB-TOTAL	\$49,947,000	\$11,073,454	\$38,873,545	77.83%	\$10,809,968	2.44%
Reserve	22,700	—	22,700	100.00%	—	—%
TOTAL	\$49,969,700	\$11,073,454	\$38,896,245	77.84%	\$10,809,968	2.44%
<i>Differences due to rounding.</i>						

Plan	Budgeted	FY 2026 Expense	% of Total KPPA FY 2026 Expense
CERS Nonhazardous	\$29,557,078	\$6,549,948	59.15%
CERS Hazardous	2,598,424	575,820	5.20%
KERS Nonhazardous	15,623,526	3,462,226	31.266%
KERS Hazardous	1,842,883	408,389	3.688%
SPRS	347,789	77,071	0.696%
TOTAL	\$49,969,700	\$11,073,454	100.00%

JP MORGAN CHASE HARD INTEREST EARNED					
FOR THE FISCAL YEAR ENDING JUNE 30,2026					
	Clearing Account	CERS	KERS	SPRS	Total
July-25	\$13,193	\$12,946	\$5,088	\$217	\$31,445
August-25	12,022	27,751	15,970	1,843	57,585
September-25	13,283	13,877	5,743	417	33,319
October-25	—	—	—	—	—
November-25	—	—	—	—	—
December-25	—	—	—	—	—
January-26	—	—	—	—	—
February-26	—	—	—	—	—
March-26	—	—	—	—	—
April-26	—	—	—	—	—
May-26	—	—	—	—	—
June-26	—	—	—	—	—
Total	\$38,498	\$54,574	\$26,801	\$2,477	\$122,348

CERS Finance Committee Meeting - Quarterly Financials

		County Employees Retirement System Penalty Invoices Report From: 7/1/2025 To: 9/30/2025					
Note: Delinquent Interest amounts are included in the totals for the invoice							
Invoice Amount	Invoice Remaining Balance	Deliquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
\$1,000	\$—	\$—	7/17/2025	6/6/2025	CANC	Utility Boards	Employer in good standing with KPPA
1,000	—	—	7/24/2025	7/30/2025	CANC	Tourist Commissions	Employer in good standing with KPPA
1,000	—	—	7/9/2025	8/2/2025	CANC	County Attorneys	Employer in good standing with KPPA
1,000	—	—	7/24/2025	8/20/2025	CANC	Cities	KPPA System Issue
3,408	—	—	9/29/2025	10/18/2025	CANC	Cities	Employer in good standing with KPPA
Total	\$7,408	\$—	\$—				
\$1,000	\$1,000	\$—	7/7/2025	8/6/2025	CRTD	Utility Boards	
1,000	926	—	7/18/2025	8/17/2025	CRTD	Planning Commissions	
1,000	1,000	—	8/6/2025	9/5/2025	CRTD	Development Authorities	
1,000	1,000	—	8/7/2025	9/6/2025	CRTD	Special Districts & Boards	
1,000	1,000	—	8/27/2025	9/26/2025	CRTD	Cities	
1,000	1,000	—	9/9/2025	10/9/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/9/2025	10/9/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/9/2025	10/9/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/9/2025	10/9/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/12/2025	10/12/2025	CRTD	Cities	
1,503	1,503	—	9/17/2025	10/17/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/18/2025	10/18/2025	CRTD	Fiscal Courts	
1,000	1,000	—	9/22/2025	10/22/2025	CRTD	Cities	
1,000	1,000	—	9/29/2025	10/29/2025	CRTD	Cities	
Total	\$14,503	\$14,429	\$—				
\$1,000	\$—	\$—	8/20/2025	1/2/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	3/3/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/7/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/8/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/28/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/28/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/28/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/28/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	4/30/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	5/11/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	5/11/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	6/17/2022	PAID	County Attorneys	
1,000	—	—	8/20/2025	2/8/2023	PAID	County Attorneys	
1,000	—	—	8/20/2025	6/12/2024	PAID	County Attorneys	
1,000	—	—	8/8/2025	2/14/2025	PAID	Cities	
1,000	—	—	7/21/2025	3/15/2025	PAID	Housing Authorities	
1,000	—	—	8/5/2025	4/17/2025	PAID	Fiscal Courts	
1,000	—	—	7/21/2025	6/7/2025	PAID	Fiscal Courts	
1,000	—	—	7/16/2025	7/4/2025	PAID	Parks and Recreation	
1,544	—	—	8/29/2025	7/12/2025	PAID	Fiscal Courts	
1,000	—	—	8/19/2025	7/12/2025	PAID	Cities	
1,000	—	—	8/29/2025	7/12/2025	PAID	Fiscal Courts	
1,000	—	—	7/18/2025	7/13/2025	PAID	Fiscal Courts	
1,000	—	—	7/21/2025	7/23/2025	PAID	Fiscal Courts	
1,000	—	—	7/21/2025	7/23/2025	PAID	Fiscal Courts	
1,000	—	—	7/21/2025	7/24/2025	PAID	Cities	
1,000	—	—	9/12/2025	7/27/2025	PAID	Cities	
1,000	—	—	8/6/2025	8/6/2025	PAID	Housing Authorities	

CERS Finance Committee Meeting - Quarterly Financials

 County Employees Retirement System		County Employees Retirement System Penalty Invoices Report From: 7/1/2025 To: 9/30/2025 Note: Delinquent Interest amounts are included in the totals for the invoice					
Invoice Amount	Invoice Remaining Balance	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
1,000	—	—	7/23/2025	8/15/2025	PAID	Parks and Recreation	
1,000	—	—	7/23/2025	8/15/2025	PAID	Parks and Recreation	
1,000	—	—	9/15/2025	8/16/2025	PAID	Boards of Education	
1,000	—	—	9/18/2025	8/17/2025	PAID	Fiscal Courts	
1,000	—	—	9/18/2025	8/17/2025	PAID	Fiscal Courts	
1,129	—	—	8/11/2025	8/17/2025	PAID	Fiscal Courts	
1,000	—	—	8/27/2025	8/20/2025	PAID	Cities	
1,000	—	—	8/8/2025	9/6/2025	PAID	Conservation Districts	
1,000	—	—	8/29/2025	9/18/2025	PAID	Cities	
1,000	—	—	9/12/2025	9/20/2025	PAID	Parks and Recreation	
2,300	—	—	9/10/2025	9/21/2025	PAID	Cities	
1,000	—	—	9/5/2025	9/24/2025	PAID	Libraries	
1,000	—	—	9/9/2025	9/25/2025	PAID	Parks and Recreation	
1,000	—	—	9/8/2025	9/27/2025	PAID	Boards of Education	
1,000	—	—	9/10/2025	9/28/2025	PAID	Fiscal Courts	
1,000	—	—	9/10/2025	9/28/2025	PAID	Fiscal Courts	
1,000	—	—	9/10/2025	10/9/2025	PAID	Cities	
1,000	—	—	9/18/2025	10/17/2025	PAID	Fiscal Courts	
Total	\$53,973	\$—	\$—				

Notes:

Invoice Status:

CANC - Cancelled

CRTD - Created

PAID - Paid



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: CERS Finance Committee

From: D’Juan Surratt
Director of Employer Reporting, Compliance and Education

Date: November 24, 2025

Subject: Hazardous Position Classification

AGENCIES ARE REQUESTING HAZARDOUS DUTY COVERAGE FOR THE FOLLOWING POSITIONS:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
Taylor County Fiscal Court	Deputy Sheriff/ Detective	1/1/2026
Taylor County Fiscal Court	Chief Deputy Sheriff	3/1/2025
Taylor County Fiscal Court	Senior Deputy Sheriff	3/1/2025
City of Edgewood	Paramedic	12/1/2025
City of Edgewood	Captain	12/1/2025
City of Edgewood	ALS Coordinator	1/1/2026
City of Edgewood	Fire Chief	1/1/2026
Muhlenberg County Fiscal Court	Deputy Sheriff	1/1/2026
Anchorage Middletown Fire and EMS	Battalion Chief- EMS	7/1/2019
Anchorage Middletown Fire and EMS	Deputy Chief of Operations	5/1/2025
Anchorage Middletown Fire and EMS	Deputy Chief of Administrative Services	5/1/2025
Anchorage Middletown Fire and EMS	Assistant Chief of Logistics	5/1/2025
Anchorage Middletown Fire and EMS	Division Chief of Health and Safety	7/1/2019
Anchorage Middletown Fire and EMS	Deputy Fire Marshal	7/1/2019
Anchorage Middletown Fire and EMS	Executive Deputy Fire Chief	6/1/2025
Anchorage Middletown Fire and EMS	Training Officer-Dual	1/1/2026
Jeffersontown Fire District	Assistant Chief (Logistics)	9/1/2025

KPPA staff has reviewed the above requests and feel these positions meet statutory guidelines for Hazardous coverage. Position Questionnaires and Job Descriptions are attached.

County Employees Retirement System

Investment Budget Update

Quarter Ending: September 30, 2025

CERS Finance Committee Meeting - Other Financial Updates - Investment Trust Budget

KENTUCKY PUBLIC PENSIONS AUTHORITY											
Investment Budget											
For the three month period ending September 30, 2025											
Account Name	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Budget FY 2026	FYTD26 Expenditures	Remaining	Percentage Spent
CONSULTING SERVICES											
Wilshire Associates	\$ 1,021,799	\$ 1,238,170	\$ 1,225,671	\$ 1,021,175	\$ 838,172	\$ 1,130,417	\$ 1,163,352	\$ 1,250,000	\$ 291,520	\$ 958,480	23%
Albourne	-	-	-	-	306,750	270,000	270,000	270,000	67,500	202,500	25%
MercerInsight	-	-	-	-	153,548	160,000	160,000	160,000	40,000	120,000	25%
New Private Markets Consultant	-	-	-	-	-	-	-	250,000	-	250,000	0%
SUBTOTAL	1,021,799	1,238,170	1,225,671	1,021,175	1,298,471	1,560,417	1,593,352	1,930,000	399,020	1,530,980	21%
LEGAL & AUDITING SERVICES											
Faegre Drinker	-	-	96,039	202,502	16,428	18,519	10,990	500,000	3,281	496,719	1%
Intelligent Management Solutions (IMS)	620,001	202,140	155,700	69,884	81,880	8,061	1,919,090	-	-	-	-
McClain/Goldberg	-	-	891	-	-	312	648	25,000	-	25,000	0%
Reinhart	317,909	671,269	663,689	619,509	109,508	619,420	2,673,961	1,600,000	3,804	1,596,196	0%
Stoll-Keenon-Ogden	10,314	135,353	254,211	463,560	750,438	210,475	335,923	875,000	19,262	855,738	2%
Haystack	-	-	-	-	120,175	209,490	244,470	200,000	47,914	152,086	24%
Umberg Zipser	-	-	289,100	498,058	606,701	738,483	70,349	1,400,000	865	1,399,135	0%
Fiduciary Legal Expenses	-	-	-	-	5,288	400,872	761,938	1,000,000	37,899	962,101	4%
Miscellaneous	-	-	-	-	-	3,160	6,300	50,000	-	50,000	0%
SUBTOTAL	948,225	1,008,762	1,459,630	1,853,513	1,690,417	2,208,791	6,023,668	5,650,000	113,025	5,536,975	2%
CONTRACTURAL SERVICES											
Bloomberg	68,722	71,810	98,163	102,243	104,153	110,823	114,006	160,000	29,557	130,443	18%
BNYM Custodial Fees	2,056,390	2,088,475	2,379,838	2,565,169	2,333,981	2,752,592	2,878,225	3,000,000	-	3,000,000	0%
eVestment (Solovis RMS)	-	-	-	30,000	33,800	39,422	42,891	35,000	-	35,000	0%
Solovis (Reporting & Analytics)	-	-	-	245,000	266,017	306,319	319,744	320,000	319,847	153	100%
FactSet	222,476	162,295	109,662	140,098	146,411	151,431	134,669	140,000	33,915	106,085	24%
Russell Index Subscription	1,075	1,250	1,000	1,000	750	1,000	8,250	30,000	-	30,000	0%
S&P Global	-	94,500	26,250	68,250	27,563	-	20,672	47,500	-	47,500	0%
TradeWeb	-	-	-	6,000	7,700	2,800	-	-	-	-	-
State Street/Elkins McSherry	10,000	5,000	15,000	10,000	10,000	-	-	10,000	-	10,000	0%
ISS	32,050	32,050	28,288	35,813	39,875	62,875	51,406	60,000	22,938	37,063	38%
MSCI	1,000	1,000	1,000	1,000	1,000	1,000	2,500	2,500	2,500	-	100%
KPMG Tax Guarantor Services	-	7,606	22,050	7,350	-	9,450	9,450	10,000	9,450	550	95%
Jayant Ghevaria and CO	-	10,050	-	52,085	-	-	-	55,000	-	55,000	0%
India Renewal Fee (SEBI)	-	-	-	3,000	-	2,950	2,950	3,000	-	3,000	0%
With Intelligence	-	-	-	-	9,520	9,520	10,150	10,150	10,850	(700)	-
SUBTOTAL	2,391,713	2,474,036	2,681,251	3,267,008	2,980,769	3,450,182	3,594,914	3,883,150	429,056	3,454,094	11%

CERS Finance Committee Meeting - Other Financial Updates - Investment Trust Budget

KENTUCKY PUBLIC PENSIONS AUTHORITY											
Investment Budget											
For the three month period ending September 30, 2025											
Account Name	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	Budget FY 2026	FYTD26 Expenditures	Remaining	Percentage Spent
MISCELLANEOUS SERVICES											
Miscellaneous Services							21,000	250,000		250,000	0%
Morningstar						2,500	2,500	2,625		2,625	0%
Mclagan Compensation Survey for US Public Funds								8,750			
Fin/News								1,350			
Oxford						19,500	20,475	21,500		21,500	0%
Pension Real Estate Association						330	330	350		350	0%
Reimbursement of Pzena	-	-	-	-	-	12,923	8,906	15,000		15,000	
SUBTOTAL	-	-	-	-	-	35,253	53,211	299,575	-	289,475	0%
INACTIVE CONTRACTURAL SERVICES											
Dean Dorton	9,719		-	-	250	-	-	-	-	-	
Hirschler		4,794	-	-	-	-	-	-	-	-	
INFORMA	12,904		-	-	-	-	-	-	-	-	
Lighthouse Solutions	3,093		-	-	-	-	-	-	-	-	
London Stock Exchange GBP (GREAT BRITISH POUNDS)	6,467	3,544	-	-	-	-	-	-	-	-	
Deutsche Bank Trust	3,000		3,000	-	-	-	-	-	-	-	
Morris James LLP	94,192	20,154	-	-	-	-	-	-	-	-	
Calcaterra Pollack			1,200,000	-	-	-	-	-	-	-	
Manatt		90,798	30,757	-	-	-	-	-	-	-	
ORG	162,344		-	-	-	-	-	-	-	-	
SUBTOTAL	291,718	119,290	1,233,757	-	250			-	-	-	
TOTAL	\$ 4,653,455	\$ 4,840,258	\$ 6,600,309	\$ 6,141,696	\$ 5,969,907	\$ 7,254,644	\$ 11,265,144	\$ 11,762,725	\$ 941,101	\$ 10,811,524	8%

INVESTMENT BUDGET	
CONSULTING SERVICES	
Wilshire Associates	General Investment Consulting Services, Manager Research and Due Dilligence, Reporting, Asset Allocation
Albourne	Investment Consultant Research database - Private Markets Manager Research, Private Markets Research, Pension Markets Research
MercerInsight	Investment Consultant Research database - Public Markets Manager Research, Public Markets Research, Pension Markets Research
LEGAL & AUDITING SERVICES	
Faegre Drinker	Delaware litigation counsel
Intelligent Management Solutions (IMS)	IMS is an expert witness in the Bay Hills case.
McClain/Goldberg	Blackstone litigation counsel for the Trustees and Officers
Reinhart	Bay Hills counsel and investment counsel for contract negotiations
Stoll-Keenon-Ogden	Mayberry counsel
Haystack	Conduct Mayberry eDiscovery
Umberg Zipser	PAAMCO-Prisma (California litigation)
Frost Brown Todd	Currently has no investment-related cases
Swansburg & Smith	Reimbursement of Fiduciary Legal Expenses (KKR)
Eddins Domine	Reimbursement of Fiduciary Legal Expenses (KKR)
Taft	Reimbursement of Fiduciary Legal Expenses (Calcaterra Pollack)
CONTRACTURAL SERVICES	
Bloomberg	Bloomberg Professional Services, Data Analytics and Tools, Market Information and News, Research Portal
BNYM Custodial Fees	Full Service Custodial Services, Investment Accounting, Investment Operations, Transaction Services, Performance and Attribution, Reporting
eVestment (Solovis RMS)	Research Management Program organizing internal and external research
Solovis (Reporting & Analytics)	Portfolio and Risk Analytics, Performance Measurement and Attribution, Reporting
FactSet	Workstation and Quant/Risk Applications for managing Public Equity Portfolios
Russell Index Subscription	Access to Russell Indexes for Portfolio Management, Reporting and Performance
S&P Global	Data on the S & P US Index / License to 10,000 Identifiers for Portfolio Management, Reporting and Performance
TradeWeb	Electronic Trading Platform for Internal Management
State Street/Elkins McSherry	Public Equity Trade Cost Analysis
ISS	Portfolio Monitoring and Proxy Voting Services
MSCI	International Public Equity Data Package
KPMG Tax Guarantor Services	Tax Accounting Services - Taiwan
Jayant Ghevaria and CO	Tax Accounting Services - India
India Renewal Fee (SEBI)	Registration of India Local Market Accounts
Oxford Economics	Global macroeconomics and markets research
Morningstar	Access to Morningstar Indexes for Portfolio Management, Reporting and Performance
Pension Real Estate Association	Industry Association for News and Research
With Intelligence	Portfolio Management Research provider

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the three month periods ending September 30th Pension										
Fiscal Year	2026		2025		2024		2023		2022	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	600,011	3,700,227,130	518,475	3,262,153,338	538,998	2,131,936,660	879,295	2,084,448,991	964,078	2,367,680,815
<i>Investment Advisory Fees</i>	593,702		510,154		525,105		552,736		618,246	
<i>Performance Fees</i>	-		-		-		313,985		327,140	
<i>Miscellaneous Fees and Expenses</i>	6,309		8,322		13,893		12,575		18,692	
Public Equity	5,437,703	9,819,965,984	4,806,990	8,809,796,103	3,672,514	7,378,700,486	3,142,570	6,065,660,923	3,636,256	6,871,426,987
<i>Investment Advisory Fees</i>	4,528,929		4,702,779		3,567,463		3,040,804		3,523,547	
<i>Performance Fees</i>	846,033									
<i>Miscellaneous Fees and Expenses</i>	62,740		104,211		105,051		101,766		112,709	
Specialty Credit Fixed Income	20,622,350	4,489,911,364	25,799,945	3,991,761,404	22,856,573	3,275,957,851	12,036,439	3,083,985,656	13,440,821	3,152,469,147
<i>Investment Advisory Fees</i>	5,919,848		5,715,273		4,074,866		4,746,299		3,964,000	
<i>Performance Fees</i>	7,232,729		10,384,968		9,400,428		1,673,157		7,358,655	
<i>Miscellaneous Fees and Expenses</i>	7,469,773		9,699,703		9,381,280		5,616,983		2,118,166	
Real Estate	3,896,339	1,060,278,133	2,547,030	998,333,855	849,546	946,221,229	4,455,872	969,436,952	7,779,711	677,700,443
<i>Investment Advisory Fees</i>	2,046,789		1,738,832		1,924,845		1,579,279		1,114,665	
<i>Performance Fees</i>	(52,543)		41,823		(2,524,451)		2,231,775		6,615,761	
<i>Miscellaneous Fees and Expenses</i>	1,902,093		766,375		1,449,153		644,817		49,285	
Real Return	5,458,485	1,575,379,625	3,656,380	1,079,085,350	1,385,926	507,885,793	998,699	426,178,862	1,718,873	1,010,028,940
<i>Investment Advisory Fees</i>	3,122,591		1,398,185		1,044,249		488,379		1,085,377	
<i>Performance Fees</i>	1,700,274		1,960,002		167,367		285,096		380,418	
<i>Miscellaneous Fees and Expenses</i>	635,619		298,194		174,310		225,224		253,079	
Private Equity	731,906	1,108,893,894	3,543,093	1,153,983,200	7,960,728	1,178,285,116	(274,776)	1,209,741,651	24,096,611	1,305,498,399
<i>Investment Advisory Fees</i>	215,536		1,075,255		1,360,253		1,804,660		1,673,732	
<i>Performance Fees</i>	(463,487)		1,500,160		5,008,292		(2,822,439)		20,395,224	
<i>Miscellaneous Fees and Expenses</i>	979,857		967,678		1,592,184		743,004		2,027,655	
Administrative Expense/Cash	1,094,702	443,149,937	1,377,283	600,819,975	1,036,738	1,175,409,476	666,582	799,782,744	858,178	572,193,644
Total Investment Mgmt Fees	37,841,496	22,197,806,067	42,249,196	19,895,933,225	38,301,024	16,594,396,612	21,904,681	14,639,235,779	52,494,529	15,956,998,375

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the three month periods ending September 30th Insurance										
Fiscal Year	2026		2025		2024		2023		2022	
	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	185,028	1,062,687,804	166,955	1,014,916,318	184,881	754,337,920	324,043	767,219,317	354,733	862,879,050
<i>Investment Advisory Fees</i>	183,009		164,235		180,211		208,100		230,338	
<i>Performance Fees</i>	-		-		-		112,040		117,337	
<i>Miscellaneous Fees and Expenses</i>	2,018		2,720		4,670		3,903		7,058	
Public Equity	2,396,060	4,129,015,562	2,159,272	3,831,141,684	1,705,220	3,360,758,473	1,436,037	2,807,242,353	1,625,181	3,080,276,960
<i>Investment Advisory Fees</i>	1,996,967		2,115,591		1,657,228		1,389,622		1,574,855	
<i>Performance Fees</i>	373,181									
<i>Miscellaneous Fees and Expenses</i>	25,912		43,681		47,991		46,415		50,326	
Specialty Credit Fixed Income	9,960,787	1,912,714,639	11,337,702	1,757,297,204	10,206,292	1,472,221,495	5,558,434	1,371,584,870	5,969,311	1,429,342,653
<i>Investment Advisory Fees</i>	2,500,564		2,468,026		1,741,424		2,178,608		1,781,734	
<i>Performance Fees</i>	4,154,787		4,579,418		4,295,204		964,003		3,271,465	
<i>Miscellaneous Fees and Expenses</i>	3,305,436		4,290,258		4,169,664		2,415,823		916,112	
Real Estate	1,723,890	475,245,455	1,144,040	446,561,904	511,795	418,297,047	1,799,878	428,984,339	3,228,037	286,774,553
<i>Investment Advisory Fees</i>	932,077		797,124		870,090		604,578		482,095	
<i>Performance Fees</i>	(23,344)		18,291		(979,568)		919,660		2,722,999	
<i>Miscellaneous Fees and Expenses</i>	815,157		328,625		621,274		275,640		22,943	
Real Return	2,364,476	588,538,052	1,578,264	417,376,136	603,897	197,048,651	487,514	166,445,599	740,678	426,269,531
<i>Investment Advisory Fees</i>	1,335,365		581,847		466,172		266,024		484,286	
<i>Performance Fees</i>	748,331		867,945		59,893		116,876		140,229	
<i>Miscellaneous Fees and Expenses</i>	280,780		128,472		77,832		104,614		116,163	
Private Equity	55,499	518,486,973	1,499,854	577,355,826	4,590,785	600,831,793	(393,210)	598,395,346	16,466,674	616,691,355
<i>Investment Advisory Fees</i>	208,643		678,155		887,506		1,238,396		1,410,084	
<i>Performance Fees</i>	(799,775)		328,563		3,008,749		(1,963,029)		14,392,982	
<i>Miscellaneous Fees and Expenses</i>	646,630		493,136		694,529		331,423		663,608	
Administrative Expense/Cash	530,171	148,552,118	662,252	210,061,290	503,596	304,679,290	359,092	272,226,093	453,829	337,944,259
Total Investment Mgmt Fees	\$ 17,215,911	\$ 8,835,240,603	\$ 18,548,339	\$ 8,254,710,362	\$ 18,306,465	\$ 7,108,174,671	\$ 9,571,788	\$ 6,412,097,917	\$ 28,838,443	\$ 7,040,178,361

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the three month period ending September 30, 2025 Pension				
	CERS		CERS Hazardous	
	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	232,796	\$ 1,430,509,967	83,594	\$ 511,857,223
<i>Investment Advisory Fees</i>	230,343		879	
<i>Performance Fees</i>				
<i>Miscellaneous Fees and Expenses</i>	2,454		82,715	
Public Equity	2,969,582	5,347,928,227	1,062,357	1,929,331,265
<i>Investment Advisory Fees</i>	2,477,907		887,141	
<i>Performance Fees</i>	457,577		163,006	
<i>Miscellaneous Fees and Expenses</i>	34,098		12,210	
Specialty Credit Fixed Income	11,325,330	2,198,021,153	3,817,347	786,375,791
<i>Investment Advisory Fees</i>	3,033,916		1,050,809	
<i>Carried Interest</i>	4,085,228		1,354,959	
<i>Miscellaneous Fees and Expenses</i>	4,206,186		1,411,578	
Real Estate	2,153,667	547,238,787	680,420	174,181,267
<i>Investment Advisory Fees</i>	1,120,507		353,550	
<i>Performance Fees</i>	(39,285)		(12,195)	
<i>Miscellaneous Fees and Expenses</i>	1,072,446		339,065	
Real Return	2,383,018	661,366,947	877,038	237,245,690
<i>Investment Advisory Fees</i>	1,293,545		474,453	
<i>Performance Fees</i>	788,327		296,900	
<i>Miscellaneous Fees and Expenses</i>	301,146		105,686	
Private Equity	169,544	581,999,505	35,712	210,469,806
<i>Investment Advisory Fees</i>	56,803		29,125	
<i>Performance Fees</i>	(513,603)		(206,297)	
<i>Miscellaneous Fees and Expenses</i>	626,344		212,885	
Administrative Expenses/Cash	540,211	167,779,388	194,913	100,143,974
Total Investment Mgmt Fees	19,774,147	\$ 10,934,843,975	6,751,382	\$ 3,949,605,017

KENTUCKY PUBLIC PENSIONS AUTHORITY Investment Fees and Expenses For the three month period ending September 30, 2025 Insurance				
	CERS		CERS Hazardous	
	FYTD Fees	Market Value	FYTD Fees	Market Value
Core Fixed Income	91,699	\$ 521,784,688	41,379	\$ 245,423,610
<i>Investment Advisory Fees</i>	90,696		40,929	
<i>Performance Fees</i>	-			
<i>Miscellaneous Fees and Expenses</i>	1,003		450	
Public Equity	1,100,792	1,954,294,362	507,621	903,398,853
<i>Investment Advisory Fees</i>	921,392		426,850	
<i>Performance Fees</i>	167,331		75,228	
<i>Miscellaneous Fees and Expenses</i>	12,069		5,543	
Specialty Credit Fixed Income	4,428,342	808,472,847	2,337,288	366,613,779
<i>Investment Advisory Fees</i>	1,068,624		527,587	
<i>Performance Fees</i>	1,868,062		1,016,392	
<i>Miscellaneous Fees and Expenses</i>	1,491,656		793,309	
Real Estate	774,367	198,481,132	425,044	108,925,731
<i>Investment Advisory Fees</i>	410,818		225,475	
<i>Performance Fees</i>	(10,787)		(5,842)	
<i>Miscellaneous Fees and Expenses</i>	374,336		205,410	
Real Return	956,223	246,818,298	437,985	116,568,066
<i>Investment Advisory Fees</i>	511,733		238,387	
<i>Performance Fees</i>	333,980		145,521	
<i>Miscellaneous Fees and Expenses</i>	110,510		54,077	
Private Equity	183,245	222,829,084	64,431	123,370,569
<i>Investment Advisory Fees</i>	221,291		124,233	
<i>Performance Fees</i>	(390,334)		(249,910)	
<i>Miscellaneous Fees and Expenses</i>	352,289		190,108	
Administrative Expenses/Cash	240,397	55,224,149	113,455	25,411,186
Total Investment Mgmt Fees	\$ 7,775,065	\$ 4,007,904,561	\$ 3,927,202	\$ 1,889,711,795