**KPPA Audit Committee**
**November 17, 2026 at 10:00 a.m. Eastern Time**
**Live Video Conference/Facebook Live**

**AGENDA**

| | | |
|---|---|---|
| **1.** | Call to Order | William Summers |
| **2.** | Opening Video Teleconference Statement | Legal Services Representative |
| **3.** | Roll Call | Sherry Rankin |
| **4.** | Public Comment | Sherry Rankin |
| **5.** | **Approval of September 9, 2026 KPPA Audit Committee Minutes*** | William Summers |
| **6.** | Office of Legal Services Updates | |
| | a. Information Disclosure Incidents | Andrew Kenney |
| | b. Anonymous Tips | Stephanie Hold |
| **7.** | External Audit Updates | Eide Bailly |
| | a. CERS External Audit Fiscal Year Ended June 30, 2026 | |
| | i. **DRAFT, includes financial section of the annual report and GASB 67 and 74*** | |
| | ii. Management Letter Comments | |
| | iii. Auditor Communications with those Charged with Governance | |
| | b. KRS External Audit Fiscal Year Ended June 30, 2026 | |
| | i. **DRAFT, includes financial section of the annual report and GASB 67 and 74*** | |
| | ii. Management Letter Comments | |
| | iii. Auditor Communications with those Charged with Governance | |
| **8.** | **Infrastructure and Application Security Assessment*** | Dominique McKinley |
| | a. Results of current year Infrastructure and Application Security Assessment | |
| | b. Request for Infrastructure and Application Security Assessment | |
| **9.** | Chief Financial Officer Updates | Connie Davis |
| | a. GFOA ACFR Letter | |
| | i. **CERS DRAFT Management Response to Fiscal Year 2025 GFOA ACFR Letter*** | |
| | ii. **KRS DRAFT Management Response to Fiscal Year 2025 GFOA ACFR Letter*** | |
| **10.** | KPPA Audit Committee Administrative Updates | |
| | a. Internal Audit Budget as of September 30, 2026 | James Westbay |
| | b. Status of Current Internal Audit Projects | Zachary Curtis |
| **11.** | **Issued Reports and/or Memorandums*** | |
| | a. 2026-17 Personal Use of IT Accounts and Equipment | Will Prince |
| | b. 2027-08 IT Batch Process | Madeline Evans |
| **12.** | Adjourn | William Summers |

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

# MINUTES OF MEETING
# KENTUCKY PUBLIC PENSIONS AUTHORITY
# AUDIT COMMITTEE MEETING
# SEPTEMBER 9, 2026, 10:00 A.M., E.T.
# VIA LIVE VIDEO TELECONFERENCE

At the September 9, 2026, Meeting of the Audit Committee of the Kentucky Public Pensions Authority, the following Committee members were present: William Summers V (Chair), George Cheatham, Lynn Hampton, Larry Totten, and Dr. Patricia Carver. Staff members present were CERS CEO Ed Owens III, KRS CEO John Chilton, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Steve Willer, Victoria Hale, Nathan Goodrich, Stephanie Hold, Andrew Kenney, Kristen Coffey, Madeline Evans, William Prince, Zachary Curtis, Dominique McKinley, Anne Baker, Connie Davis, Jason Hargis, Casey Rothenburger, Shaun Case, Sherry Rankin, and Mary Hill. Other attendees included Roger Alfaro and David Preciado with Eide Bailly.

1. Mr. Summers called the meeting to order.

2. Mr. Board read the ***Opening Legal Statement***.

3. Ms. Rankin ***called roll***.

4. Ms. Rankin noted that there were no ***Public Comments*** received.

5. Mr. Summers introduced agenda item ***Approval of June 10, 2026, KPPA Audit Committee Minutes.*** *(Video 00:06:16 to 00:06:55).* Mr. Totten made a motion to approve the minutes of the June 10, 2026, meeting and it was seconded by Ms. Hampton. A vote was held and the motion passed unanimously.

6. Mr. Summers introduced agenda item ***Office of Legal Services Updates*** *(Video 00:06:57 to 00:12:29).* Mr. Goodrich introduced Andrew Kenney and noted that he would be taking over the disclosures reports in the future. Mr. Goodrich then went on to present the disclosures report, noting that there were twelve (12) investigations of potential

disclosures. Three (3) were found not to be disclosures, while nine (9) implicated the KPPA data disclosure notification policy. None implicated HIPAA, HITEC, or state law. Of the nine (9) incidents, four (4) were due to unknown third parties and five (5) were internal to KPPA, KRS, or CERS. No benefits were affected in any of the incidents.

Ms. Hold presented an update on fraud tips since the last audit committee meeting, reporting four (4) new tips received, with one (1) closed after review and three (3) remaining pending. All three (3) pending tips involved allegations of prearranged agreements to return to work at the same agency. There were four (4) other open tips: one (1) involved employer contribution allegations, two (2) involved prearranged agreements, and one (1) concerned a member allegedly receiving retirement credit for time not worked. Two (2) tips were closed since the last meeting: one (1) related to disability retirement fraud and one (1) related to Social Security disability fraud by a non-KPPA member. It was clarified that, except for the Social Security case, all current tips involve a CERS employer and that both employers and members are provided with information the rules pertaining to retired reemployment.

7. Mr. Summers introduced agenda item ***External Audit Updates*** *(Video 00:12:32 to 00:18:57).* Mr. Lamb presented draft, unaudited financial statements for CERS and KRS as of 6/30/2026, and noted they were currently under external audit by Eide Bailly. He then introduced the Eide Bailly representatives to give an overview of the external audit process, including significant risk areas: management override of internal control, revenue recognition of contributions, net pension and Other Post Employment Benefit ("OPEB") liability disclosures, valuation of alternative investments, and calculation of initial benefit payments. Fieldwork began mid-August and was expected to conclude by early to mid-October, with final reports anticipated in December.

8. Mr. Summers introduced agenda item ***Audit Committee Annual Approval Items*** *(Video 00:19:02 to 01:19:07).* Ms. Coffey presented the proposed internal audit plans for fiscal years 2027 and 2028, and highlighted items carried over, audits in progress, and new audits based on risk assessment. Approval for both years was sought to allow flexibility if projects are completed early. It was noted for Mr. Cheatham that the 2028 plan will be subject to amendments should the need arise based on risk ratings.

Mr. Lamb requested to discontinue the practice of tracking KPPA employee hours spent on audits, citing established baselines and reporting difficulties. Mr. Barrow noted that the longer the process continues, the less accurate the data may be and Ms. Coffey provided insight into the procedures at other agencies she has worked with, stating that the majority of them did not track specific hours this way. After a robust discussion, Mr. Cheatham made a motion to discontinue the time tracking, but to maintain the data already obtained for future reference. Mr. Totten seconded the motion. A vote was held and the motion passed unanimously.

Mr. Summers then requested a motion to approve the Audit Plan for 2027 and 2028 and Mr. Cheatham made the motion. It was seconded by Dr. Carver and passed unanimously. Next, Ms. Evans presented the KPPA Audit Committee and Internal Audit Division Charters for review. Mr. Totten made a motion to approve the KPPA Audit Committee Charter and it was seconded by Mr. Cheatham. A vote was held and the motion passed unanimously.

Regarding the Internal Audit Division Charter, discussion focused on the process for evaluating the Chief Auditor, specifically whether the responsibility should remain with the Audit Committee chair and vice chair, or if input from the full committee or authority (KPPA Board) should be formalized in the charter. Statutory requirements were reviewed, clarifying that the KPPA board (the authority) was responsible for the annual evaluation of both the Executive Director and Chief Auditor, but this authority has been delegated to the Audit Committee chair through the charter. There was consensus that the chair and vice chair should conduct the evaluation, with input from committee members, but some members advocated for this process to be explicitly stated in the charter to ensure clarity for future leadership. A proposed solution was to add language to the charter stating that the chair and vice chair of the Audit Committee shall review the performance of the Chief Auditor with input from committee members, and that the KPPA board may approve or delegate final authority as appropriate. Following much discussion, Mr. Cheatham made a motion to approve the Internal Audit Charter with the proposed language change, and the motion was seconded by Mr. Totten. A vote was held and the motion passed unanimously.

9. Mr. Summers introduced agenda item ***Update on Office Space Utilization Project*** *(Video 01:19:08 to 01:54:05).* Ms. Surratt presented a comprehensive report on office space utilization, including background on leased space (over 85,000 sq ft across two buildings at $12.50/sq ft), lease terms, and addendums. Analysis showed that a full return to office is feasible with current space but would require modifications and increase utility costs. Electricity and water expenditures decreased by approximately 42.3% from 2019 to 2025 due to telecommuting. The Louisville office lease starts at $26.48 per square foot, escalating to $37.69 per square foot by the end of the lease, with a 4% annual rent increase. This is higher than the Frankfort campus due to it being class A space and having included services.

   Feasibility of consolidating operations into one building, leasing out part of a building, or closing a portion was discussed. Each option would require significant structural changes, capital investment, and could have operational risks. The recommendation from management was to maintain both buildings due to uncertainty over future work arrangements and the risk of insufficient space if a full return to office is mandated. Following the presentation, Mr. Cheatham made a motion to accept the Office Space Utilization Project report as presented and Mr. Totten seconded. A vote was held and the motion passed unanimously.

10. Mr. Summers introduced agenda item ***Chief Financial Officer Updates*** *(Video 01:54:06 to 02:00:30).* Mr. Lamb presented the updated Retirement Allowance Account memo, noting that the only change since the June 10th, 2026 Audit Committee meeting was the removal of inaccurate wording regarding the account's setup under US Code section 26.401(h). The memo addresses an internal audit finding related to JP Morgan. To address an inquiry from Mr. Cheatham, Mr. Lamb clarified that the retirement allowance account has been accounted for correctly since the system's inception, with changes in reporting due to GASB presentation updates. The underlying accounts remain in the general ledger, though they are now presented differently in financial statements. Ms. Hampton made a motion to accept the Finalized Retirement Allowance Account memorandum as presented, and Dr. Carver seconded. A vote was held and the motion passed unanimously.

Mr. Lamb then presented the latest draft report on the JP Morgan audit finding from 2023, clarifying that Committee approval was not being sought at this meeting. The report remains in draft status, with ongoing legal review regarding statutory definitions and account usage. The Committee acknowledged that the issue is still under review and agreed not to pursue approval of the draft report at this time, given ongoing uncertainties and pending legal input.

11. Mr. Summers introduced agenda item ***KPPA Audit Committee Administrative Updates*** *(Video 02:00:37 to 02:02:58).* The internal audit budget for FY 2026 was under budget by 5.9% at year end. The audit team completed all approved projects except one (1), which was delayed due to pending information. Two (2) additional projects from the 2027 plan were started in June but not finished by month's end. The audit team worked almost 100 hours of overtime during the year, averaging less than twenty (20) hours of overtime per employee.

12. Mr. Summers introduced agenda item ***Review of 2023-11 Employer Audits under KRS 61.5991*** *(Video 02:03:00 to 02:10:00).* The internal audit of the employer audit process required under KRS 61.5991 could not be completed due to insufficient documentation; only one (1) out of fifteen (15) audits reviewed had all required documentation. It was confirmed that the audits in question pertain to KERS employers and are mandated by recent legislation (HB 8). The ERCE group is continuing to perform five HB 8 audits per year, with five (5) completed for fiscal year 2025. These are subsequent to the audits reviewed by internal audit. The legislative threshold for reporting was met, but the inability to re-perform testing means the accuracy of information presented to oversight bodies cannot be confirmed. Future audits, including the five (5) completed for fiscal year 2025, will have sufficient documentation for internal audit review, due to changes implemented by the ERCE Audit Group starting in January.

13. Mr. Summers introduced agenda item ***Issued Reports and/or Memoranda*** *(Video 02:10:07 to 02:37:00).* An audit of the Tier 3 opt-in process (2026-7) found no formal findings but identified two (2) opportunities for improvement: KPPA staff potentially provided unsolicited financial advice to members, and Tier 3 opt-in details not being shared with trustees. Management reviewed the issue and determined no financial advice was

given, only information and education. Internal audit recommended additional training and review to ensure staff do not provide financial advice, and management confirmed that annual training and reminders are in place.

An audit of the main remittance process found no findings, observations, or opportunities for improvement. A review of agency critical processes (2026-10) identified two (2) observations: procedures for critical processes were not documented, and tabletop exercises for continuity of operations had not been conducted. Management accepted the risk, stating that current documentation in the Continuity of Operations Plan (COOP) is sufficient.

The annual dependent verification process audit found a few members with dependents incorrectly marked, which was corrected. An opportunity for improvement was identified: KERS is missing a dependent child definition in its statutes. This will be researched by Executive Management, and the Office of Legal Services, with a target completion date of December 31, 2026. An audit of training for infrequently used leave types found no findings or opportunities for improvement and Human Resources was commended for providing necessary documentation with private information redacted.

The system build process audit found no findings or observations. The only opportunity for improvement was to update procedures, which management agreed would be beneficial. The document imaging process audit found no findings or opportunities for improvement but noted one (1) observation: four (4) documents lacked receipt dates or form numbers. Legal will remind mail processors to include these details on paper documents.

Following the audit team’s presentation, Mr. Summers requested a motion to approve the Issued Reports and Memoranda as presented. Ms. Hampton made the motion to approve, and it was seconded by Mr. Totten. A vote was held and the motion passed unanimously.

14. There being no further business, Mr. Summers requested a motion to adjourn the meeting. Mr. Totten made the motion and it was seconded by Mr. Cheatham. Mr. Summers declared the meeting ***adjourned.***

# CERTIFICATION

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

_____

Recording Secretary

I, as Chair of the Audit Committee of the Kentucky Public Pensions Authority, do certify that the Minutes of the meeting held on September 9, 2026, were approved by the Audit Committee on November 17, 2026.

_____

Committee Chair

I have reviewed the Minutes of the Audit Committee Meeting on September 9, 2026, for form, content, and legality.

_____

Executive Director
Office of Legal Services

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

Kentucky Public Pensions Authority

**TO:** Members of the KPPA Audit Committee

**FROM:** Beth Camic (Staff Assistant) & Sandy Hardin (Paralegal); Legal Services

**DATE:** November 9, 2026

**SUBJECT:** Potential Information Disclosures/Breaches Affecting the Kentucky Public Pensions Authority ("KPPA"), Fiscal Year 2027 Quarter 1

---

## INCIDENT SUMMARY

| TOTAL INVESTIGATED | | |
|---|---|---|
| **Total Investigated** | **Total Members Affected** | **Type** |
| 1 | 1 | HIPAA/HITECH |
| 0 | 0 | State Law |
| 4 | 4 | KPPA Policy |
| 1 | 1 | Vendor Disclosure |
| 4 | 0 | Found not to be a disclosure/breach |
| **10** | **6** | **total** |

| TOTAL BY SOURCE OF DISCLOSURE/BREACH | | |
|---|---|---|
| **Total Incidents** | **Total Members Affected** | **Source** |
| 3 | 3 | KPPA, KRS, or CERS |
| 1 | 1 | External (e.g., vendor, business associate) |
| 2 | 2 | Unknown third-party |
| **6** | **6** | **total** |

| TOTAL BY METHOD OF DISCLOSURE/BREACH | | |
|---|---|---|
| **Total Incidents** | **Total Members Affected** | **Method** |
| 2 | 2 | Email |
| 1 | 1 | Mail |
| 2 | 2 | Self-Service |
| 0 | 0 | Phone |
| 0 | 0 | Fax |
| 1 | 1 | Other |
| **6** | **6** | **total** |

# EXTENDED DESCRIPTION OF INCIDENTS

**FEDERAL LAW (HIPAA/HITECH):** There was **one** (1) breach of protected health information.

**Background:** A member's family member called regarding the receipt of another member's Medicare claim form.

**Root Cause:** Human error during envelope stuffing.

**Follow-Up:** Staff immediately followed HIPAA procedures. Disclosure notification letters were sent to the affected member. KPPA is seeking an affidavit from the member who received the disclosed information attesting they did not copy or otherwise retain the disclosed information.

**STATE LAW (KRS 61.931, ET SEQ.):** There were **no** potential "security breach" of "personal information" as defined by state law.

**KPPA INTERNAL DATA DISCLOSURE NOTIFICATION POLICY:** The following disclosures occurred under the KPPA's Data Disclosure Notification Policy.

**Background:** Two (2) incidents in which a total of two (2) member self-service accounts were successfully accessed by various unknown third parties. No benefits were affected.

**Root Cause**: Unknown third party used personal information obtained outside of KPPA to gain unauthorized access to member self-service.

**Follow-Up:** KPPA restricted access to the affected self-service accounts. Changes to accounts are now limited to be made only by members of the KPPA management team. Security continues to monitor the accounts. Correspondence advising the members of the incident were mailed.

**Background:** Two incidents in which a total of two (2) members were affected when staff emailed an unintended recipient a secure email containing personal information. No benefits were affected.

**Root Cause:** Staff error.

**Follow-Up:** Staff immediately followed disclosure policy. Disclosure notification letters were sent.

**EXTERNAL DISCLOSURES/BREACHES**

There was one (1) external disclosure made by a KPPA vendor or business associate this quarter.

**Background:** KPPA was notified by a vendor that a cybersecurity event involving a subcontractor's services had impacted one (1) KPPA member.

**Root Cause**: Cybersecurity event.

**Follow Up**: The subcontractor immediately implemented emergency response protocol and sent notice to the affected member and other required agencies. The contracted entity and its subcontractor continue to monitor to reduce the likelihood of a similar cybersecurity event in the future.

**RECOMMENDATION** This memorandum is provided for informational purposes only. Staff will continue to monitor disclosure trends and evaluate opportunities to reduce risk of future disclosures.

KENTUCKY PUBLIC PENSIONS AUTHORITY
Ryan Barrow, Executive Director
1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822

**MEMORANDUM**

**TO:** Kentucky Public Pensions Authority Audit Committee

**FROM:** Stephanie Hold, Investigator, Office of Legal Services

**DATE:** November 17, 2026

**SUBJECT:** Tips Received Regarding Fraud, Waste, and Abuse

---

The information contained in this memo concerns tips regarding potential fraud, waste and abuse received by the Kentucky Public Pensions Authority (KPPA), including updates on all open cases and cases closed since the last meeting of the KPPA Audit Committee (Audit Committee).

## OPEN FRAUD TIP CASES

Since the Audit Committee met on September 9, 2026, the KPPA received three (3) new fraud tips, and all are currently pending.

As of the date of this memo, the KPPA has nine (9) cases in open status. The following chart provides current information for all open cases as of the date of this Memorandum:

| Date Reported | C, K, S, Other | Allegation(s) | Current Action |
|---|---|---|---|
| 06/16/2024 | CERS | Prearranged agreement to return to work for the same employer and failure to have the required break in service. | Fraud allegations related to the member has been resolved. The Office of Legal Services is investigating employer reporting issues and is finalizing the last action item needed. |
| 04/21/2026 | CERS | Prearranged agreement to return to work for the same employer and no break in service. | Office of Legal Services is currently investigating and obtaining further documentation. |
| 04/29/2026 | CERS | Prearranged agreement to return to work for the same employer. | Office of Legal Services is monitoring. To date, the member has not provided any documentation to re-employ. |

| Date Reported | C, K,S, Other | Allegation(s) | Current Action |
|---|---|---|---|
| 07/30/2026 | CERS | Prearranged agreement to return to work for the same employer. | Office of Legal Services is monitoring. To date, the member has not submitted any documentation to re-employ. |
| 08/01/2026 | CERS | Prearranged agreement to return to work for the same employer and no break in service. | Office of Legal Services is currently investigating. |
| 08/01/2026 | CERS | Prearranged agreement to return to work for the same employer. | Office of Legal Services is currently investigating. |
| 09/18/2026 | KRS | Prearranged agreement to return to work for the same employer. | Office of Legal Services is currently investigating. |
| 10/15/2026 | CERS | Prearranged agreement to return to work with a participating agency. | Office of Legal Services is currently investigating. |
| 10/19/2026 | KRS | Prearranged agreement to return to work for the same employer. | Office of Legal Services is currently investigating. |

## FRAUD TIPS CLOSED SINCE LAST MEETING

As of the date of this memo, one (1) tip was closed since the last meeting of the KPPA Audit Committee. The following case was closed since the last meeting:

| Date Reported | C, K, S, Other | Allegation(s) | Disposition |
|---|---|---|---|
| 04/30/2024 | CERS | Member is receiving retirement credit for time not actually worked. | The evidence did not support the allegation for this specific member. A more thorough review was conducted of the issue involving this position type across a sample of employers, and recommendations were made to ERCE to request documentation during employer compliance reviews to ensure the employer has policies and procedures in place to address the concern related to retirement credit specific to this position type. |

## RECOMMENDATION

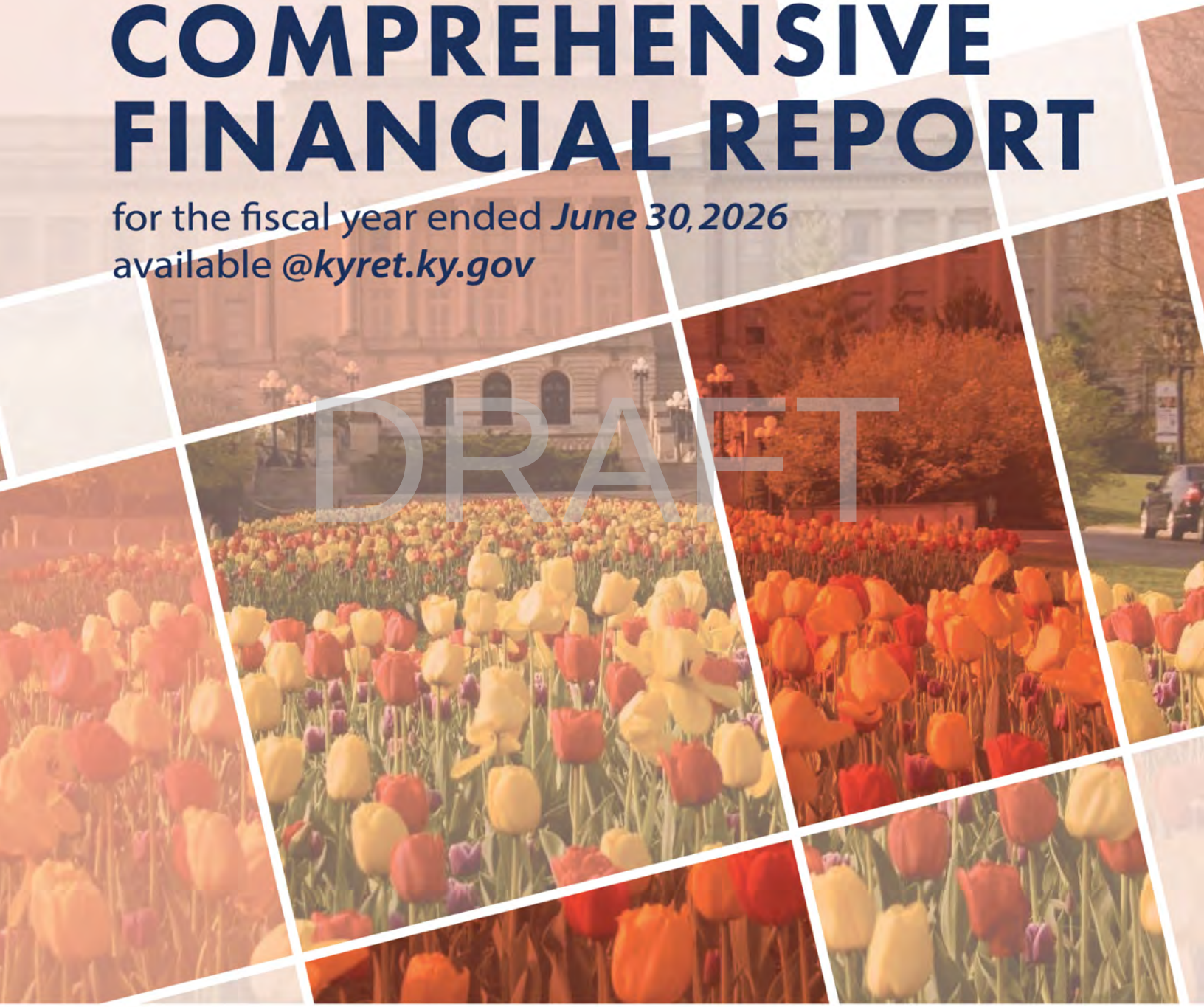
This memorandum is provided for informational purposes only.

**County Employees Retirement System**
a component unit and pension trust fund
of the Commonwealth of Kentucky

CERS
County Employees Retirement System

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the fiscal year ended ***June 30, 2026***
available @***kyret.ky.gov***




KPPA
Kentucky Public Pensions Authority

*prepared by*
Kentucky Public Pensions Authority's
Division of Accounting

# TABLE OF CONTENTS

## INTRODUCTION


Letter of Transmittal 4
Governance 7
Agency Structure 8
Professional Awards 9


## FINANCIAL


Independent Auditor's Report 10
Management's Discussion & Analysis 14
**Basic Financial Statements** 17
Combining Statement of Fiduciary Net Position 17
Combining Statement of Changes in Fiduciary Net Position 19
Notes to the Financial Statements 18
Note A. Summary Of Significant Accounting Policies 19
Note B. Description & Contribution Information 20
Note C. Cash, Short-term Investments & Securities Lending Collateral 24
Note D. Investments 24
Note E. Securities Lending Transactions 36
Note F. Risk Of Loss 37
Note G. Contingencies 37
Note H. Income Tax Status 37
Note I. Financial Reporting For (GASB 67) Pension Plans And (GASB 74) Postemployment Benefit Plans 37
Note J. Legislation 42
Note K. Litigation 43
Note L. Reciprocity 45
Note M. Reimbursement of Retired Reemployed Health Insurance, Active Member Health Insurance Contributions, and Retired Reemployed Employer Contributions 45
Note N. Prisma Daniel Boone Fund 46
Note O. Subsequent Events 46
Note P. Related Party 46


## REQUIRED SUPPLEMENTARY INFORMATION


Schedule of Employers' Net Pension Liability 47
Schedule of Changes in Employers' Total Pension Liability 48
Notes to Schedule of Employers' Contributions 50
Schedule of Employers' Pension Contributions 51
Schedule of Employers' Net OPEB Liability 52
Schedule of Changes in Employers' Net OPEB Liability 53
Notes to Schedule of Employers' OPEB Contributions 56
Schedule of Employers' OPEB Contributions 57
Money Weighted Rates of Return 58


DRAFT

## OTHER SUPPLEMENTARY INFORMATION


Schedule of Administrative Expenses 59
Schedule of Direct Investment Expenses 59
Schedule of Professional Consultant Fees 60
Independent Auditor's Report on Internal Control 61


## INVESTMENTS


Investment Overview 63
Investment Strategies 64
Investment Objectives 65
Investment Results 66
Benchmarks 66
Long-Term Results 67
Public Equity 68
Core Fixed Income 69
Specialty Credit 70
Private Equity 71
Real Estate 72
Real Return 72
Cash 72
Additional Schedules 73


## ACTUARIAL


Certification of Actuarial Results 78
Summary of Actuarial Assumptions 81
Summary of Actuarial Valuation Results 86
Recommended Employer Contribution Rates 87
Summary of Actuarial Unfunded Liabilities 88
Solvency Test 89
Member Valuation 90
Summary of Benefit Provisions CERS Plans 92


## STATISTICAL


Plan Statistics 96
Participating Employers 97
Member Monthly Benefit 98
Fiduciary Net Position 98
Changes in Fiduciary Net Position 99
Schedule of Benefit Expenses 101
Active Refunds 103
Analysis of Initial Retirees 103
Payment Options 105
Employer Contribution Rates 106
Insurance Contracts 107
Glossary 108


DRAFT

# KENTUCKY PUBLIC PENSIONS AUTHORITY

**Ryan Barrow, Executive Director**

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


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

December 8, 2026
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, 2026.

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 CERS financial statements for the FYE June 30, 2026. 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.

DRAFT

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).

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, to the public, and stakeholders.

## KPPA Executive Director's Message
## Ryan Barrow

**Record Assets**
A fourth consecutive year of double-digit investment returns across all pension and insurance plans, coupled with employer contributions, drove system assets to record highs in FY 2026. Total assets by market value stood at $33.6 billion as of June 30, compared with $29.8 billion as of the same date in 2025.

Considering the level of risk in each portfolio, almost all system pension and insurance portfolios are in the top 5% of peer public pension funds in terms of Sharpe ratio over the most recent five-year period. The Sharpe ratio measures how much investment return a portfolio earns compared to how much risk is in the portfolio.

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 92% of that money going to Kentucky residents. Every dollar in benefits paid ultimately supports $1.26 in total output in the state, making state and local government retirement benefits an important economic driver for the Commonwealth.

**Core Values**
As a result of recommendations put forth by the KPPA Leadership Academy, we re-branded and re-focused our Mandates, which are now our Core Values. They are available on our website, on our About page, but at a high level the Core Values are:

- Enhance members' access to information, counseling, support, and services.
- Manage plan assets prudently and effectively in pursuit of full actuarial funding by 2049.
- Build trust through transparency and clear, consistent communication.
- Cultivate a high-performing workforce for the present and the future.
- Always search for ways to improve.

**Other Notes**
**PAS modernization:** The General Assembly, in its 2026 Regular Session, appropriated $15 million for Phase One planning related to a pension administration system (PAS) modernization project. The entire project is estimated to cost approximately $75 million.
**Senior management changes:** Erin Surratt was named Deputy Executive Director and Odette Gwandi was promoted to Executive Director of the Office of Benefits.
**Louisville investment office:** After securing approval from the Department of Housing, Buildings & Construction for the Louisville investment office plans, construction began in the first half of 2026. The Office of Investments team is expected to occupy the space in fall 2026.

## CERS Chief Executive Officer's Message
## Ed Owens III

DRAFT

Fiscal Year 2026 represented several milestones for the County Employees Retirement System. First and foremost, our total trust assets exceeded $22 billion for the first time. Likewise, our system raised its funded ratio to approximately 63.5%. We have a lot left to do, but we are extremely proud of our start. Our Trustees are focused on our ability to deliver over $1.3 billion in retirement payments to our members while we substantially grow our assets.

This year we continued our focus on improved governance. We established an Employer Audit Committee that will oversee a program of employer audits designed to ensure all approximately 1,200 employers receive an audit at least every five years. The committee's oversight will ensure our efforts are both coordinated and comprehensive.

Our Board of Trustees entered a contractual arrangement with XTP Implementation Services, LLC (XTP). The company will review our existing contracts with investment managers to verify that both CERS and the managers are abiding by the letter of the contracts we have entered. XTP has built a successful business by identifying areas where leakage might occur and bringing both parties back to strict adherence to the contract. There exists a possibility CERS might recover funds, but the primary benefit of this review is the strengthening of our risk management protocols.

Finally, with the help of KPPA and KRS, we were able to settle two facets of some long-standing litigation. All three Boards entered into a final settlement agreement with Blackstone Alternative Asset Management L.P., (BAAM) which allowed for litigation to be dismissed in Kentucky, California, and Delaware. Additionally, all three Boards entered a final settlement agreement with the KPPA Trustees and Officers related to the action filed by the Kentucky Attorney General.

Fiscal Year 2026 was a great year for our members and we have every expectation Fiscal Year 2027 will be even better.

**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. 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,



Ryan Barrow
KPPA Executive Director



Michael B. Lamb, CPA
KPPA Chief Financial Officer

DRAFT

# GOVERNANCE

As of December 8, 2026

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.




**George Cheatham**
Chair
Term ends March 31, 2029
Nominated by KSBA



**J. Michael Foster**
Vice Chair
Term ends July 1, 2029
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.

DRAFT

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




**Dr. Patricia P. Carver**
Term ends March 31, 2030
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. Merl Hackbart**
Term ends March 31, 2029
Nominated by KACo



**William O'Mara**
Term ends March 31, 2029
Nominated by KLC



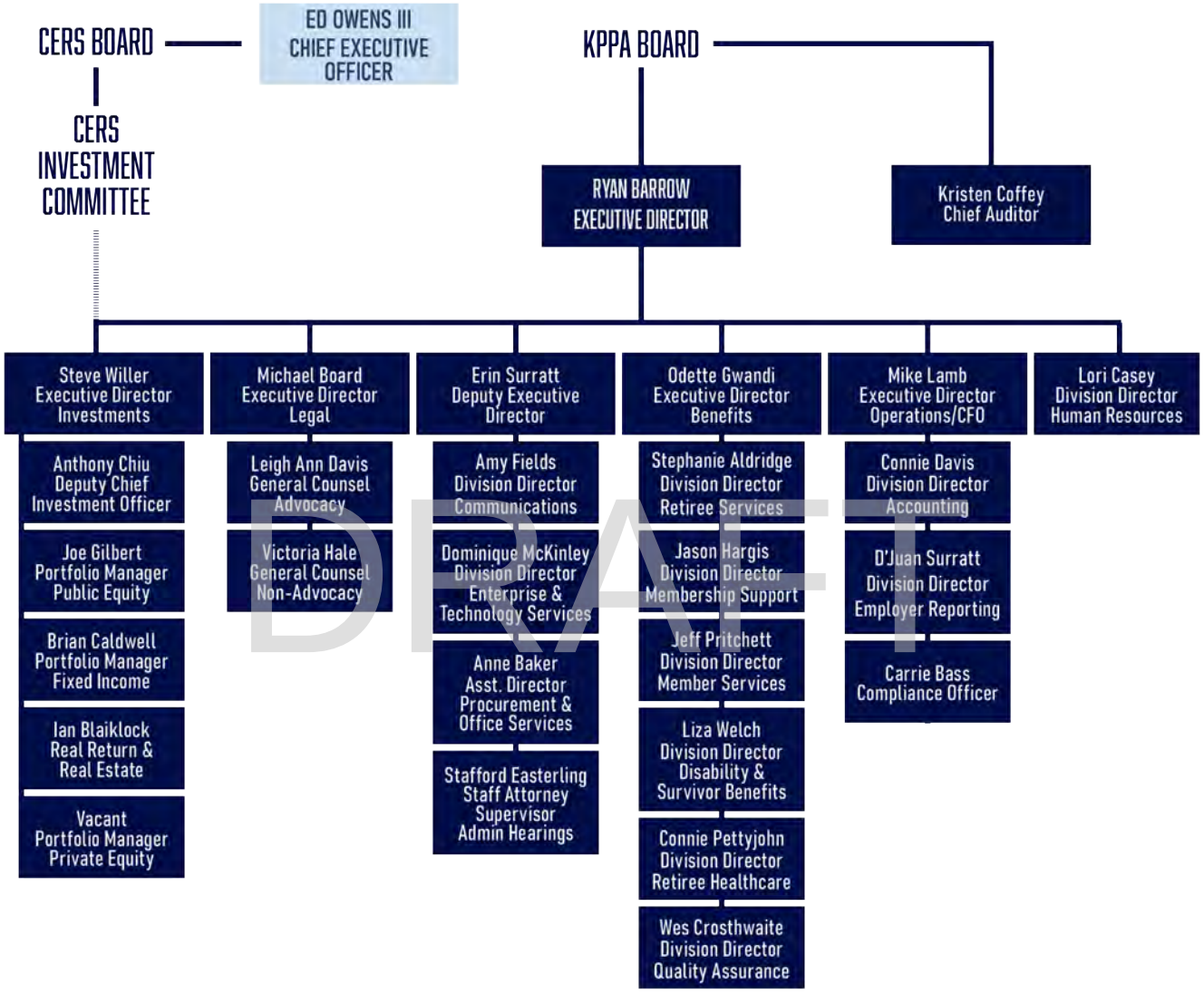

**J.T. Fulkerson**
Term ends July 1, 2029
Nominated by KLC

*One KSBA candidate position is vacant until the Governor makes an appointment to fill that position.

# AGENCY STRUCTURE

As of December 8, 2026

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.




DRAFT

## CONSULTANTS

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

**Actuarial Services**
Gabriel, Roeder, Smith & Co.

**Auditing Services**
Eide Bailly, LLP

**Fiduciary Review Counsel**
Ice Miller, LLP

**Investment Consultants**
Wilshire
Albourne
Mercer

**Master Custodian**
BNY Mellon

Refer to the Investments Section for information regarding Investment Advisors (pages 73-76) and Schedules of Fees and Expenses (pages 75-76).

# 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, 2025. 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. This is the 2nd consecutive year CERS's stand-alone ACFR has earned this award.

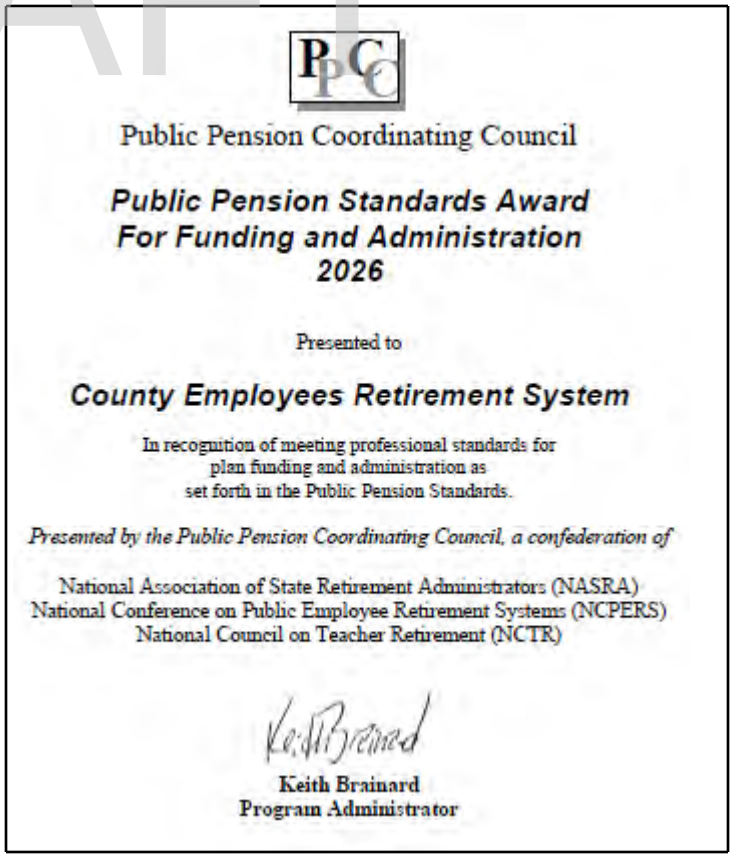



DRAFT

### 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 2026.

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.



Independent Auditor’s Report forthcoming

DRAFT

DRAFT

DRAFT

DRAFT

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

Management's Discussion and Analysis (MD&A) provides insight into the financial performance of CERS for the fiscal year ended June 30, 2026. 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.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position presents the System's assets, liabilities, and net position at year-end, while the Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System's net position during the year. These statements are interrelated, as changes in net position result from the activities reported in the Statement of Changes in Fiduciary Net Position.

## FINANCIAL SUMMARY

The following are the Condensed Comparative Statement of Fiduciary Net Position and Condensed Comparative Statements of Changes in Fiduciary Net Position of CERS for the fiscal years ended June 30, 2026, 2025, and 2024. Amounts and totals in this MD&A may vary slightly when compared to the basic financial statements due to rounding.

DRAFT

**Condensed Summary of Fiduciary Net Position**
**As of June 30**

| | FY 2026 | FY 2025 | FY 2024 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash, Short-term Investments, and Receivables | $1,008 | $1,158 | $766 |
| Investments, at fair value | 22,096 | 19,770 | 18,309 |
| **TOTAL ASSETS** | **23,104** | **20,928** | **19,075** |
| **TOTAL LIABILITIES** | **662** | **768** | **602** |
| **FIDUCIARY NET POSITION** | **$22,442** | **$20,160** | **18,473** |

**Condensed Summary of Changes in Fiduciary Net Position**
**for the Fiscal Years Ended June 30**

| | FY 2026 | FY 2025 | FY 2024 |
|---|---|---|---|
| **ADDITIONS** | | | |
| Member Contributions | $278 | $261 | $248 |
| Employer Contributions | 1,016 | 1,016 | 1,119 |
| Total Contributions | 1,294 | 1,277 | 1,367 |
| Net Investment Income | 2,711 | 2,089 | 1,922 |
| Other Additions | — | — | 12 |
| **TOTAL ADDITIONS** | **4,005** | **3,366** | **3,302** |
| **DEDUCTIONS** | | | |
| Benefits and Refunds | 1,444 | 1,402 | 1,318 |
| Other Deductions | 279 | 277 | 251 |
| **TOTAL DEDUCTIONS** | **1,723** | **1,679** | **1,569** |
| **NET INCREASE** | **2,282** | **1,687** | **1,732** |
| **FIDUCIARY NET POSITION** | | | |
| **BEGINNING OF THE PERIOD** | **20,160** | **18,473** | **16,740** |
| **END OF PERIOD** | **$22,442** | **$20,160** | **$18,473** |

# DETAILED ANALYSIS

## Fiduciary Net Position

The Fiduciary Net Position of CERS was $20,160 at the beginning of the fiscal year and increased by 11.32% to $22,442 as of June 30, 2026. The $2,282 increase is primarily attributable to the appreciation of the fair value of investments.

## Contributions

Employer Contributions for CERS remained flat at $1,016, despite a decrease in employer contribution rates. This is due to an increase in active membership and an increase in covered payroll, which also led to a $17 or 6.5% increase in member contributions.

## Investments

The pension and insurance portfolios investment returns averaged 13.6% for the fiscal year ended June 30, 2026, compared to 11.5% for the fiscal year ended June 30, 2025, driven by 20+% returns from the Public Equity portfolio. See investment results beginning on page 66 of the investment section.

The fair value of investments, as of June 30, 2026, were over $22,000, compared to $19,770 in the prior year, and net investment income was $2,711 for the current fiscal year, compared to $2,091 for the prior fiscal year. Driven by the average portfolio return of 13.6%.

Investment returns are reported net of fees and investment expenses, including carried interest. Investment fees and expenses totaled $165 for fiscal year 2026 compared to $189 in the prior fiscal year.

DRAFT

| | 1-Year Return | | | Fair Value of Investments | | | Investment Fees & Expenses | | | Net Investment Income | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 |
| **Pension** | | | | | | | | | | | | |
| Nonhazardous | 13.8% | 11.6% | 11.6% | $11,652 | $10,396 | $9,640 | $88 | $100 | $91 | $1,441 | $1,107 | $1,003 |
| Hazardous | 13.8% | 11.7% | 11.7% | 4,236 | 3,709 | 3,367 | 31 | 35 | 31 | 522 | 398 | 356 |
| **Insurance** | | | | | | | | | | | | |
| Nonhazardous | 13.4% | 11.3% | 11.8% | $4,247 | $3,836 | $3,574 | $31 | $36 | $33 | $512 | $397 | $381 |
| Hazardous | 13.2% | 11.2% | 11.7% | 1,961 | 1,829 | 1,728 | 15 | 18 | 17 | 237 | 187 | 183 |
| **Average/Total** | **13.6%** | **11.5%** | **11.7%** | **$22,097** | **$19,770** | **$18,309** | **$165** | **$189** | **$172** | **$2,711** | **$2,091** | **$1,922** |

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, 2026. See also the investment overview beginning on page 63 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 2026 totaled $1,444 compared to $1,402 in fiscal year 2025, a 3.00% increase. This is primarily due to the slight increase (2%) in the retired member population of CERS.

# SIGNIFICANT CAPITAL ASSET & LONG-TERM FINANCING ACTIVITY

CERS did not have any significant capital asset or long-term financing activity during the fiscal year.

# CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

House Bill (HB) 500 of the 2026 regular session appropriated $15M for the planning phase of a pension administration system (PAS) technology modernization project that will span the next six years and cost approximately $75 million.

Senate Bill (SB) 10, passed during the 2025 legislative session increased the non-medicare eligible retiree insurance dollar contribution benefit for certain CERS members, as well extend and adjust the employee heath insurance contribution (HIC) for certain CERS Tier 1 and Hazardous plan members. This legislation is effective July 1, 2026 (FY 2027).

Favorable investment experience and continued commitment to full funding of the actuarially required contributions, continues to improve the funding status of the CERS pension plans, and maintain high ratios of the CERS insurance plans as outlined in the Actuarial Highlights below.

## 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).

DRAFT

**Schedule of Unfunded Actuarial Accrued Liability (UAAL)**
**As of June 30**

| | Nonhazardous | | | | | | Hazardous | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Pension | | | Insurance | | | Pension | | | Insurance | | |
| | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 |
| **Actuarial Accrued Liability (AAL)** | $16,516 | $16,174 | $15,776 | $3,723 | $3,563 | $2,901 | $6,502 | $6,302 | $6,070 | $1,957 | $1,940 | $1,668 |
| **Actuarial Value of Assets** | 10,570 | 9,934 | 9,212 | 4,030 | 3,794 | 3,549 | 3,892 | 3,593 | 3,280 | 1,823 | 1,763 | 1,676 |
| **Unfunded Actuarial Accrued Liability (UAAL)** | $5,946 | $6,240 | $6,565 | ($307) | ($231) | ($648) | $2,611 | $2,709 | $2,791 | $134 | $176 | ($8) |
| **Funded Ratio** | 64.0% | 61.4% | 58.4% | 108.3% | 106.5% | 122.3% | 59.9% | 57.0% | 54.0% | 93.2% | 90.9% | 100.5% |

The FYE 2026 (effective July 1, 2026) employer contribution rates for the CERS plans, based on the June 30, 2025 actuarial valuation, are as follows: CERS Nonhazardous 17.43%, CERS Hazardous 34.72%.

The FYE 2027 (effective July 1, 2027) employer contribution rates for the CERS plans, based on the June 30, 2026 actuarial valuation, will be as follows: CERS Nonhazardous 16.23%, CERS Hazardous 31.95%.

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

# Basic Financial Statements

## Combining Statement of Fiduciary Net Position

As of June 30, 2026, with Comparative Totals as of June 30, 2025 ($ in Thousands)

| | Pension | | Insurance | | | |
|---|---|---|---|---|---|---|
| ASSETS | Nonhazardous | Hazardous | Nonhazardous | Hazardous | Total 2026 | Total 2025 |
| **CASH AND SHORT-TERM INVESTMENTS** | | | | | | |
| Cash Deposits | $253 | $27 | $103 | $27 | $410 | $490 |
| Short-term Investments | 370,427 | 160,352 | 118,488 | 56,701 | 705,968 | 837,533 |
| **Total Cash and Short-term Investments** | **370,680** | **160,379** | **118,591** | **56,728** | **706,378** | **838,023** |
| **RECEIVABLES** | | | | | | |
| Accounts Receivable | 82,281 | 25,093 | 6,642 | 1,949 | 115,965 | 113,566 |
| Accounts Receivable - Investments | 98,720 | 37,895 | 34,300 | 14,842 | 185,757 | 205,798 |
| **Total Receivables** | **181,001** | **62,988** | **40,942** | **16,791** | **301,722** | **319,364** |
| **INVESTMENTS, AT FAIR VALUE** | | | | | | |
| Core Fixed Income | 1,464,626 | 545,533 | 534,631 | 251,466 | 2,796,256 | 2,495,361 |
| Public Equities | 5,875,492 | 2,140,430 | 2,150,966 | 977,911 | 11,144,799 | 9,574,452 |
| Private Equities | 520,921 | 187,808 | 186,226 | 102,712 | 997,667 | 1,164,022 |
| Specialty Credit | 2,243,139 | 826,462 | 830,567 | 378,604 | 4,278,772 | 3,932,648 |
| Derivatives | (199) | (84) | (78) | (23) | (384) | 10 |
| Real Return | 794,574 | 286,001 | 285,215 | 134,255 | 1,500,045 | 1,090,758 |
| Real Estate | 538,127 | 171,089 | 196,602 | 87,359 | 993,177 | 1,020,800 |
| Securities Lending Collateral | 215,716 | 78,657 | 62,817 | 29,064 | 386,254 | 492,267 |
| **Total Investments, at Fair Value** | **11,652,396** | **4,235,896** | **4,246,946** | **1,961,348** | **22,096,586** | **19,770,318** |
| **Total Assets** | **12,204,077** | **4,459,263** | **4,406,479** | **2,034,867** | **23,104,686** | **20,927,705** |
| **LIABILITIES** | | | | | | |
| Accounts Payable | 6,494 | 1,083 | 62 | 43 | 7,682 | 8,024 |
| Accounts Payable - Investments | 141,098 | 54,030 | 50,234 | 22,995 | 268,357 | 267,500 |
| Securities Lending Collateral | 215,716 | 78,657 | 62,817 | 29,064 | 386,254 | 492,267 |
| **Total Liabilities** | **363,308** | **133,770** | **113,113** | **52,102** | **662,293** | **767,791** |
| **Total Fiduciary Net Position Restricted for Benefits** | **$11,840,769** | **$4,325,493** | **$4,293,366** | **$1,982,765** | **$22,442,393** | **$20,159,914** |

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

DRAFT

## Combining Statement of Changes In Fiduciary Net Position

**For the fiscal year ended June 30, 2026, with Comparative Totals for the fiscal year Ended June 30, 2025 ($ in Thousands)**

| | Pension | | Insurance | | | |
|---|---|---|---|---|---|---|
| | Nonhazardous | Hazardous | Nonhazardous | Hazardous | Total 2026 | Total 2025 |
| **ADDITIONS** | | | | | | |
| Member Contributions | $176,585 | $70,103 | $25,347 | $6,314 | $278,349 | $261,213 |
| Employer Contributions | 674,554 | 308,975 | 14,291 | 18,345 | 1,016,165 | 1,016,252 |
| **Total Contributions** | **851,139** | **379,078** | **39,638** | **24,659** | **1,294,514** | **1,277,465** |
| **INVESTMENT INCOME** | | | | | | |
| Net Appreciation in Fair Value of Investments | 1,178,970 | 423,926 | 415,360 | 193,366 | 2,211,622 | 1,642,613 |
| Interest/Dividends | 338,791 | 123,364 | 123,811 | 56,964 | 642,930 | 610,739 |
| Securities Lending Income | 11,610 | 4,404 | 3,639 | 1,363 | 21,016 | 23,818 |
| Less: Investment Expense | 61,341 | 21,023 | 22,568 | 11,264 | 116,196 | 122,261 |
| Less: Performance Fees | 17,296 | 5,948 | 5,836 | 2,747 | 31,827 | 44,930 |
| Less: Securities Lending Fees, Expenses, and Rebates | 9,454 | 3,601 | 2,898 | 1,054 | 17,007 | 21,477 |
| **Net Investment Income** | **1,441,280** | **521,122** | **511,508** | **236,628** | **2,710,538** | **2,088,502** |
| **Total Additions** | **2,292,419** | **900,200** | **551,146** | **261,287** | **4,005,052** | **3,365,967** |
| **DEDUCTIONS** | | | | | | |
| Benefit Payments | 1,023,972 | 384,338 | — | — | 1,408,310 | 1,369,705 |
| Refunds | 25,982 | 10,025 | — | — | 36,007 | 32,382 |
| Administrative Expenses | 27,271 | 2,395 | 574 | 530 | 30,770 | 29,544 |
| Healthcare Expenses | — | — | 133,054 | 114,432 | 247,486 | 247,205 |
| **Total Deductions** | **1,077,225** | **396,758** | **133,628** | **114,962** | **1,722,573** | **1,678,836** |
| Net Increase in Fiduciary Net Position Restricted for Benefits | 1,215,194 | 503,442 | 417,518 | 146,325 | 2,282,479 | 1,687,131 |
| **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** | **18,472,783** |
| **End of Period** | **$11,840,769** | **$4,325,493** | **$4,293,366** | **$1,982,765** | **$22,442,393** | **$20,159,914** |

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

DRAFT

# 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.

## Investment Unitization

DRAFT

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 Generally Accepted Accounting Principles (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.

## Recent Accounting Pronouncements

*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 evaluated the impact of the Statement to the financial report and made appropriate changes to the financial report.

DRAFT

*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 determined that since the capital assets of CERS are fully depreciated (immaterial) there is no current impact to the financial report.

*GASB Statement Number 105, Subsequent Events.* The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2027. 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, 2026, there were 1,110 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.

**Contribution Rate Breakdown by Plan**
**As of June 30, 2026**

| | Pension | | Insurance | | Combined Total | |
|---|---|---|---|---|---|---|
| Plan | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates |
| Nonhazardous * | 18.62% | 18.62% | —% | —% | 18.62% | 18.62% |
| Hazardous * | 34.00% | 34.00% | 1.73% | 1.73% | 35.73% | 35.73% |

DRAFT

## Benefit Tiers:

As of June 30, 2026, the date of the most recent actuarial valuation, membership consisted of:

**Membership as of June 30, 2026 (in Whole $)**

| Item | Nonhazardous | Hazardous | Total |
|---|---|---|---|
| **Members** | 295,710 | 29,018 | 324,728 |
| **Active Membership** | 86,158 | 11,057 | 97,215 |
| Tier 1 | 17,091 | 2,152 | 19,243 |
| Tier 2 | 9,621 | 1,796 | 11,417 |
| Tier 3 | 59,446 | 7,109 | 66,555 |
| **Average Annual Salary** | $42,223 | $84,142 | $46,836 |
| **Average Age** | 46.8 | 37.3 | 45.7 |
| **Retired Membership** | 81,890 | 12,689 | 94,579 |
| Tier 1 | 78,777 | 12,567 | 91,344 |
| Tier 2 | 2,550 | 75 | 2,625 |
| Tier 3 | 563 | 47 | 610 |
| **Average Annual Benefit** | $12,641 | $30,942 | $15,143 |
| **Average Age** | 72.1 | 63.9 | 71.0 |
| **Inactive Members** | 127,662 | 5,272 | 132,934 |
| Tier 1 | 48,132 | 1,671 | 49,803 |
| Tier 2 | 18,698 | 752 | 19,450 |
| Tier 3 | 60,832 | 2,849 | 63,681 |

### 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 in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 2:420). 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 Insurance Fund is non-refundable and is forfeited.

### TIER 3:

Members who began participating on or after January 1, 2014 are required to contribute to the Tier 3 Hybrid Cash Balance Plan. Tier 3 is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

The members' accumulated account balance consists of Employee Contributions, Employer Pay Credits, Base Interest and Upside Sharing Interest. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their creditable compensation which is deposited in their account. Tier 3 members also pay a one percent health insurance contribution which is deposited in a non-refundable trust to fund insurance benefits (see 105 KAR 2:420).

When employer contributions are received, an Employer Pay Credit is deposited to the member's account. Nonhazardous members receive 4% and hazardous members receive 7.5% based on their creditable compensation.

DRAFT

All Tier 3 members earn a 4% Base Interest annually on both the member contributions and the Employer Pay Credit. Interest is credited to a member's account each June 30, based on the account balance from the preceding June 30.

Upside Sharing Interest is an additional interest credit that may be applied to a Tier 3 account. Upside Sharing Interest is not guaranteed. The following conditions must be met before Upside Sharing Interest is credited:

- The Geometric Average Net Investment Return (GANIR) for the last five (5) years must exceed 4%.
- The member must have been active and participating in the fiscal year.

If the GANIR for the last five years exceeds 4%, the member's account will be credited with 75% of the amount of return over 4%. This credit is applied to the accumulated account balance as of June 30 of the prior fiscal year.

The GANIR is calculated for each individual plan. It is possible that the Upside Sharing Interest percentage will differ from plan to plan. It is also possible that one plan may receive Upside Sharing Interest, and another plan would not.

The chart that follows shows the interest calculated on the members' balances as of June 30, 2025, and credited to each member's account on June 30, 2026.

| (A-B) = C x 75% = D then B + D = Interest ($ in Thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | A | B | C | D | | |
| Plan | 5-Year Geometric Average Return | Less Guarantee Rate of 4% | Upside Sharing Interest | Upside Sharing Interest X 75% = Upside Gain | Interest Rate Earned (4% + Upside) | Total Interest Credited to Member Accounts |
| Nonhazardous | 7.73% | 4.00% | 3.73% | 2.80% | 6.80% | $56,663 |
| Hazardous | 7.95% | 4.00% | 3.95% | 2.96% | 6.96% | $22,391 |

If a Tier 3 member chooses to take a refund of their accumulated account balance, they will receive their individual retirement contributions (excluding the non-refundable HIC) plus any accumulated interest. Tier 3 members with less than 60 months of service credit are not vested, which means the refund will not include employer pay credits, base or upside

sharing interest on the pay credit balance. Tier 3 members with at least 60 months of service credit are vested and will receive employer pay credits and any associated base and upside sharing interest.

## 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, 2026, insurance premiums withheld from benefit payments for CERS's members were $18.1 million and $5.7 million for CERS Nonhazardous and Hazardous, respectively.

**Retiree Medical Insurance Coverage (by Plan Count)**
**As of June 30, 2026**

| | Single | Couple/Family | Parent | Medicare Without Prescription | Medicare With Prescription |
|---|---|---|---|---|---|
| **Nonhazardous** | 8,212 | 483 | 252 | 1,795 | 31,003 |
| **Hazardous** | 1,864 | 2,991 | 479 | 161 | 4,717 |
| **Total** | **10,076** | **3,474** | **731** | **1,956** | **35,720** |

*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:

DRAFT

**Portion Paid by Insurance Fund**
**As of June 30, 2026**

| 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.

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 hired on or after July 1, 2003. but prior to September 1, 2008, for both funds.

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 2026 For Member participation date on or after July 1, 2003 | |
|---|---|
| | (in Whole $) |
| Nonhazardous | $14.85 |
| Hazardous | $22.27 |

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

DRAFT

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:

| Cash, Short-Term Investments, & Securities Lending Collateral<br>As of June 30, 2026 ($ in Thousands) | | |
|---|---|---|
| **Nonhazardous** | **Pension** | **Insurance** |
| Cash | $253 | $103 |
| Short-Term Investments | 370,427 | 118,488 |
| Securities Lending Collateral Invested | 215,716 | 62,817 |
| **Total** | **$586,396** | **$181,408** |
| **Hazardous** | **Pension** | **Insurance** |
| Cash | $27 | $27 |
| Short-Term Investments | 160,352 | 56,701 |
| Securities Lending Collateral Invested | 78,657 | 29,064 |
| **Total** | **$239,036** | **$85,792** |

# Note D. Investments

Kentucky Revised Statutes 78.790 specifically state 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 that 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 Investor Rule" 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 CERS Board establishes specific investment guidelines that are summarized below.

## 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.

DRAFT

### *Private Equity*

Subject to approval of the CERS Investment Committee and ratification by the CERS Board, 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 investments.

## Fixed Income

### *Core Fixed Income*

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

### *Specialty Credit*

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

### *Short-Term Investments*

The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds, and collective short-

term investment funds (STIFs), money market funds or instruments (including, but not limited to certificates of deposit, bank notes, deposit notes, bankers' acceptance and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days.

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

## Inflation Protected

*Real Estate and Real Return*

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

## Investment Expenses

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

DRAFT

## Derivatives

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

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

In accordance with *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, CERS provides additional disclosure regarding its derivatives. The charts included represent the derivatives by types as of June 30, 2026. 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, 2026 ($ in Thousands)

| Derivatives (by Type) | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value | Notional |
|---|---|---|---|---|
| **Nonhazardous - Pension** | | | | |
| FX Spots and Forwards | ($117) | Investment | ($117) | |
| Futures | (82) | Investment | (82) | 68,470 |
| **Nonhazardous - Insurance** | | | | |
| FX Spots and Forwards | ($41) | Investment | ($41) | |
| Futures | (37) | Investment | (37) | 27,702 |
| **Hazardous - Pension** | | | | |
| FX Spots and Forwards | ($49) | Investment | ($49) | |
| Futures | (35) | Investment | (35) | 25,164 |
| **Hazardous - Insurance** | | | | |
| FX Spots and Forwards | ($11) | Investment | ($11) | $— |
| Futures | (12) | Investment | (12) | 13,470 |

## Derivative Instruments Subject to Counterparty Credit Risk
As of June 30, 2026

| | | Pension | | Insurance | |
|---|---|---|---|---|---|
| Counterparty | S & P Ratings | Nonhazardous Percentage of Net Exposure | Hazardous Percentage of Net Exposure | Nonhazardous Percentage of Net Exposure | Hazardous Percentage of Net Exposure |
| ANZ Group Holdings Ltd | AA- | 0.29% | 0.12% | 0.32% | 0.09% |
| Bank of America Corp | A- | 0.18% | 0.07% | 0.22% | 0.09% |
| Bank of Montreal | A+ | 0.05% | 0.02% | —% | —% |
| Bank of New York Mellon Corp/The | A | 5.98% | 2.41% | 6.14% | 2.06% |
| Barclays PLC | BBB+ | 2.26% | 0.96% | 2.32% | 0.63% |
| Brown Brothers Harriman & Co | NR | 0.88% | 0.32% | 0.98% | 0.42% |
| Citigroup Inc | BBB+ | 4.22% | 1.80% | 4.41% | 1.20% |
| Goldman Sachs Group Inc/The | BBB+ | 4.80% | 2.04% | 5.03% | 1.36% |
| HSBC Holdings PLC | A- | 6.87% | 2.92% | 7.33% | 1.99% |
| JPMorgan Chase & Co | A | 4.77% | 2.03% | 5.10% | 1.38% |
| Morgan Stanley | A- | 2.37% | 1.01% | 2.53% | 0.69% |
| Northern Trust Corp | A+ | 0.10% | 0.04% | 0.13% | 0.05% |
| Royal Bank of Canada | AA- | 2.46% | 1.05% | 2.50% | 0.68% |
| Standard Chartered PLC | BBB+ | 6.71% | 2.85% | 7.20% | 1.95% |
| State Street Corp | A | 6.80% | 2.89% | 7.16% | 1.94% |
| Toronto-Dominion Bank/The | A+ | 0.08% | 0.03% | 0.09% | 0.02% |
| UBS Group AG | A- | 2.02% | 0.86% | 2.08% | 0.56% |
| **Total** | | **50.84%** | **21.42%** | **53.54%** | **15.11%** |

DRAFT

## 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.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

a. Uncollateralized,

b. collateralized with securities held by the pledging financial institution or

c. collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.

As of June 30, 2026, KPPA's cash balance of $3,583.9 thousand was not exposed to custodial credit risk because this amount was collateralized fully with securities held by the depository Bank, JP Morgan, in the Retirement Systems name for $3,633.0 thousand. CERS's portion of this cash balance was equal to $352.8 thousand.

## 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, 2026, 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<br>As of June 30, 2026 ($ in Thousands) | |
|---|---|
| **CERS** | |
| Nonhazardous Pension Foreign Currency | 1,494,646 |
| Hazardous Pension Foreign Currency | 542,530 |
| Nonhazardous Insurance Foreign Currency | 527,018 |
| Hazardous Insurance Foreign Currency | 230,843 |

## Investment Summary As Of June 30, 2026 ($ In Thousands)

| Investment Summary<br>As of June 30, 2026 ($ in Thousands) | Pension | | Insurance | |
|---|---|---|---|---|
| | Nonhazardous | Hazardous | Nonhazardous | Hazardous |
| **Type** | **Fair Value** | | **Fair Value** | |
| Core Fixed Income | $1,464,626 | $545,533 | $534,631 | $251,466 |
| Public Equity | 5,875,492 | 2,140,430 | 2,150,966 | 977,911 |
| Private Equity | 520,921 | 187,808 | 186,226 | 102,712 |
| Specialty Credit | 2,243,139 | 826,462 | 830,567 | 378,604 |
| Derivatives | (199) | (84) | (78) | (23) |
| Real Return | 794,574 | 286,001 | 285,215 | 134,255 |
| Real Estate | 538,127 | 171,089 | 196,602 | 87,359 |
| Short-Term Investments | 370,427 | 160,352 | 118,488 | 56,701 |
| Accounts Receivable (Payable), Net | (42,378) | (16,135) | (15,934) | (8,153) |
| **Total** | **$11,764,729** | **$4,301,456** | **$4,286,683** | **$1,980,832** |

DRAFT

## Credit Risk Debt Securities

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

- Bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies or instrumentalities are permissible investments and may be held without restrictions.
- The duration of the core fixed income portfolios combined shall not vary from that of the system's Core 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.
- 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

| Debt Securities<br>As of June 30, 2026 ($ in Thousands) | | | | |
|---|---|---|---|---|
| | Pension | | Insurance | |
| Type | CERS Nonhazardous | CERS Hazardous | CERS Nonhazardous | CERS Hazardous |
| AAA | $85,219 | $32,130 | $28,530 | $13,000 |
| AA+ | 10,371 | 3,982 | 11,882 | 5,430 |
| AA | 21,502 | 8,182 | 7,498 | 3,318 |
| AA- | 24,755 | 9,370 | 9,883 | 4,469 |
| A+ | 30,274 | 11,391 | 11,570 | 5,293 |
| A | 29,717 | 11,085 | 12,179 | 5,709 |
| A- | 41,289 | 15,431 | 15,734 | 7,333 |
| BBB+ | 54,234 | 20,300 | 21,794 | 10,030 |
| BBB | 63,171 | 24,512 | 23,762 | 9,928 |
| BBB- | 93,790 | 38,858 | 31,696 | 10,480 |
| BB+ | 50,505 | 23,515 | 18,641 | 3,502 |
| BB | 78,856 | 37,104 | 30,111 | 5,682 |
| BB- | 94,886 | 44,747 | 36,148 | 7,514 |
| B+ | 67,308 | 30,969 | 25,488 | 6,356 |
| B | 108,976 | 49,202 | 42,088 | 12,967 |
| B- | 54,931 | 24,703 | 21,433 | 6,953 |
| CCC+ | 20,175 | 9,767 | 8,263 | 1,561 |
| CCC | 8,567 | 4,214 | 3,622 | 558 |
| CCC- | 903 | 448 | 388 | 47 |
| CC | 133 | 66 | 57 | 7 |
| NR | 2,113,066 | 726,979 | 751,630 | 392,183 |
| WD | 19 | 8 | — | — |
| **Total Credit Risk Debt Securities** | **$3,052,647** | **$1,126,963** | **$1,112,397** | **$512,320** |
| Government Agencies | 18,078 | 6,885 | 2,945 | 1,296 |
| Government Mortgage-Backed Securities | 230,707 | 86,095 | 91,058 | 42,597 |
| Government Issued Commercial Mortgage Backed Securities | 6,350 | 2,514 | 9,464 | 4,143 |
| Government Collateralized Mortgage Obligations | 38,409 | 14,739 | 9,485 | 4,060 |
| Government Bonds | 361,574 | 134,799 | 139,849 | 65,654 |
| **Total Credit Risk Debt Securities** | **$3,707,765** | **$1,371,995** | **$1,365,198** | **$630,070** |

*Note: These ratings are based on Standard & Poor's (S&P) Global Ratings. Where S&P ratings are unavailable, equivalent Moody's Ratings are used as proxies.*
*Differences due to rounding.*
*Government Agencies, Government Mortgage-Backed Securities, Government Issued Commercial Mortgage Backed Securities, Government Collateralized Mortgage Obligations and Government Bonds are highly rated securities since they are backed by the US Government.*
*The NR reported indicates a rating has not been assigned.*

DRAFT

## Concentration Of Credit Risk Debt Securities

Concentration of credit risk for debt securities 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 fair value of the Plans' fixed income assets. As of June 30, 2026, CERS was in compliance with this guideline.

## 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<br>As of June 30, 2026 ($ in Thousands) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Pension | | | | Insurance | | | |
| TYPE | 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 | $76,668 | 2.5 | $28,890 | 2.5 | $28,811 | 2.5 | $13,308 | 2.4 |
| Financial Institutions | 229,774 | 3.3 | 95,123 | 3.3 | 86,154 | 3.3 | 32,817 | 3.2 |
| Collateralized Mortgage Obligations | 41,067 | 4.1 | 15,870 | 4.1 | 15,187 | 4.0 | 6,391 | 4.1 |
| Commercial Mortgage Backed Securities | 35,187 | 4.3 | 13,395 | 4.2 | 13,871 | 4.3 | 6,169 | 4.4 |
| Corporate Bonds - Industrial | 517,055 | 4.0 | 229,264 | 3.9 | 195,784 | 4.0 | 55,188 | 4.1 |
| Corporate Bonds - Utilities | 78,788 | 8.1 | 32,214 | 8.0 | 29,889 | 8.2 | 11,202 | 9.2 |
| Agencies | 18,078 | 5.7 | 6,885 | 5.6 | 7,124 | 5.7 | 3,163 | 5.8 |
| Government Bonds - Sovereign Debt | 8,788 | 6.7 | 3,341 | 6.7 | 3,512 | 7.0 | 1,561 | 7.0 |
| Mortgage Back Securities Pass-through - Not CMO's | 234,334 | 5.3 | 87,473 | 5.3 | 91,058 | 5.3 | 42,597 | 5.3 |
| Local Authorities - Municipal Bonds | 20,913 | 6.3 | 8,067 | 6.3 | 8,257 | 6.2 | 3,538 | 6.1 |
| Supranational - Multi-National Bonds | 2,052 | 2.6 | 873 | 2.6 | 672 | 2.7 | 182 | 2.7 |
| Treasuries | 382,100 | 6.9 | 143,533 | 6.8 | 146,536 | 6.8 | 67,468 | 6.9 |
| Unclassified | 2,062,962 | 0.0 | 707,066 | 0.0 | 738,343 | 0.0 | 386,487 | 0.0 |
| **Total** | **$3,707,766** | **2.2** | **$1,371,994** | **2.4** | **$1,365,198** | **2.3** | **$630,071** | **2.0** |

## Foreign Currency Risk

DRAFT

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<br>As of June 30, 2026 ($ in Thousands) | | | | |
|---|---|---|---|---|
| | Pension | | Insurance | |
| Type | Nonhazardous | Hazardous | Nonhazardous | Hazardous |
| Australian Dollar | $20,286 | $7,655 | $6,822 | $2,736 |
| Brazilian Real | 43,423 | 16,004 | 15,640 | 6,620 |
| Canadian Dollar | 71,263 | 26,215 | 24,506 | 10,423 |
| Czech Koruna | 505 | 215 | 171 | 46 |
| Danish Krone | 17,571 | 6,410 | 6,312 | 2,731 |
| Egyptian Pound | 865 | 315 | 252 | 109 |
| Euro | 406,010 | 143,409 | 143,879 | 66,808 |
| Hong Kong Dollar | 107,685 | 39,286 | 38,210 | 16,532 |
| Hungarian Forint | 8,801 | 3,212 | 3,200 | 1,384 |
| Indian Rupee | 48,443 | 17,865 | 17,371 | 7,335 |
| Indonesian Rupiah | 3,039 | 1,161 | 1,084 | 424 |
| Israeli Shekel | 15,238 | 5,559 | 5,244 | 2,270 |
| Japanese Yen | 225,873 | 82,916 | 78,367 | 33,444 |
| Malaysian Ringgit | 8,247 | 3,137 | 2,715 | 1,061 |
| Mexican Peso | (86) | (181) | 22 | 142 |
| New Taiwan Dollar | 137,689 | 50,232 | 48,790 | 21,109 |
| New Zealand Dollar | 8,778 | 3,735 | 2,936 | 796 |
| Norwegian Krone | 4,838 | 1,946 | 1,665 | 564 |
| Philippine Peso | 3,620 | 1,540 | 1,186 | 322 |
| Polish Zloty | 4,840 | 1,766 | 1,531 | 662 |
| Pound Sterling | 106,113 | 38,201 | 37,778 | 16,801 |

| Foreign Currency Risk<br>As of June 30, 2026 ($ in Thousands) | | | | |
|---|---|---|---|---|
| | Pension | | Insurance | |
| Type | Nonhazardous | Hazardous | Nonhazardous | Hazardous |
| Romanian Leu | 997 | 364 | 355 | 153 |
| Singapore Dollar | 9,805 | 3,411 | 3,256 | 1,557 |
| South African Rand | 4,910 | 1,791 | 1,653 | 715 |
| South Korean Won | 126,013 | 46,278 | 45,026 | 19,205 |
| Swedish Krona | 27,069 | 9,876 | 9,628 | 4,165 |
| Swiss Franc | 60,685 | 22,139 | 21,125 | 9,140 |
| Thai Baht | 13,969 | 5,096 | 5,370 | 2,324 |
| Turkish Lira | 5,674 | 2,070 | 2,050 | 887 |
| UAE Dirham | 2,483 | 906 | 875 | 378 |
| **Total Foreign Investment Securities** | **1,494,646** | **542,529** | **527,019** | **230,843** |
| U.S. Dollar | 10,270,083 | 3,758,927 | 3,759,664 | 1,749,989 |
| **Total Investment Securities** | **$11,764,729** | **$4,301,456** | **$4,286,683** | **$1,980,832** |

## Fair Value Measurement And Applications (GASB 72)

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

## CERS Defined The Fair Value Hierarchy And Levels As Follows:

### Level 1

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

DRAFT

### Level 2

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

### Level 3

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

## Net Asset Value (NAV)

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

## Fair Value Measurements and Application - Pension

As of June 30, 2026 ($ in Thousands)

| | Nonhazardous | | | Total | Hazardous | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Level | | | | Level | | | |
| Asset Type | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value |
| **Public Equity** | | | | | | | | |
| Emerging Markets | $291,334 | $— | $— | $291,334 | $106,285 | $— | $— | **$106,285** |
| US Equity | 3,694,602 | 15 | — | **3,694,617** | 1,345,713 | 6 | — | **1,345,719** |
| Non-US Equity | 1,300,689 | — | — | **1,300,689** | 474,518 | 219 | — | **474,737** |
| **Total Public Equity** | **5,286,625** | **15** | **—** | 5,286,640 | **1,926,516** | **225** | **—** | 1,926,741 |
| **Fixed Income** | | | | | | | | |
| Agencies | — | 6,443 | — | **6,443** | — | 2,400 | — | **2,400** |
| Asset-Backed | — | 67,205 | — | **67,205** | — | 25,553 | — | **25,553** |
| Bank & Finance | 11,139 | 121,266 | 187,442 | **319,847** | 4,064 | 47,993 | 78,586 | **130,643** |
| Cash & Cash Equivalent | — | (66) | — | **(66)** | — | (18) | — | **(18)** |
| Corporate | 455,625 | 591,956 | 1,807 | **1,049,388** | 173,626 | 259,255 | 754 | **433,635** |
| Healthcare | — | 25,199 | — | **25,199** | — | 9,918 | — | **9,918** |
| Insurance | — | 3,316 | — | **3,316** | — | 1,261 | — | **1,261** |
| Municipals | — | 15,394 | — | **15,394** | — | 5,734 | — | **5,734** |
| Sovereign Debt | — | 38,090 | — | **38,090** | — | 15,754 | — | **15,754** |
| US Government | 365,431 | 246,598 | — | **612,029** | 136,237 | 92,037 | — | **228,274** |
| **Total Fixed Income** | **832,195** | **1,115,401** | **189,249** | 2,136,845 | **313,927** | **459,887** | **79,340** | 853,154 |
| **Derivatives** | | | | | | | | |
| Foreign Exchange | — | (117) | — | **(117)** | — | (49) | — | **(49)** |
| Futures | (82) | — | — | **(82)** | (35) | — | — | **(35)** |
| **Total Derivatives** | **(82)** | **(117)** | **—** | (199) | **(35)** | **(49)** | **—** | (84) |
| **Private Equity** | **27** | **—** | **—** | 27 | **11,693** | **—** | **—** | 11,693 |
| **Real Estate ETFs** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** |
| **Real Return** | **221,052** | **—** | **—** | 221,052 | **76,124** | **—** | **—** | 76,124 |
| **Total Investments at Fair Value** | **6,339,817** | **1,115,299** | **189,249** | 7,644,365 | **2,328,225** | **460,063** | **79,340** | 2,867,628 |
| **Investments Measured at NAV** | | | | | | | | |
| **Specialty Credit** | **—** | **—** | **—** | **1,632,098** | **—** | **—** | **—** | **548,180** |
| **Private Equity** | **—** | **—** | **—** | **517,510** | **—** | **—** | **—** | **174,233** |
| **Real Estate** | **—** | **—** | **—** | **538,128** | **—** | **—** | **—** | **171,089** |
| **Real Return** | **—** | **—** | **—** | **579,111** | **—** | **—** | **—** | **211,855** |
| **Fixed Income** | **—** | **—** | **—** | **34,737** | **—** | **—** | **—** | **12,938** |
| **Non US Equity** | **—** | **—** | **—** | **593,638** | **—** | **—** | **—** | **215,654** |
| **Emerging Markets** | **—** | **—** | **—** | **9,689** | **—** | **—** | **—** | **3,535** |
| **US Equity** | **—** | **—** | **—** | **38,678** | **—** | **—** | **—** | **14,153** |
| **Total Investments Measured at NAV** | **—** | **—** | **—** | **3,943,589** | **—** | **—** | **—** | **1,351,637** |
| **Cash and Accruals** | **—** | **—** | **—** | **176,775** | **—** | **—** | **—** | **82,191** |
| **Total Investments** | **$6,339,817** | **$1,115,299** | **$189,249** | **$11,764,729** | **$2,328,225** | **$460,063** | **$79,340** | **$4,301,456** |

*Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.*
*Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.*

DRAFT

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

**Fair Value Measurements and Application - Pension**
**As of June 30, 2026 ($ in Thousands)**

| | Nonhazardous | | | | Hazardous | | | |
|---|---|---|---|---|---|---|---|---|
| Asset Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit [1] | $1,632,098 | $240,995 | Daily - Quarterly | 90 Days | $548,180 | $83,867 | Daily - Quarterly | 90 Days |
| Real Estate [2] | 538,128 | 88,852 | | | 171,089 | 30,058 | | |
| Real Return [3] | 579,111 | 189,011 | Daily | 30 - 60 Days | 211,855 | 68,257 | Daily | 30 - 60 Days |
| Private Equity [4] | 517,510 | 109,302 | | | 174,233 | 36,481 | | |
| Fixed Income [5] | 34,737 | — | Daily | | 12,938 | — | Daily | |
| Non US Equity [5] | 593,638 | — | Daily | | 215,654 | — | Daily | |
| Emerging Markets[5] | 9,689 | — | Daily | | 3,535 | — | Daily | |
| US Equity [5] | 38,678 | — | Daily | | 14,153 | — | Daily | |
| **Total Investments Measured at NAV** | **$3,943,589** | **$628,160** | | | **$1,351,637** | **$218,663** | | |

(1) *This type includes 15 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 21 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 31 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

## Fair Value Measurements and Application - Insurance

As of June 30, 2026 ($ in Thousands)

| | Nonhazardous | | | Total | Hazardous | | | Total |
|---|---|---|---|---|---|---|---|---|
| | Level | | | | Level | | | |
| Asset Type | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value |
| **Public Equity** | | | | | | | | |
| Emerging Markets | $105,473 | $— | $— | **$105,473** | $45,633 | $— | $— | **$45,633** |
| US Equity | 1,240,952 | 6 | 119,154 | **1,360,112** | 564,046 | 3 | 48,827 | **612,876** |
| Non-US Equity | 457,163 | — | — | **457,163** | 197,792 | — | — | **197,792** |
| **Total Public Equity** | **1,803,588** | **6** | **119,154** | **1,922,748** | **807,471** | **3** | **48,827** | **856,301** |
| **Fixed Income** | | | | | | | | |
| Agencies | — | 2,545 | — | **2,545** | — | 1,197 | — | **1,197** |
| Asset-Backed | — | 25,243 | — | **25,243** | — | 11,390 | — | **11,390** |
| Bank & Finance | — | 41,261 | 71,062 | **112,323** | — | 16,580 | 30,890 | **47,470** |
| Cash & Cash Equivalent | — | 238 | — | **238** | — | 65 | — | **65** |
| Corporate | 260,592 | 227,473 | 330,133 | **818,198** | 120,260 | 62,987 | 177,632 | **360,879** |
| Healthcare | — | 9,608 | — | **9,608** | — | 3,867 | — | **3,867** |
| Insurance | — | 1,317 | — | **1,317** | — | 584 | — | **584** |
| Municipals | — | 6,373 | — | **6,373** | — | 2,997 | — | **2,997** |
| Sovereign Debt | — | 13,022 | — | **13,022** | — | 4,193 | — | **4,193** |
| US Government | 140,846 | 96,156 | — | **237,002** | 66,123 | 44,987 | — | **111,110** |
| **Total Fixed Income** | **401,438** | **423,236** | **401,195** | **1,225,869** | **186,383** | **148,847** | **208,522** | **543,752** |
| **Derivatives** | | | | | | | | |
| Foreign Exchange | — | (41) | — | **(41)** | — | (11) | — | **(11)** |
| Futures | (37) | — | | **(37)** | (12) | — | | **(12)** |
| **Total Derivatives** | **(37)** | **(41)** | **—** | **(78)** | **(12)** | **(11)** | **—** | **(23)** |
| **Private Equity** | 3 | — | — | **3** | 2 | — | — | **2** |
| **Real Estate ETFs** | — | — | **19,113** | **19,113** | — | — | **10,559** | **10,559** |
| **Real Return** | 40,361 | — | — | **40,361** | 20,799 | — | — | **20,799** |
| **Total Investments at Fair Value** | **2,245,353** | **423,201** | **539,462** | **3,208,016** | **1,014,643** | **148,839** | **267,908** | **1,431,390** |
| **Investments Measured at NAV** | | | | | | | | |
| **Specialty Credit** | — | — | — | **273,353** | — | — | — | **144,978** |
| **Private Equity** | — | — | — | **183,926** | — | — | — | **101,914** |
| **Real Estate** | — | — | — | **151,392** | — | — | — | **66,532** |
| **Real Return** | — | — | — | **154,820** | — | — | — | **76,067** |
| **Fixed Income** | — | — | — | **11,579** | — | — | — | **5,446** |
| **Non US Equity** | — | — | — | **236,249** | — | — | — | **119,921** |
| **Emerging Markets** | — | — | — | **3,657** | — | — | — | **1,582** |
| **US Equity** | — | — | — | **14,020** | — | — | — | **6,713** |
| **Total Investments Measured at NAV** | — | — | — | **1,028,996** | — | — | — | **523,153** |
| **Cash and Accruals** | — | — | — | **49,671** | — | — | — | **26,290** |
| **Total Investments** | **$2,245,353** | **$423,201** | **$539,462** | **$4,286,683** | **$1,014,643** | **$148,839** | **$267,908** | **$1,980,833** |

*Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.*
*Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.*

DRAFT

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

**Fair Value Measurements and Application - Insurance**
**As of June 30, 2026 ($ in Thousands)**

| | Nonhazardous | | | | Hazardous | | | |
|---|---|---|---|---|---|---|---|---|
| Asset Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit [1] | $273,353 | $89,528 | Daily - Quarterly | 90 Days | $144,978 | $46,828 | Daily - Quarterly | 90 Days |
| Real Estate [2] | 151,392 | 31,100 | | | 66,532 | 16,844 | | |
| Real Return [3] | 154,820 | 82,398 | Daily | 30 - 60 Days | 76,067 | 37,156 | Daily | 30 - 60 Days |
| Private Equity [4] | 183,926 | 55,859 | | | 101,914 | 22,743 | | |
| Fixed Income [5] | 11,579 | — | Daily | | 5,446 | — | Daily | |
| Non US Equity [5] | 236,249 | — | Daily | | 119,921 | — | Daily | |
| Emerging Markets [5] | 3,657 | — | Daily | | 1,582 | — | Daily | |
| US Equity [5] | 14,020 | — | Daily | | 6,713 | — | Daily | |
| **Total Investments Measured at NAV** | **$1,028,996** | **$258,885** | | | **$523,153** | **$123,571** | | |

*(1) This type includes 15 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 21 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 31 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

## 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, 2026. 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, 2026**

| | Pension | | Insurance | |
|---|---|---|---|---|
| | CERS Nonhazardous | CERS Hazardous | CERS Nonhazardous | CERS Hazardous |
| **2026** | 13.8% | 13.8% | 13.4% | 13.2% |

# 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 $4.0M.

The IPS does not address any restrictions on the amount of loans that can be made. As of June 30, 2026, 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.

DRAFT

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, 2026, 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, 2026, the cash collateral received for the securities on loan for cash collateral was $386.3 million and $1,466.5 million for the non-cash collateral. See the below chart for individual plan totals.

**Securities Lending Collateral**
**As of June 30, 2026 ($ in Thousands)**

| | CERS Nonhazardous | | CERS Hazardous | | CERS |
|---|---|---|---|---|---|
| | Pension | Insurance | Pension | Insurance | Total |
| Cash Collateral | $215,716 | $62,817 | $78,657 | $29,064 | $386,254 |
| Non-Cash Collateral | $750,465 | $302,481 | $273,642 | $139,950 | $1,466,538 |

# 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 necessary 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, subject to the maximum average weekly wage set by the Department of Workers' Claims. 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.

DRAFT

# 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, 2025, actuarial valuations, rolled forward to June 30, 2026. 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, 2026, in accordance with *GASB Statement No.67*, paragraph 37, and *GASB Statement No. 74*, paragraph 41.

## Financial Reporting For Pension Plans (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, 2025. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2026, using generally accepted actuarial principles. GRS will provide separate reports at a later date with additional

accounting information determined in accordance with *GASB Statement No. 68*, *Accounting and Financial Reporting for Pensions*.

### Assumptions

There have been no assumptions, or method changes that would materially impact the total pension liability since June 30, 2025.

Below is a summary of the principal assumptions used for the June 30, 2025, 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. The experience study took place through June 30, 2022, and was adopted in May 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 plan provision changes that would materially impact the total pension liability since June 30, 2025.

### Discount Rate

DRAFT

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, 2026. 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 report 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, 2025" 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, 2026.

# 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, 2026. 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, 2025. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2026, using generally accepted actuarial principles.

## Assumptions

The discount rate used to calculate the total OPEB liability decreased from 6.26% to 6.22% for the non-hazardous plan and from 6.24% to 6.22% for the hazardous plan (see further discussion on the calculation of the single discount rate later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2025, 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, 2026, is determined using these updated assumptions.

Below is a summary of the principal assumptions used for the June 30, 2025, 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 7.10% on January 1, 2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement.
    - Post-65 - Initial trend starting at 8.00% on January 1,2026, and gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement.

DRAFT

## Plan Provisions

There have been no plan provision changes that would materially impact the total OPEB liability since June 30, 2025.

## Implicit Employer Subsidy for Non-Medicare Retirees

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. *GASB Statement No. 74* requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

### Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2026.

| Plan | Fiscal Year 2026 | Fiscal Year 2025 | Change in Rate |
|---|---|---|---|
| CERS Nonhazardous | 6.22% | 6.26% | (0.04%) |
| CERS Hazardous | 6.22% | 6.24% | (0.02%) |

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 4.67%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2026.

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.

DRAFT

### Additional Disclosures[1]

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, 2025, " 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, 2026.

## 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.*

## Target Asset Allocation
**As of June 30, 2026**

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|
| **Equity** | | |
| Public Equity | 45.00% | 4.60% |
| Private Equity | 8.00% | 8.35% |
| **Fixed Income** | | |
| Core Fixed Income | 13.00% | 2.95% |
| Specialty Credit | 20.00% | 4.05% |
| Cash | 2.00% | 1.00% |
| **Inflation Protected** | | |
| Real Estate | 5.00% | 4.85% |
| Real Return | 7.00% | 5.25% |
| **Total** | **100.00%** | **4.56%** |

*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 2026) for each asset class.*

## Sensitivity of the NPL to Changes in the Discount Rate
**As of June 30, 2026 ($ in Thousands)**

| | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| | **Current 6.50%** | **Current 6.50%** |
| 1% Decrease | $6,601,013 | $2,958,693 |
| Current Discount Rate | 4,773,434 | 2,148,553 |
| 1% Increase | $3,270,169 | $1,504,628 |

DRAFT

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Trend Rate
**As of June 30, 2026 ($ in Thousands)**

| | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| | **Single 6.22%** | **Single 6.22%** |
| **Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** | | |
| 1% Decrease | $648,829 | $489,657 |
| Single Discount Rate | 102,311 | 220,525 |
| 1% Increase | ($355,246) | ($3,288) |
| **Sensitivity of the Net OPEB Liability (Asset) to Changes in the Current Healthcare Cost Trend Rate** | | |
| 1% Decrease | ($254,808) | $33,731 |
| Current Healthcare Cost Trend Rate | 102,311 | 220,525 |
| 1% Increase | $522,334 | $443,209 |

## Development of Single Discount Rate for OPEB
**As of June 30, 2026**

| | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| Single Discount Rate | 6.22% | 6.22% |
| Long-Term Expected Rate of Return | 6.50% | 6.50% |
| Long-Term Municipal Bond Rate [1] | 4.67% | 4.67% |

*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, 2026.*

| Schedule of Employers' NPL<br>As of June 30, 2026 ($ in Thousands) | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| Total Pension Liability (TPL) | $16,460,269 | $6,445,008 |
| Plan Fiduciary Net Position | $11,686,835 | $4,296,455 |
| Net Pension Liability | $4,773,434 | $2,148,553 |
| Ratio of Plan Fiduciary Net Position to TPL | 71.00% | 66.66% |
| Covered Payroll [1] | $3,603,426 | $901,484 |
| Net Pension Liability as a Percentage of Covered Payroll | 132.47% | 238.34% |

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

| Schedule of the Employers' Net OPEB Liability<br>As of June 30, 2026 ($ 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] | $4,549,610 | $4,447,299 | $102,311 | 97.75% | $3,603,426 | 2.84% |
| CERS Hazardous[2] | $2,232,328 | $2,011,803 | $220,525 | 90.12% | $909,219 | 24.25% |

*(1) Covered Payroll is based on derived compensation using the provided employer contribution information. For 2024-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024-FYE2026.*

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

# Note J. Legislation

DRAFT

## 2026 Regular Session

The 2026 Regular Session of the Kentucky General Assembly adjourned on Wednesday, April 15, 2026. Highlights from the Session include the following:

## BILLS OF DIRECT INTEREST TO CERS MEMBERS AND RETIREES

### Senate Bill 85: Special Needs Trust

**Senate Bill 85** allows a Special Needs Trust to be named as a beneficiary. A Special Needs Trust is a legal way to hold money or assets for a person with a disability. It helps protect their eligibility for important benefits, like Medicaid, while still receiving financial support. Senate Bill 85 also allows a Special Needs Trust to choose the same lifetime survivor payment options that are normally limited to person beneficiaries.

### House Bill 220: Pension Spiking

Pension spiking happens when a Tier 1 or Tier 2 member's pay increases by more than 10% a year during the last five years before retirement. House Bill 220 changes the effective date of an exemption established by House Bill 30 in the 2025 Regular Session. Currently, if an employer gives a group of employees a pay raise – either because the employer approves it, the legislature funds it, or it is part of a union contract – those raises are treated as normal pay increases. House Bill 220 clarifies that these group raises will not cause pension-spiking reductions for members with an effective retirement date on or after July 1, 2021. KPPA is developing procedures for the retroactive application of this change.

### House Bill 213: Reemployment of Retired Police Officers

**House Bill 213** gives cities, counties and postsecondary institutions the option to offer health insurance coverage for reemployed police officers. Each governing body may decide whether to provide this coverage and set its own terms. Retirees who currently receive health insurance through KPPA and choose to enroll in an employer plan will follow the current open enrollment and qualifying event processes. House Bill 213 also updates how cities determine the number of exempt positions allowable when rehiring retired officers. Instead of using a fixed 2015 benchmark, all cities will now use prior year staffing levels to determine the number of exempt positions.

### House Bill 500: Executive Branch/State Budget Bill

**House Bill 500** sets the Executive Branch Budget for the biennium (Fiscal Years 2026-2027 and 2027-2028). While this bill does not change member benefits, the Executive Branch Budget provides funding for the systems and sets KPPA's administrative budget. KPPA's Additional Budget Request and Capital Project amounts are included in House Bill 500.

Legislation became effective 90 days after adjournment, unless a bill included an emergency clause, in which case the bill took effect when it is signed by the Governor. Each year, the Reviser of Statutes requests an Attorney General's Opinion to confirm the official effective date. For the 2026 Regular Session, the effective date was July 15, 2026.

# 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 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.

DRAFT

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

In June of 2026, the Attorney General, the Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employee Retirement System reached a settlement with BAAM. The Franklin Circuit Court entered the Agreed Order of Dismissal with respect to BAAM. Negotiations among the other parties are ongoing.

DRAFT

## 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.

The Court of Appeals affirmed the Franklin Circuit Court on all matters. The plaintiffs sought discretionary review by the Kentucky Supreme Court. The Kentucky Supreme Court granted discretionary review and held oral arguments on October 14, 2026. We are waiting on a decision.

# Note L. Reciprocity

In accordance with Kentucky Revised Statutes 78.545, 78.5536, and 61.680; CERS has reciprocity with the Kentucky Employees Retirement System (KERS), State Police Retirement System (SPRS), Teachers' Retirement System of Kentucky (TRS), Judicial Retirement System (JRS), and Legislators Retirement Plan (LRP) for certain retirement and insurance benefits for those members who have creditable service in more than one system.

# 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, 2026, the reimbursement totaled $16.2 million.

DRAFT

| Retired Reemployed Healthcare Contributions<br>As of June 30, 2026 ($ in Thousands) | CERS Nonhazardous | CERS Hazardous | Total |
|---|---|---|---|
| Amount | $13,596 | $2,616 | $16,212 |

## 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, 2026, members paid into the Insurance Plans $31.7 million.

| Member Health Insurance Contributions<br>As of June 30, 2026 ($ in Thousands) | CERS Nonhazardous | CERS Hazardous | Total |
|---|---|---|---|
| Amount | $25,161 | $6,574 | $31,735 |

## 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, 2026, is $83.7 million for the Pension Plans and $32.4 million for the Insurance Plan. This is based on the May 31, 2026, report because Absolute Return managers are reported on a one month lag.

# Note O. Subsequent Events

Management has evaluated the period June 30, 2026, to December 8, 2026, (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.

DRAFT

Total Administrative costs incurred by KPPA for the fiscal year ended June 30, 2026, were $48.2 million, of which $30.8 million was allocated to CERS based on the hybrid allocation developed by the KPPA Board, the CERS Board, and the KRS Board.

## Schedule of Employers' Net Pension Liability - 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 |
|---|---|---|---|---|---|---|
| 2026 | $16,460,269 | $11,686,835 | $4,773,434 | 71.00% | $3,603,426 | 132.47% |
| 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% |

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

## Schedule of Employers' Net Pension Liability - 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 |
|---|---|---|---|---|---|---|
| 2026 | $6,445,008 | $4,296,455 | $2,148,553 | 66.66% | $901,484 | 238.34% |
| 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% |

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

DRAFT

## Schedule of Changes in Employers' Total Pension Liability - CERS Nonhazardous

**As of June 30 ($ in Thousands)**

| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service Cost | $319,030 | $303,569 | $283,140 | $283,633 | $272,250 | $280,165 | $280,092 | $254,643 | $254,169 | $193,082 |
| Interest | 1,009,433 | 979,407 | 949,404 | 920,862 | 906,401 | 892,309 | 861,720 | 794,935 | 760,622 | 803,555 |
| Benefit Changes | — | — | — | 3,862 | — | 4,106 | — | — | 15,708 | — |
| Difference between Expected and Actual Experience | 127,039 | 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 | (1,049,954) | (1,017,734) | (965,781) | (917,614) | (878,050) | (840,611) | (810,879) | (780,608) | (741,177) | (701,891) |
| **Net Change in TPL** | **405,548** | **478,054** | **487,561** | **(103,493)** | **251,162** | **244,193** | **504,278** | **1,083,698** | **568,723** | **1,475,532** |
| **TPL – Beginning** | **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** |
| **TPL – Ending (a)** | **$16,460,269** | **$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** |
| **Plan Fiduciary Net Position** [1] | | | | | | | | | | |
| Contributions – Employer Other | $674,554 | $677,429 | $764,778 | $697,681 | $606,807 | $472,228 | $475,416 | $393,453 | $358,017 | $333,554 |
| Contributions – Member [2] | 176,786 | 167,151 | 161,176 | 147,769 | 186,648 | 165,698 | 168,994 | 159,064 | 160,370 | 150,715 |
| Refunds of Contributions | (25,982) | (24,377) | (25,267) | (23,263) | (19,789) | (13,862) | (14,918) | (14,387) | (14,608) | (14,430) |
| Retirement Benefit | (1,023,972) | (993,357) | (940,514) | (894,351) | (858,261) | (826,749) | (795,960) | (766,221) | (726,569) | (687,461) |
| Net Investment Income [2] | 1,422,589 | 1,092,883 | 990,021 | 805,303 | (494,801) | 1,762,739 | 56,178 | 390,664 | 573,829 | 825,900 |
| Administrative Expense | (27,272) | (25,841) | (26,547) | (24,128) | (22,670) | (21,729) | (22,304) | (21,659) | (19,592) | (19,609) |
| Other | — | — | — | — | — | — | $— | 44 (5) | 361 (5) | (42,827) (4) |
| **Net Change in Fiduciary Net Position** | **1,196,703** | **893,888** | **923,647** | **709,011** | **(602,066)** | **1,538,325** | **(132,594)** | **140,958** | **331,808** | **545,843** |
| **Plan Fiduciary Net Position – Beginning** | **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** |
| **Prior Year Adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(82)** | **—** |
| **Plan Fiduciary Net Position – Ending (b)** | **11,686,835** | **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** |
| **Net Pension Liability – Ending (a) – (b)** | **$4,773,434** | **$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** |
| Plan Fiduciary Net Position as a Percentage of the TPL | 71.00% | 65.34% | 61.61% | 57.48% | 52.42% | 57.33% | 47.81% | 50.45% | 53.54% | 53.32% |
| Covered Payroll [3] | $3,603,426 | $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 |
| **Net Pension Liability as a Percentage of Covered Payroll** | **132.47%** | **162.86%** | **183.45%** | **216.29%** | **254.98%** | **260.60%** | **311.44%** | **290.05%** | **248.08%** | **246.32%** |

(1) *Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled $153,933,000 as of June 30, 2026.*

(2) *Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2026 401(h) contributions equaled $(201,000); and associated investment return equaled $18,691,000.*

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

(4) *Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.*

(5) *Northern Trust Settlement.*

DRAFT

## Schedule of Changes in Employers' Total Pension Liability - CERS Hazardous

**As of June 30 ($ in Thousands)**

| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service Cost | $140,722 | $131,743 | $122,224 | $115,389 | $109,683 | $109,350 | $109,887 | $77,426 | $81,103 | $58,343 |
| Interest | 390,161 | 376,787 | 361,081 | 350,413 | 338,799 | 327,963 | 314,762 | 289,741 | 270,694 | 270,860 |
| Benefit Changes | — | — | — | — | — | 333 | — | — | 2,172 | — |
| Difference between Expected and Actual Experience | 108,826 | 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 | (394,362) | (384,353) | (352,123) | (326,161) | (311,555) | (294,661) | (279,616) | (261,863) | (248,332) | (229,299) |
| **Net Change in TPL** | **245,347** | **210,758** | **257,755** | **(38,543)** | **193,124** | **181,835** | **218,729** | **409,209** | **311,519** | **729,159** |
| **TPL – Beginning** | **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** |
| **TPL – Ending (a)** | **$6,445,008** | **$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** |
| **Plan Fiduciary Net Position** [1] | | | | | | | | | | |
| Contributions – Employer Other | $308,975 | $306,030 | $321,293 | $308,223 | $222,028 | $172,205 | $168,443 | $138,053 | $127,660 | $115,947 |
| Contributions – Member [2] | 70,174 | 65,846 | 61,438 | 56,987 | 69,565 | 62,367 | 63,236 | 58,661 | 61,089 | 60,101 |
| Refunds of Contributions | (10,025) | (8,005) | (8,540) | (6,568) | (5,766) | (4,662) | (3,814) | (2,854) | (4,214) | (2,315) |
| Retirement Benefit | (384,337) | (376,348) | (343,583) | (319,593) | (305,789) | (289,999) | (275,802) | (259,009) | (244,118) | (226,984) |
| Net Investment Income [2] | 517,601 | 394,304 | 353,435 | 280,033 | (174,217) | 596,641 | 15,914 | 132,232 | 191,324 | 270,473 |
| Administrative Expense | (2,395) | (2,262) | (2,338) | (2,124) | (1,995) | (1,848) | (1,981) | (1,726) | (1,504) | (1,421) |
| Other | — | — | — | — | — | — | 14 [5] | 111 [5] | (7,979) [4] | — |
| **Net Change in Fiduciary Net Position** | **499,993** | **379,565** | **381,705** | **316,958** | **(196,174)** | **534,704** | **(34,004)** | **65,371** | **130,348** | **207,822** |
| **Plan Fiduciary Net Position – Beginning** | **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** |
| **Prior Year Adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(7)** | **—** |
| **Plan Fiduciary Net Position – Ending (b)** | **4,296,455** | **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** |
| **Net Pension Liability – Ending (a) – (b)** | **$2,148,553** | **$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** |
| Plan Fiduciary Net Position as a Percentage of the TPL | 66.66% | 61.24% | 57.05% | 52.96% | 47.11% | 52.26% | 44.11% | 46.63% | 49.26% | 49.78% |
| Covered Payroll [3] | $901,484 | $834,657 | $775,638 | $714,837 | $666,346 | $572,484 | $559,551 | $553,541 | $562,853 | $526,559 |
| **Net Pension Liability as a Percentage of Covered Payroll** | **238.34%** | **287.93%** | **331.60%** | **377.14%** | **457.94%** | **465.02%** | **538.83%** | **499.02%** | **429.68%** | **424.89%** |

*(1) Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled $29,038,000 as of June 30, 2026*

*(2) Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2026, 401(h) contributions equaled ($72,000); and associated investment return equaled $3,521,000*

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

*(4) Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.*

*(5) Northern Trust Settlement.*

DRAFT

# Notes to Schedule of Employers' Pension Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2026 that are documented in the schedules on the following pages, were calculated as of June 30, 2024. Based on the June 30, 2024, actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

| Notes to Schedule of Employers' Pension Pension Contributions | | |
|---|---|---|
| **Item** | **CERS Nonhazardous** | **CERS Hazardous** |
| **Determined by the Actuarial Valuation as of:** | June 30, 2024 | June 30, 2024 |
| **Actuarial Cost Method:** | Entry Age Normal | Entry Age Normal |
| **Asset Valuation Method:** | 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the fair 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

# Schedule of Employers' Pension Contributions

## Schedule of Employers' Pension Contributions - 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 |
|---|---|---|---|---|---|
| 2026 | $674,551 | $674,554 | ($3) | $3,603,426 | 18.72% |
| 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% |

(1) *Actuarially determined contribution for fiscal year ending 2026 is based on the contribution rate calculated with the June 30, 2024, actuarial valuation.*

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

## Schedule of Employers' Pension Contributions - CERS Hazardous

As of June 30 ($ in Thousands)

DRAFT

| Fiscal Year Ending | Actuarially Determined Contribution [1] | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll [2] | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $308,963 | $308,975 | ($12) | $901,484 | 34.27% |
| 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% |

(1) *Actuarially determined contribution for fiscal year ending 2026 is based on the contribution rate calculated with the June 30, 2024, actuarial valuation.*

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

# 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 |
|---|---|---|---|---|---|---|
| 2026 | $4,549,610 | $4,447,299 | $102,311 | 97.75% | $3,603,426 | 2.84% |
| 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 2024-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024-FYE2026.*

## 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 |
|---|---|---|---|---|---|---|
| 2026 | $2,232,328 | $2,011,803 | $220,525 | 90.12% | $909,219 | 24.25% |
| 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.*

DRAFT

# Schedule of Changes in Employers' Net OPEB Liability

| Schedule of Changes in Employers' Net OPEB Liability - CERS Nonhazardous<br>As of June 30 ($ in Thousands) | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service Cost | $103,239 | $97,272 | $96,276 | $98,045 | $138,225 | $132,407 | $131,289 | $119,011 | $122,244 | $85,468 |
| Interest on Total OPEB liability | 251,376 | 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 | 114,157 | 307,824 | 122,626 | (2,134,260) | (68,111) | (340,831) | 505,843 | (404,301) | (240,568) | (6,641) |
| Assumption Changes | 156,986 | 3,297 | 27,673 | 120,132 | (323,247) | 282,975 | 60,225 | 268,842 | (4,876) | 520,286 |
| Benefit Payments [1] [2] | (183,481) | (188,582) | (161,144) | (165,590) | (192,118) | (175,096) | (188,640) | (162,044) | (156,426) | (140,120) |
| **Net Change in Total OPEB Liability** | **442,277** | **573,036** | **273,989** | **(1,793,190)** | **(107,753)** | **164,942** | **744,843** | **61,860** | **(33,272)** | **699,847** |
| **Total OPEB Liability - Beginning** | **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** | **3,523,031** |
| **Total OPEB Liability - Ending (a)** | **$4,549,610** | **$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] | $64,896 | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | #N/A | $133,326 |
| Contributions – Member | 24,960 | 22,706 | 20,651 | 17,751 | 15,925 | 13,613 | 12,964 | 11,801 | 10,825 | 9,158 |
| Benefit Payments [1] [2] | (183,481) | (188,582) | (161,144) | (165,590) | (192,118) | (175,096) | (188,640) | (162,044) | (156,426) | (140,120) |
| OPEB Plan Net Investment Income | 530,200 | 411,393 | 393,138 | 316,115 | (176,895) | 641,084 | 9,160 | 137,591 | 202,068 | 264,782 |
| OPEB Plan Administrative Expense | (567) | (910) | (930) | (937) | (933) | (922) | (903) | (877) | (761) | (789) |
| Other [4] | — | — | — | — | — | — | — | 9 | 75 | — |
| **Net Change in Plan Fiduciary Net Position** | **436,008** | **304,014** | **308,902** | **318,391** | **(166,817)** | **665,188** | **12,102** | **155,385** | **201,590** | **266,357** |
| **Plan Fiduciary Net Position – Beginning** | **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** | **1,946,179** |
| **Plan Fiduciary Net Position – Ending (b)** | **4,447,299** | **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)** | **102,311** | **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 | 97.75% | 97.66% | 104.89% | 104.23% | 60.95% | 62.91% | 51.67% | 60.44% | 57.62% | 52.39% |
| Covered Payroll [3] | $3,603,426 | $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 |
| **Net OPEB Liability as a Percentage of Covered Payroll** | **2.84%** | **2.81%** | **(5.31%)** | **(4.63%)** | **69.41%** | **73.08%** | **92.14%** | **65.26%** | **69.08%** | **81.06%** |

DRAFT

## Schedule of Changes in Employers' Net OPEB Liability - CERS Nonhazardous

**As of June 30 ($ in Thousands)**

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |

*(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 $50,605,147 for fiscal year 2026.*

*(3) Based on derived compensation using the provided employer contribution information. For 2024- 2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024-FYE2026.*

*(4) Northern Trust Settlement.*

## Schedule of Changes in Employers' Net OPEB Liability - CERS Hazardous

**As of June 30 ($ in Thousands)**

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service Cost | $39,431 | $34,957 | $32,335 | $36,330 | $52,265 | $48,413 | $47,443 | $32,623 | $33,948 | $20,493 |
| Interest on Total OPEB liability | 130,192 | 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 | (40,960) | 74,372 | 32,646 | (646,006) | (7,814) | (47,937) | 38,156 | (103,317) | (100,348) | (2,470) |
| Assumption Changes | 75,549 | 36,919 | 28,802 | (31,947) | (176,969) | 159,106 | 46,925 | 116,618 | (2,500) | 391,061 |
| Benefit Payments (1) (2) | (116,577) | (105,619) | (94,051) | (92,433) | (94,957) | (86,277) | (83,874) | (76,059) | (71,325) | (63,656) |
| **Net Change in Total OPEB Liability** | **87,635** | **271,024** | **102,654** | **(603,442)** | **(61,926)** | **191,161** | **164,648** | **86,633** | **(21,732)** | **458,594** |
| **Total OPEB Liability - Beginning** | **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** | **1,557,079** |
| **Total OPEB Liability - Ending (a)** | **$2,232,328** | **$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) | $20,230 | $20,179 | $21,945 | $49,547 | $66,320 | $63,509 | $59,662 | $60,445 | $51,615 | $44,325 |
| Contributions – Member | 6,503 | 5,706 | 4,979 | 4,258 | 3,654 | 3,098 | 2,762 | 2,458 | 2,173 | 1,708 |
| Benefit Payments (1) (2) | (116,577) | (105,619) | (94,051) | (92,433) | (94,957) | (86,277) | (83,874) | (76,059) | (71,325) | (63,656) |
| OPEB Plan Net Investment Income | 240,148 | 189,921 | 185,823 | 150,671 | (79,668) | 326,905 | 2,315 | 73,317 | 109,854 | 143,892 |
| OPEB Plan Administrative Expense | (530) | (524) | (522) | (522) | (502) | (528) | (462) | (434) | (376) | (381) |
| Other (4) | — | — | — | — | — | — | — | 5 | 40 | — |
| **Net Change in Plan Fiduciary Net Position** | **149,774** | **109,663** | **118,174** | **111,521** | **(105,153)** | **306,707** | **(19,597)** | **59,732** | **91,981** | **125,888** |
| **Plan Fiduciary Net Position – Beginning** | **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** | **1,063,113** |
| **Plan Fiduciary Net Position – Ending (b)** | **2,011,803** | **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)** | **$220,525** | **$282,664** | **$121,303** | **$136,823** | **$851,786** | **$808,559** | **$924,105** | **$739,860** | **$712,959** | **$826,672** |

DRAFT

## Schedule of Changes in Employers' Net OPEB Liability - CERS Hazardous

**As of June 30 ($ in Thousands)**

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 90.12% | 86.82% | 93.53% | 92.27% | 64.13% | 66.81% | 58.84% | 64.44% | 64.24% | 58.99% |
| Covered Payroll [3] | $909,219 | $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** | **24.25%** | **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 $1,884,570 for fiscal year 2026.*

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

*(4) Northern Trust Settlement.*

DRAFT

# Notes to Schedule of Employers' OPEB Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2026, that are documented in the following schedule were calculated as of June 30, 2024. Based on the June 30, 2024, 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, 2024 | June 30, 2024 |
| **Actuarial Cost Method:** | Entry Age Normal | Entry Age Normal |
| **Asset Valuation Method:** | 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the fair 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 7.10% at January 1, 2026, gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement | Initial trend starting at 7.10% at January 1, 2026, gradually decreasing to an ultimate trend rate of 4.25% over a period of 14 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement |
| **Post-65** | Initial trend starting at 8.00% at January 1, 2026, gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement | Initial trend starting at 8.00% at January 1, 2026, gradually decreasing to an ultimate trend rate of 4.25% over a period of 10 years. The 2025 premiums were known at the time of the valuation and were incorporated into the liability measurement |

DRAFT

# 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 |
|---|---|---|---|---|---|
| 2026 | $— | $14,290 | ($14,290) | $3,603,426 | 0.40% |
| 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% |

(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 2026 is based on the contribution rate calculated with the June 30, 2024, 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 2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024-FYE2026.*

DRAFT

## 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 |
|---|---|---|---|---|---|
| 2026 | $15,729 | $18,345 | ($2,616) | $909,219 | 2.02% |
| 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% |

(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 2026 is based on the contribution rate calculated with the June 30, 2024, actuarial valuation.*

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

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

# Money-Weighted Rates of Return

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

See below for the money-weighted rates of return for multiple periods including fiscal year June 30, 2026, 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 | |
| 2026 | 13.80% | 13.76% | 13.37% | 13.21% |
| 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% |

DRAFT

# 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, 2026, were $48.2 million, of which $30.8 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, 2026 ($ in Thousands)**

| | 2026 | 2025 |
|---|---|---|
| Salaries | $14,643 | $13,162 |
| Benefits | 9,485 | 9,305 |
| Professional Services | 1,740 | 1,774 |
| Information Technology | 2,472 | 2,304 |
| Communications | 371 | 470 |
| Office & Equipment Rent | 680 | 690 |
| Travel/Conferences | 74 | 83 |
| Other Operating Expenses | 201 | 315 |
| Insurance Plans' Administration | 1,104 | 1,441 |
| **Total Administrative Expenses** | **$30,770** | **$29,544** |

DRAFT

# Schedule of Direct Investment Expenses

**Schedule of Direct Investment Expenses**
**As of June 30, 2026 ($ in Thousands)**

| | Pension | | Insurance | | | |
|---|---|---|---|---|---|---|
| | CERS | | CERS | | | |
| | Nonhazardous | Hazardous | Nonhazardous | Hazardous | 2026 | 2025 |
| **Security Lending Fees** | | | | | | |
| Securities Lending Borrower Rebates | $9,074 | $3,459 | $2,767 | $1,000 | $16,300 | $21,062 |
| Security Lending Agent Fees | 380 | 142 | 131 | 54 | 707 | 415 |
| **Total Security Lending** | **9,454** | **3,601** | **2,898** | **1,054** | **17,007** | **21,477** |
| **Contractual Services** | | | | | | |
| Investment Management | 59,707 | 20,431 | 21,758 | 10,885 | 112,781 | 119,274 |
| Security Custody | 1,061 | 385 | 601 | 281 | 2,328 | 1,901 |
| Investment Consultant | 573 | 207 | 209 | 98 | 1,087 | 1,086 |
| Performance Fees | 17,296 | 5,948 | 5,836 | 2,747 | 31,827 | 44,930 |
| **Total Contractual Services** | **$78,637** | **$26,971** | **$28,404** | **$14,011** | **$148,023** | **$167,191** |

# Schedule of Professional Consultant Fees

| Schedule of Professional Consultant Fees<br>As of June 30 ($ in Thousands) | | |
|---|---|---|
| | **2026** | **2025** |
| Actuarial Services | $220 | $202 |
| Medical Review Services | 759 | 727 |
| Audit Services | 131 | 130 |
| Legal Counsel | 337 | 546 |
| Miscellaneous | 293 | 170 |
| **Total** | **$1,740** | **$1,774** |

DRAFT

Independent Auditor’s Report on Internal Control forthcoming

DRAFT

DRAFT

# 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.

DRAFT

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, 2026.

| IPS Target Allocation vs. Actual Asset Allocation<br>As of June 30, 2026 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Pension | Public Equity | Private Equity | Core Fixed Income | Specialty Credit | Cash | Real Estate | Real Return | Total Plan |
| IPS Target Asset Allocation | 45.0% | 8.0% | 13.0% | 20.0% | 2.0% | 5.0% | 7.0% | 100.0% |
| CERS Nonhazardous Actual Asset Allocation | **50.5%** | **4.4%** | **12.4%** | **19.3%** | **2.0%** | **4.6%** | **6.8%** | **100.0%** |
| | | | | | | | | |
| CERS Hazardous Actual Asset Allocation | **50.4%** | **4.4%** | **12.6%** | **19.5%** | **2.5%** | **4.0%** | **6.7%** | **100.0%** |

| Insurance | Public Equity | Private Equity | Core Fixed Income | Specialty Credit | Cash | Real Estate | Real Return | Total Plan |
|---|---|---|---|---|---|---|---|---|
| CERS Nonhazardous Actual Asset Allocation | **50.8%** | **4.4%** | **12.4%** | **19.5%** | **1.7%** | **4.6%** | **6.7%** | **100.0%** |
| | | | | | | | | |
| CERS Hazardous Actual Asset Allocation | **49.9%** | **5.2%** | **12.6%** | **19.2%** | **1.9%** | **4.4%** | **6.8%** | **100.0%** |

*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

DRAFT

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 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 MSCI All Country World Investable Market Index.

**Intermediate & Long-term:** For periods greater than five years or a full market cycle, the Asset Class composite performance should exceed the MSCI All Country World Investable Market 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 stated 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 their stated goal or benchmark.

DRAFT

## Alternative Assets

### Private Equity

The Private Equity portfolio seeks long-term annualized net returns that meets or exceeds the Systems' Custom Private Equity Index.

### 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 2026 Results

Please see the tables below for the net returns reported for the fiscal year ended June 30, 2026.

**Net Returns As of June 30, 2026 ($ in Thousands)**

| | | | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|---|
| Pension | Fair Value | % of Total | Plan | Index | Plan | Index | Plan | Index | Plan | Index |
| CERS Nonhazardous | 11,764,729 | 73.2% | 13.8% | 13.3% | 12.3% | 11.9% | 8.0% | 7.9% | 9.3% | 9.1% |
| CERS Hazardous | 4,301,456 | 26.8% | 13.8% | 13.3% | 12.4% | 11.9% | 8.0% | 7.9% | 9.3% | 9.1% |
| **Total** | **$16,066,185** | **100.0%** | **13.8%** | **13.3%** | **12.4%** | **11.9%** | **8.0%** | **7.9%** | **9.3%** | **9.1%** |

**Net Returns As of June 30, 2026 ($ in Thousands)**

| | | | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|---|
| Insurance | Fair Value | % of Total | Plan | Index | Plan | Index | Plan | Index | Plan | Index |
| CERS Nonhazardous | 4,286,683 | 68.4% | 13.4% | 12.7% | 12.2% | 11.6% | 8.0% | 7.8% | 9.2% | 8.9% |
| CERS Hazardous | 1,980,832 | 31.6% | 13.2% | 12.7% | 12.0% | 11.6% | 8.0% | 7.8% | 9.3% | 8.9% |
| **Total** | **$6,267,515** | **100.00%** | **13.32%** | **12.68%** | **12.11%** | **11.60%** | **8.03%** | **7.83%** | **9.25%** | **8.91%** |

DRAFT

# 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, 2026**

| Index | Asset Class | Asset Allocation |
|---|---|---|
| **Equity** | | |
| MSCI ACWI IMI | Public Equity | 45% |
| Custom Private Equity Benchmark | 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% |

*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.*

# 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, 2026, the actuarial assumed rate of return for CERS pension plans was 6.5%; however, it was updated by the CERS Board in February 2024 from the previous rate of 6.3%, making the prorated rate 6.4% for fiscal year 2024.

Since June 30, 2016, fiscal year returns have ranged from minimum returns of (5.90%) and (6.1%) in fiscal year 2022 to a maximum return of 25.7% and 25.6% in fiscal year 2021 for CERS and CERS Hazardous, respectively. For fiscal year 2026, the CERS Nonhazardous Pension portfolio earned 13.8% and the CERS Hazardous Pension portfolio earned 13.8% versus the benchmark return of 13.3%.

**Pension Plan Growth**
**As of June 30 (in Whole $)**

| Fiscal Year | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CERS Nonhazardous Plan | | 13.8% | 8.8% | 5.8% | 0.8% | 25.7% | (5.9%) | 10.2% | 11.6% | 11.6% | 13.8% |
| Performance Benchmark | | 13.6% | 7.0% | 6.4% | 0.2% | 25.7% | (6.4%) | 9.5% | 14.1% | 11.3% | 13.3% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,138 | $1,238 | $1,309 | $1,320 | $1,660 | $1,562 | $1,722 | $1,922 | $2,145 | $2,441 |
| Performance Benchmark | $1,000 | $1,136 | $1,216 | $1,294 | $1,296 | $1,630 | $1,525 | $1,671 | $1,906 | $2,121 | $2,403 |
| Actuarial Assumed ROR | $1,000 | $1,075 | $1,142 | $1,214 | $1,289 | $1,370 | $1,456 | $1,547 | $1,645 | $1,752 | $1,866 |
| CERS Hazardous Plan | | 13.7% | 8.8% | 5.8% | 0.7% | 25.6% | (6.1%) | 10.3% | 11.7% | 11.7% | 13.8% |
| Performance Benchmark | | 13.6% | 7.0% | 6.4% | 0.2% | 25.7% | (6.4%) | 9.5% | 14.1% | 11.3% | 13.3% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,137 | $1,237 | $1,309 | $1,318 | $1,655 | $1,555 | $1,715 | $1,917 | $2,141 | $2,436 |
| Performance Benchmark | $1,000 | $1,136 | $1,216 | $1,294 | $1,296 | $1,629 | $1,525 | $1,670 | $1,906 | $2,120 | $2,402 |
| Actuarial Assumed ROR | $1,000 | $1,075 | $1,142 | $1,214 | $1,289 | $1,370 | $1,456 | $1,547 | $1,645 | $1,752 | $1,866 |

DRAFT

The chart below shows theoretical annual returns for the Insurance portfolios since June 30, 2016. Fiscal year returns have ranged from minimum returns of (5.4)% and (5.0)% in CERS Nonhazardous, and CERS Hazardous, respectively in fiscal year 2022 to maximum returns of 24.8%, and 25.0%, respectively, in fiscal year 2021. For fiscal year 2026, the CERS Insurance portfolio earned 13.4% and the CERS Hazardous Insurance plan earned 13.2% versus the benchmark return of 12.7%.

**Insurance Plan Growth**
**As of June 30 (in Whole $)**

| Fiscal Year | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CERS Nonhazardous Plan | | 13.7% | 9.2% | 5.7% | 0.4% | 24.8% | (5.4%) | 10.3% | 11.8% | 11.3% | 13.4% |
| Performance BM | | 13.6% | 7.0% | 6.3% | (0.4%) | 24.8% | (6.2%) | 9.5% | 14.1% | 11.3% | 12.7% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,137 | $1,241 | $1,313 | $1,317 | $1,644 | $1,554 | $1,715 | $1,917 | $2,134 | $2,419 |
| Performance Benchmark | $1,000 | $1,136 | $1,216 | $1,292 | $1,287 | $1,606 | $1,506 | $1,649 | $1,882 | $2,094 | $2,360 |
| Actuarial Assumed ROR | $1,000 | $1,075 | $1,142 | $1,214 | $1,289 | $1,370 | $1,456 | $1,547 | $1,645 | $1,752 | $1,866 |
| | | | | | | | | | | | |
| CERS Hazardous Plan | | 13.7% | 9.3% | 5.8% | 0.3% | 25.0% | (5.0%) | 10.1% | 11.7% | 11.2% | 13.2% |
| Performance BM | | 13.6% | 7.0% | 6.3% | (0.4%) | 24.8% | (6.2%) | 9.5% | 14.1% | 11.3% | 12.7% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,137 | $1,243 | $1,315 | $1,319 | $1,648 | $1,566 | $1,724 | $1,926 | $2,142 | $2,425 |
| Performance Benchmark | $1,000 | $1,136 | $1,216 | $1,292 | $1,287 | $1,606 | $1,506 | $1,649 | $1,882 | $2,094 | $2,359 |
| Actuarial Assumed ROR | $1,000 | $1,075 | $1,142 | $1,214 | $1,289 | $1,370 | $1,456 | $1,547 | $1,645 | $1,752 | $1,866 |

# Public Equity

For the fiscal year, the CERS Pension Nonhazardous and Hazardous Public Equity portfolios returned 21.7% and 21.69%, respectively. The CERS Insurance Nonhazardous and Hazardous Public Equity portfolios returned 21.6% and 21.6%, respectively. Relative underperformance was driven by broadly weaker individual strategy performance. This was due in large part to style and factor weakness. Low-quality / high volatility headwinds were felt throughout the portfolio. This was partially offset by regional positioning, the tilt toward non-US equities in response to valuation metrics and a closing earnings gap, benefited the asset class as international equities outpaced their domestic counterparts by roughly 3.8%.

**Public Equity Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **4/1/1984** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 21.7% | 24.2% | 18.2% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **CERS Hazardous** | | 21.7% | 24.2% | 18.2% | 19.5% | 9.9% | 10.4% | 12.4% | 12.5% |
| **Insurance** | **7/1/1992** | | | | | | | | |
| **CERS Nonhazardous** | | 21.6% | 24.2% | 18.1% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **CERS Hazardous** | | 21.6% | 24.2% | 18.2% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |

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

During the 12 months ended June 30, 2026, KPPA managed U.S. Equity portfolios collectively returned 21.6% versus the Russell 3000 Index return of 22.8%. Individual active strategies were broadly weaker; this was partially offset by the outperformance of the internal accounts. The tilt down market cap was beneficial as small caps (R2000: 40.8%) nearly doubled their large cap counterparts (R500: 20.8%).

For the fiscal year, KPPA managed non-U.S. Equity portfolios collectively returned 22.0% versus the MSCI ACWI Ex-US IMI return of 26.6%. Individual strategy relative performance was mixed, with weakness most notable in growth mandates, that struggled in a "risk on" environment that seemed to ignore quality and earnings.

DRAFT

Ultimately, despite strong absolute performance; the portfolio failed to keep up with its benchmark, as the fiscal year provided a difficult environment for active managers. The narrowness of the market, focused primarily on semi-conductors and memory as part of the AI story, set up the scenario where diversification created risk in with regards to relative performance. High beta and low-quality names with high valuations outpaced their counterparts. While this scenario can win in the short term, it typically does not lend itself to long-term success.

**Top 10 Public Equity Holdings**
**As of June 30, 2026 ($ in Thousands)**

**CERS Nonhazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND A | 13,801,889 | $583,009 |
| ISHARES CORE S&P MIDCAP ETF | 2,426,983 | 187,145 |
| LAZARD EMERG MKT EQY-INST | 4,182,940 | 127,078 |
| NVIDIA CORP | 242,924 | 48,607 |
| ALPHABET INC | 181,408 | 64,751 |
| SAMSUNG ELECTRONICS CO LTD | 287,714 | 62,192 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 700,807 | 57,543 |
| APPLE INC | 135,209 | 39,124 |
| ASML HOLDING NV | 17,416 | 34,400 |
| MICROSOFT CORP | 80,441 | 30,006 |
| **Total** | **22,057,731** | **$288,962** |

**CERS Nonhazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND B | 5,049,352 | $232,603 |
| ISHARES CORE S&P MIDCAP ETF | 783,950 | 60,450 |
| LAZARD EMERG MKT EQY-INST | 1,440,811 | 43,772 |
| NVIDIA CORP | 138,691 | 27,751 |
| ALPHABET INC | 65,232 | 23,283 |
| SAMSUNG ELECTRONICS CO LTD | 101,991 | 21,932 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 247,118 | 20,287 |
| APPLE INC | 48,953 | 14,165 |
| ASML HOLDING NV | 6,085 | 12,020 |
| MICROSOFT CORP | 29,074 | 10,845 |
| **Total** | **7,911,257** | **$467,109** |

## Top 10 Public Equity Holdings

As of June 30, 2026 ($ in Thousands)

**CERS Nonhazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND A | 5,013,504 | $211,777 |
| ISHARES CORE S&P MIDCAP ETF | 890,860 | 68,694 |
| LAZARD EMERG MKT EQY-INST | 1,526,024 | 46,361 |
| NVIDIA CORP | 140,291 | 28,071 |
| ALPHABET INC | 65,977 | 23,550 |
| SAMSUNG ELECTRONICS CO LTD | 104,964 | 22,689 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 255,694 | 21,005 |
| APPLE INC | 48,902 | 14,150 |
| ASML HOLDING NV | 6,357 | 12,556 |
| MICROSOFT CORP | 29,175 | 10,883 |
| **Total** | **8,081,748** | **$459,736** |

**CERS Nonhazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND B | 2,569,009 | $118,344 |
| ISHARES CORE S&P MIDCAP ETF | 387,124 | 29,851 |
| LAZARD EMERG MKT EQY-INST | 623,368 | 18,938 |
| NVIDIA CORP | 66,499 | 13,306 |
| ALPHABET INC | 31,281 | 11,166 |
| SAMSUNG ELECTRONICS CO LTD | 44,127 | 9,489 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 107,158 | 8,893 |
| APPLE INC | 23,065 | 6,674 |
| ASML HOLDING NV | 2,744 | 5,422 |
| MICROSOFT CORP | 13,821 | 5,156 |
| **Total** | **3,868,196** | **$227,238** |

*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 4.1% and 4.1%, respectively, outperforming the Bloomberg U.S. Aggregate benchmark with a return of 3.8%. For the Insurance Core Fixed Income, CERS Nonhazardous portfolio outperformed the benchmark by 0.3%, with a return of 4.1% and CERS Hazardous portfolio outperformed the benchmark by 0.3%, with a return of 4.1%. Performance was driven by overweight allocations to Mortgage-Backed Securities (MBS) and Asset-Backed Securities (ABS) during the fiscal year.

DRAFT

## Core Fixed Income Performance

As of June 30, 2026

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2013** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 4.1% | 3.8% | 5.1% | 4.2% | 2.2% | 0.1% | 2.6% | 1.5% |
| **CERS Hazardous** | | 4.1% | 3.8% | 5.1% | 4.2% | 2.2% | 0.1% | 2.6% | 1.5% |
| **Insurance** | **7/1/2013** | | | | | | | | |
| **CERS Nonhazardous** | | 4.1% | 3.8% | 5.0% | 4.2% | 2.1% | 0.1% | 2.5% | 1.5% |
| **CERS Hazardous** | | 4.1% | 3.8% | 5.0% | 4.2% | 2.1% | 0.1% | 2.5% | 1.5% |

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

## Top 10 Core Fixed Income Holdings

As of June 30, 2026 ($ in Thousands)

**CERS Nonhazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 4,548,371 | $450,198 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 19,555,652 | 14,308 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 12,693,672 | 12,601 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 11,195,437 | 11,193 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 10,530,983 | 10,525 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 9,546,975 | 9,521 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 9,395,646 | 9,181 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 9,368,098 | 9,167 |

**CERS Nonhazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 1,430,169 | $141,558 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 7,492,051 | 5,481 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 4,574,801 | 4,542 |
| U S TREASURY NOTE (1.500% 11/30/2028 DD 11/30/21) | 4,666,914 | 4,385 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 4,085,326 | 4,083 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 4,038,289 | 4,037 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 4,022,610 | 3,936 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 3,895,710 | 3,885 |

## Top 10 Core Fixed Income Holdings

As of June 30, 2026 ($ in Thousands)

| CERS Nonhazardous Pension | | |
|---|---|---|
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 8,561,497 | 8,659 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 8,159,666 | 8,158 |
| **Total** | **103,555,997** | **$543,511** |

| CERS Nonhazardous Insurance | | |
|---|---|---|
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 3,789,877 | 3,703 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 3,478,260 | 3,518 |
| **Total** | **41,474,007** | **$179,128** |

| CERS Hazardous Pension | | |
|---|---|---|
| **Holding** | **Shares** | **Fair Value** |
| ISHARES CORE U.S. AGGREGATE | 1,694,145 | $167,686 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 7,283,950 | 5,329 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 4,728,048 | 4,694 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 4,169,997 | 4,169 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 3,922,506 | 3,920 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 3,555,989 | 3,546 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 3,499,623 | 3,420 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 3,489,362 | 3,415 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 3,188,926 | 3,225 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 3,039,255 | 3,039 |
| **Total** | **38,571,801** | **$202,443** |

| CERS Hazardous Insurance | | |
|---|---|---|
| **Holding** | **Shares** | **Fair Value** |
| ISHARES CORE U.S. AGGREGATE | 672,686 | $66,582 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 3,523,917 | 2,578 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 2,151,777 | 2,136 |
| U S TREASURY NOTE (1.500% 11/30/2028 DD 11/30/21) | 2,195,103 | 2,062 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 1,921,550 | 1,920 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 1,899,426 | 1,899 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 1,892,052 | 1,851 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 1,832,363 | 1,827 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 1,782,585 | 1,742 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 1,636,014 | 1,655 |
| **Total** | **19,507,473** | **$84,252** |

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

DRAFT

# Specialty Credit

For the fiscal year, the Pension Specialty Credit CERS Nonhazardous and Hazardous portfolios returned 8.7% and 8.5%, respectively, outperforming the custom benchmark which returned 5.1%. For the Insurance Specialty Credit, CERS Nonhazardous portfolio outperformed the benchmark by 3.7%, with a return of 8.8% and CERS Hazardous portfolio outperformed the benchmark by 4.3%, returning 9.4%. Much like investment grade credit, outperformance was a result of credit spreads continuing to tighten with B rated companies performing the best. Holdings within private credit continue to perform well as exposure to software/services and information technology remained limited.

## Specialty Credit Performance

As of June 30, 2026

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2013** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 8.7% | 5.1% | 11.2% | 8.2% | 9.0% | 5.1% | 8.2% | N/A |
| **CERS Hazardous** | | 8.5% | 5.1% | 11.1% | 8.2% | 8.8% | 5.1% | 8.1% | N/A |
| **Insurance** | **7/1/2013** | | | | | | | | |
| **CERS Nonhazardous** | | 8.8% | 5.1% | 11.3% | 8.2% | 8.9% | 5.1% | 8.0% | N/A |
| **CERS Hazardous** | | 9.4% | 5.1% | 11.8% | 8.2% | 9.4% | 5.1% | 8.3% | 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, 2026 ($ in Thousands)**

**CERS Nonhazardous Pension**

| Holding | Fair Value |
|---|---|
| BSP COINVEST VEHICLE K LP | $7,897 |
| CCO HOLDINGS LLC / CCO HO 144A | 7,007 |
| TRANSDIGM INC 144A | 6,984 |
| POST HOLDINGS INC 144A | 4,867 |
| NRG ENERGY INC 144A | 4,135 |
| CLOUD SOFTWARE GROUP LLC 144A | 3,887 |
| SUNOCO LP 144A | 3,792 |
| VENTURE GLOBAL PLAQUEMINE 144A | 3,647 |
| PHILIPPINE GOVERNMENT BOND | 3,579 |
| VENTURE GLOBAL LNG INC 144A | 3,553 |
| **Total** | **$49,347** |

**CERS Nonhazardous Insurance**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $3,477 |
| TRANSDIGM INC 144A | 3,384 |
| BSP COINVEST VEHICLE K LP | 2,615 |
| POST HOLDINGS INC 144A | 2,308 |
| NRG ENERGY INC 144A | 2,022 |
| CLOUD SOFTWARE GROUP LLC 144A | 1,888 |
| SUNOCO LP 144A | 1,819 |
| VENTURE GLOBAL PLAQUEMINE 144A | 1,809 |
| ONEMAIN FINANCE CORP | 1,706 |
| VENTURE GLOBAL LNG INC 144A | 1,699 |
| **SIX FLAGS ENTERTAINMENT C 144A** | **$1,687** |

**CERS Hazardous Pension**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $3,477 |
| TRANSDIGM INC 144A | 3,384 |
| POST HOLDINGS INC 144A | 2,308 |
| NRG ENERGY INC 144A | 2,022 |
| CLOUD SOFTWARE GROUP LLC 144A | 1,888 |
| SUNOCO LP 144A | 1,819 |
| VENTURE GLOBAL PLAQUEMINE 144A | 1,809 |
| ONEMAIN FINANCE CORP | 1,706 |
| VENTURE GLOBAL LNG INC 144A | 1,699 |
| SIX FLAGS ENTERTAINMENT C 144A | 1,687 |
| **Total** | **$21,799** |

**CERS Hazardous Insurance**

| Holding | Fair Value |
|---|---|
| BSP COINVEST VEHICLE K LP | $1,420 |
| TRANSDIGM INC 144A | 383 |
| PHILIPPINE GOVERNMENT BOND | 318 |
| CCO HOLDINGS LLC / CCO HO 144A | 313 |
| BASS PRO SHOPS/GREAT AMERICAN | 312 |
| ELECTRONIC ARTS 3/26 (USD) TLB | 281 |
| POST HOLDINGS INC 144A | 272 |
| DISCOVERY GLOBAL/WARNER BROS. | 266 |
| CLEVELAND-CLIFFS INC 144A | 265 |
| UNITED KINGDOM GILT REGS | 242 |
| **Total** | **$4,072** |

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

DRAFT

# Private Equity

For the fiscal year, the Pension Private Equity portfolio posted gross returns of 6.8%, while the Insurance Private Equity portfolio gross returns ranged from (0.9%) for CERS Hazardous to (0.5%) for CERS Nonhazardous. The Investment Committee acknowledges the difficulty in assessing short-term performance for Private Equity. Performance is typically based on quarterly estimates of each underlying business's value and managers are often slow to mark valuations up or down. This can distort relative performance against a public market benchmark during periods when the index moves dramatically. A better indication of program performance would be the mid- to longer-term time periods because more underlying company holdings have likely transacted at a specific (rather than estimated) valuation. The below chart provides the gross returns for the longer term time periods.

**Private Equity Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2002** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 6.8% | 10.6% | 6.0% | 7.1% | 9.5% | 8.2% | 12.7% | 13.8% |
| **CERS Hazardous** | | 6.8% | 10.6% | 6.4% | 7.1% | 9.6% | 8.2% | 12.7% | 13.8% |
| **Insurance** | **7/1/2002** | | | | | | | | |
| **CERS Nonhazardous** | | (0.5%) | 1.7% | 2.9% | 3.4% | 8.6% | 8.0% | 11.8% | 13.7% |
| **CERS Hazardous** | | (0.9%) | 1.7% | 2.7% | 3.4% | 8.5% | 8.0% | 11.6% | 13.7% |

*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 1.2% to 2.0%, which trailed the benchmark return of 3.1%.

**Real Estate Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/1984** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 1.9% | 3.1% | (1.3%) | (2.8%) | 4.0% | 2.3% | 6.5% | 3.8% |
| **CERS Hazardous** | | 1.9% | 3.1% | (1.3%) | (2.8%) | 4.0% | 2.3% | 6.6% | 3.8% |
| **Insurance** | **5/1/2009** | | | | | | | | |
| **CERS Nonhazardous** | | 2.0% | 3.1% | (1.1%) | (2.8%) | 3.8% | 2.3% | 6.5% | 3.8% |
| **CERS Hazardous** | | 1.2% | 3.1% | (1.3%) | (2.8%) | 3.7% | 2.3% | 6.4% | 3.8% |

*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 15.8% to 16.5%, which exceeded the benchmark return of 7.3%.

**Real Return Performance**
**As of June 30, 2026**

DRAFT

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2011** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 16.2% | 7.3% | 16.0% | 6.3% | 12.8% | 6.8% | 9.1% | 5.5% |
| **CERS Hazardous** | | 16.5% | 7.3% | 16.3% | 6.3% | 13.1% | 6.8% | 9.3% | 5.5% |
| **Insurance** | **7/1/2011** | | | | | | | | |
| **CERS Nonhazardous** | | 16.5% | 7.3% | 15.3% | 6.3% | 12.1% | 6.6% | 8.7% | 5.5% |
| **CERS Hazardous** | | 15.8% | 7.3% | 14.8% | 6.3% | 11.7% | 6.6% | 8.6% | 5.5% |

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

# Cash

For the fiscal year, the Pension Cash CERS Nonhazardous and Hazardous portfolios slightly underperformed the benchmark by 0.1%, with a return of 4.0% compared to the FTSE 3-Month US Treasury Bill which returned 4.1%. For the Insurance Cash, both CERS Nonhazardous and Hazardous portfolios also slightly underperformed the benchmark by 0.1%, with a return of 4.0%.

**Liquidity Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **1/1/1988** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **CERS Nonhazardous** | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.5% | 2.4% |
| **CERS Hazardous** | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.5% | 2.4% |
| **Insurance** | **7/1/1992** | | | | | | | | |
| **CERS Nonhazardous** | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.4% | 2.4% |
| **CERS Hazardous** | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.4% | 2.4% |

*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, 2026.

**Investment Managers & Assets Under Management by Plan and Asset Class**
**As of June 30, 2026 ($ in Thousands)**

| | Pension | | Insurance | | |
|---|---|---|---|---|---|
| Advisor/Asset Class | Nonhazardous | Hazardous | Nonhazardous | Hazardous | CERS Total |
| **Core Fixed Income** | **$1,694,963** | **$648,737** | **$604,234** | **$286,991** | **$3,234,925** |
| Loomis, Sayles & Company Core | 492,070 | 183,283 | 182,170 | 85,685 | 943,208 |
| NISA Investment Advisors | 515,054 | 191,843 | 207,878 | 97,776 | 1,012,551 |
| Internally Managed by KPPA | 687,839 | 273,611 | 214,186 | 103,530 | 1,279,166 |
| **Private Equity** | **$489,164** | **$180,849** | **$170,868** | **$94,399** | **$935,280** |
| Ares | 12,167 | 4,153 | 5,337 | 2,887 | 24,544 |
| Bay Hills | 138,903 | 44,093 | 31,696 | 17,080 | 231,772 |
| Black Diamond | 29,601 | 10,103 | 16,905 | 9,144 | 65,753 |
| Blackstone | 4,799 | 2,318 | 2,748 | 1,644 | 11,509 |
| Crestview | 12,808 | 4,237 | 4,195 | 2,266 | 23,506 |
| CVC | 8,887 | 3,033 | 3,907 | 2,113 | 17,940 |
| DAG | 13,792 | 4,293 | 1,426 | 763 | 20,274 |
| Harvest | 17,012 | 5,282 | 9,706 | 5,851 | 37,851 |
| H.I.G. | 6,797 | 2,820 | 3,826 | 2,224 | 15,667 |
| Horsley Bridge | 31,982 | 9,956 | 3,306 | 1,770 | 47,014 |
| Keyhaven | 9,434 | 3,161 | 4,460 | 2,411 | 19,466 |
| Leonard Green | 19,448 | 7,512 | 12,691 | 7,630 | 47,281 |
| Levine Leichtman | 24,369 | 7,614 | 13,974 | 8,416 | 54,373 |
| Middle Ground | 65,674 | 21,528 | 18,628 | 9,639 | 115,469 |
| Strategic Value Partners | 65,561 | 21,987 | 21,216 | 10,569 | 119,333 |
| Triton | 5,243 | 1,790 | 2,299 | 1,244 | 10,576 |
| Vista | 22,687 | 8,686 | 14,548 | 8,748 | 54,669 |
| Internally Managed by KPPA | — | 18,283 | — | — | 18,283 |
| **Public Equity** | **$5,946,084** | **$2,166,216** | **$2,176,336** | **$989,419** | **$11,278,055** |
| American Century | 263,772 | 96,230 | 91,228 | 39,470 | 490,700 |
| Axiom | 94,862 | 34,608 | 35,808 | 15,492 | 180,770 |
| BlackRock | 582,952 | 211,754 | 232,573 | 118,328 | 1,145,607 |
| Clearbridge | 172,945 | 63,094 | 60,216 | 26,053 | 322,308 |
| Franklin Templeton | 1,818 | 663 | 549 | 237 | 3,267 |
| JP Morgan | 326,803 | 118,014 | 118,763 | 52,897 | 616,477 |
| Lazard | 385,484 | 140,633 | 132,903 | 57,500 | 716,520 |
| LSV | 421,414 | 153,741 | 146,501 | 63,384 | 785,040 |
| Next Century | 146,519 | 53,782 | 56,789 | 28,043 | 285,133 |
| Northern Trust | 273,882 | 100,533 | 105,622 | 52,157 | 532,194 |
| Pzena | 148,376 | 54,131 | 54,919 | 23,761 | 281,187 |
| River Road | 252,730 | 92,768 | 91,877 | 45,370 | 482,745 |
| TRP US Structured Eq | 197,891 | 70,830 | 72,239 | 32,935 | 373,895 |
| Westfield | 334,719 | 122,864 | 118,799 | 58,665 | 635,047 |
| Internally Managed by KPPA | 2,341,917 | 852,571 | 857,550 | 375,127 | 4,427,165 |
| **Real Estate** | **$524,353** | **$165,415** | **$193,062** | **$85,422** | **$968,252** |
| Barings | 68,630 | 21,702 | 24,007 | 13,175 | 127,514 |
| Fundamental | 21,374 | 6,757 | 7,477 | 4,103 | 39,711 |
| Harrison Street | 144,119 | 45,079 | 54,017 | 21,399 | 264,614 |
| Lubert-Adler | 7,863 | 2,458 | 2,370 | 1,291 | 13,982 |
| Mesa West | 43,560 | 13,740 | 22,129 | 12,215 | 91,644 |
| Prologis | 176,469 | 55,801 | 56,965 | 22,972 | 312,207 |
| Stockbridge | 62,338 | 19,878 | 26,097 | 10,267 | 118,580 |

DRAFT

## Investment Managers & Assets Under Management by Plan and Asset Class

As of June 30, 2026 ($ in Thousands)

| Advisor/Asset Class | Pension | | Insurance | | CERS Total |
|---|---|---|---|---|---|
| | Nonhazardous | Hazardous | Nonhazardous | Hazardous | |
| Internally Managed by KPPA | — | — | — | — | — |
| **Real Return** | **$794,984** | **$286,188** | **$285,518** | **$134,398** | **$1,501,088** |
| AMERRA | 26,398 | 8,335 | 8,705 | 4,806 | 48,244 |
| Arctos | 97,847 | 40,992 | 45,826 | 16,893 | 201,558 |
| BTG Pactual | 14,265 | 4,571 | 4,197 | 2,306 | 25,339 |
| Ceres Farms | 101,914 | 35,808 | 32,338 | 15,928 | 185,988 |
| IFM | 46,465 | 16,001 | 16,270 | 8,383 | 87,119 |
| ITE | 104,110 | 37,757 | 47,874 | 22,788 | 212,529 |
| Maritime Partners | 88,987 | 35,595 | 38,137 | 15,255 | 177,974 |
| Prisma | 63,564 | 20,135 | 20,775 | 11,639 | 116,113 |
| Strategic Value Partners | 28,713 | 10,295 | 12,105 | 5,845 | 56,958 |
| Tortoise | 222,640 | 76,671 | 59,146 | 30,480 | 388,937 |
| Internally Managed by KPPA | 81 | 28 | 145 | 75 | 329 |
| **Specialty Credit** | **$2,267,241** | **$837,651** | **$837,161** | **$379,618** | **$4,321,671** |
| Adams Street | 191,872 | 67,074 | 72,213 | 37,545 | 368,704 |
| Arrowmark | 447,359 | 147,889 | 180,635 | 98,406 | 874,289 |
| Benefit Street | 56,343 | 18,661 | 20,970 | 11,437 | 107,411 |
| Blue Torch | 96,141 | 32,462 | 33,635 | 17,680 | 179,918 |
| CapitalSpring | 53,733 | 17,797 | 17,460 | 9,523 | 98,513 |
| Cerberus | 130,242 | 43,137 | 42,321 | 23,082 | 238,782 |
| Columbia Threadneedle | 297,403 | 147,575 | 115,284 | 13,893 | 574,155 |
| Manulife | 226,518 | 96,385 | 72,923 | 19,771 | 415,597 |
| Marathon | 306,352 | 100,658 | 107,434 | 58,725 | 573,169 |
| Oaktree | 142,143 | 59,280 | 57,091 | 27,318 | 285,832 |
| Shenkman | 4,293 | 1,790 | 314 | 150 | 6,547 |
| Waterfall | 215,650 | 72,090 | 81,487 | 42,784 | 412,011 |
| White Oak | 99,192 | 32,853 | 35,394 | 19,304 | 186,743 |
| **Other** | 47,940 | 16,400 | 19,504 | 10,586 | 94,430 |
| **Total Assets Under Management** | **$11,764,729** | **$4,301,456** | **$4,286,683** | **$1,980,833** | **$22,333,701** |

DRAFT

## External Investment Expenses - Pension Asset Class/Type Breakdown

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| CERS Nonhazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $9,394 | $2,552 | $923 | $12,292 | $— | $6,163 | $4,853 | $36,177 |
| Performance/Incentive Fees | 457 | (3,590) | 333 | 15,849 | — | 6,359 | (2,112) | 17,296 |
| Securities Lending Fees | 236 | — | 58 | 68 | — | 19 | — | 381 |
| Securities Lending Fee Rebate | 4,241 | — | 1,481 | 2,999 | — | 353 | — | 9,074 |
| Miscellaneous Fees & Expenses | 113 | 2,543 | 10 | 12,967 | — | 1,311 | 6,121 | 23,065 |
| Administration | — | — | — | — | 464 | — | — | 464 |
| Consultant Fees | — | — | — | — | 573 | — | — | 573 |
| Custodial Fees | — | — | — | — | 1,061 | — | — | 1,061 |
| **Total** | **$14,441** | **$1,505** | **$2,805** | **$44,175** | **$2,098** | **$14,205** | **$8,862** | **$88,091** |

| CERS Hazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $3,379 | $865 | $332 | $4,251 | $— | $2,267 | $1,532 | $12,626 |
| Performance/Incentive Fees | 163 | (1,354) | 119 | 5,247 | — | 2,440 | (668) | 5,947 |
| Securities Lending Fees | 85 | — | 21 | 29 | — | 7 | — | 142 |
| Securities Lending Fee Rebate | 1,533 | — | 533 | 1,272 | — | 122 | — | 3,460 |
| Miscellaneous Fees & Expenses | 41 | 865 | 4 | 4,323 | — | 467 | 1,936 | 7,636 |
| Administration | — | — | — | — | 169 | — | — | 169 |
| Consultant Fees | — | — | — | — | 207 | — | — | 207 |
| Custodial Fees | — | — | — | — | 385 | — | — | 385 |
| **Total** | **$5,201** | **$376** | **$1,009** | **$15,122** | **$761** | **$5,303** | **$2,800** | **$30,572** |

*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

## External Investment Expenses - Insurance Asset Class/Type Breakdown

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| CERS Nonhazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $3,313 | $1,069 | $363 | $4,314 | $— | $2,412 | $1,771 | $13,242 |
| Performance/Incentive Fees | 167 | (2,789) | 128 | 6,348 | — | 2,715 | (733) | 5,836 |
| Securities Lending Fees | 81 | — | 19 | 26 | — | 5 | — | 131 |
| Securities Lending Fee Rebate | 1,218 | — | 456 | 1,052 | — | 41 | — | 2,767 |
| Miscellaneous Fees & Expenses | 39 | 1,117 | 4 | 4,540 | — | 490 | 2,137 | 8,327 |
| Administration | — | — | — | — | 189 | — | — | 189 |
| Consultant Fees | — | — | — | — | 209 | — | — | 209 |
| Custodial Fees | — | — | — | — | 601 | — | — | 601 |
| **Total** | **$4,818** | **($603)** | **$970** | **$16,280** | **$999** | **$5,663** | **$3,175** | **$31,302** |

## External Investment Expenses - Insurance Asset Class/Type Breakdown

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| CERS Hazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $1,540 | $525 | $169 | $2,118 | $— | $1,114 | $924 | $6,390 |
| Performance/Incentive Fees | 75 | (1,608) | 60 | 3,449 | — | 1,174 | (403) | 2,747 |
| Securities Lending Fees | 39 | — | 9 | 4 | — | 2 | — | 54 |
| Securities Lending Fee Rebate | 583 | — | 211 | 185 | — | 21 | — | 1,000 |
| Miscellaneous Fees & Expenses | 18 | 557 | 2 | 2,422 | — | 234 | 1,173 | 4,406 |
| Administration | — | — | — | — | 89 | — | — | 89 |
| Consultant Fees | — | — | — | — | 98 | — | — | 98 |
| Custodial Fees | — | — | — | — | 281 | — | — | 281 |
| **Total** | **$2,255** | **($526)** | **$451** | **$8,178** | **$468** | **$2,545** | **$1,694** | **$15,065** |

*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, 2026 ($ in Thousands)**

| | CERS Nonhazardous | | CERS Hazardous | |
|---|---|---|---|---|
| Expenses | Fees Paid | Share of Total | Fee Paid | Share of Total |
| **Portfolio Management** | | | | |
| Pension Plans | $77,003 | 64.50% | 26,378 | 57.80% |
| Insurance Plans | 27,594 | 23.11% | 13,633 | 29.87% |
| **Securities Lending** | | | | |
| Pension Plans | 9,454 | 7.92% | 3,602 | 7.89% |
| Insurance Plans | 2,898 | 2.43% | 1,054 | 2.31% |
| **Custody** | | | | |
| Pension Plans | 1,061 | 0.89% | 385 | 0.84% |
| Insurance Plans | 601 | 0.50% | 280 | 0.61% |
| **Consultant** | | | | |
| Pension Plans | 573 | 0.48% | 207 | 0.45% |
| Insurance Plans | 209 | 0.18% | 98 | 0.21% |
| **Total Pension Plans** | **88,091** | **73.78%** | **30,572** | **66.99%** |
| **Total Insurance Plans** | **31,302** | **26.22%** | **15,065** | **33.01%** |
| **Total Expenses** | **$119,393** | **100.00%** | **$45,637** | **100.00%** |

DRAFT

## Schedule of Commissions Paid (in whole $)

**For the fiscal year ended June 30, 2026**

**CERS Nonhazardous**

| Assets | Total Shares | Commissions Paid | Price per Share |
|---|---|---|---|
| U.S. Equities | 69,959,740 | $1,504,619 | 0.0215 |
| Non U.S. Equities | 221,667,969 | 1,486,771 | 0.0067 |
| **Total** | **291,627,709** | **$2,991,390** | **0.0103** |

**CERS Hazardous**

| Assets | Total Shares | Commissions Paid | Price per Share |
|---|---|---|---|
| U.S. Equities | 27,625,210 | $594,270 | 0.0215 |
| Non U.S. Equities | 84,277,837 | 565,604 | 0.0067 |
| **Total** | **111,903,047** | **$1,159,874** | **0.0104** |

## Fair Values (FV)

**For the fiscal year ended June 30, 2026 ($ 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 | $5,946,084 | 50.5% | $2,166,215 | 50.4% | $8,112,299 | 50.5% |
| Private Equity | 520,948 | 4.4% | 190,785 | 4.4% | 711,733 | 4.4% |
| **Fixed Income** | | | | | | |
| Core Fixed Income | 1,457,322 | 12.4% | 542,813 | 12.6% | 2,000,135 | 12.4% |
| Specialty Credit | 2,267,243 | 19.3% | 837,652 | 19.5% | 3,104,895 | 19.3% |
| Cash | 237,641 | 2.0% | 105,924 | 2.5% | 343,565 | 2.1% |
| **Inflation Protected** | | | | | | |
| Real Estate | 538,175 | 4.6% | 171,141 | 4.0% | 709,316 | 4.4% |
| **Real Return** | 797,316 | 6.8% | 286,926 | 6.7% | 1,084,242 | 6.7% |
| **Total Portfolio** | **$11,764,729** | | **$4,301,456** | | **$16,066,185** | |

| 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 | $2,176,336 | 50.8% | $989,418 | 49.9% | $3,165,754 | 50.5% |
| Private Equity | 186,229 | 4.4% | 102,714 | 5.2% | 288,943 | 4.6% |
| **Fixed Income** | | | | | | |
| Core Fixed Income | 531,606 | 12.4% | 250,043 | 12.6% | 781,649 | 12.5% |
| Specialty Credit | 837,161 | 19.5% | 379,618 | 19.2% | 1,216,779 | 19.4% |
| Cash | 72,628 | 1.7% | 36,948 | 1.9% | 109,576 | 1.7% |
| **Inflation Protected** | | | | | | |
| Real Estate | 196,603 | 4.6% | 87,359 | 4.4% | 283,962 | 4.5% |
| **Real Return** | 286,120 | 6.7% | 134,732 | 6.8% | 420,852 | 6.7% |
| **Total Portfolio** | **$4,286,683** | | **$1,980,832** | | **$6,267,515** | |

DRAFT

## Certification of Actuarial Results

Re: Certification for the Actuarial Results as of June 30, 2026.

*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, 2027 and ending June 30, 2028. The contribution requirements determined by the June 30, 2026 actuarial valuations are intended to be used by the Board for recommending these required contributions effective July 1, 2027.

These contributions are calculated based on the membership data and plan assets as of June 30, 2026. These calculations are also based on the benefit provisions in effect as of June 30, 2026.

## FINANCING OBJECTIVES AND FUNDING POLICY

DRAFT

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 (23 years remaining as of June 30, 2026). Gains and losses incurring in years after June 30, 2019 are amortized as separated, 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 23-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, 2026, the funded ratios for the pension and health insurance plans are as follows:

| Funding Level As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | | 2025 | | 2024 | | 2023 | | 2022 | |
| System | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance |
| CERS Nonhazardous | 64.0% | 108.2% | 61.4% | 106.5% | 58.4% | 122.3% | 56.1% | 131.5% | 52.0% | 132.1% |
| CERS Hazardous | 59.9% | 93.2% | 57.0% | 90.9% | 54.0% | 100.5% | 51.4% | 100.7% | 47.6% | 101.0% |

| Funding Level As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | |
| System | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance |
| CERS Nonhazardous | 51.8% | 85.4% | 49.4% | 78.5% | 49.1% | 70.7% | 52.7% | 76.7% | 52.8% | 66.4% |
| CERS Hazardous | 46.7% | 84.3% | 45.1% | 78.2% | 45.3% | 75.8% | 48.4% | 74.6% | 48.1% | 66.9% |

## ASSUMPTIONS AND METHODS

The Board 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, 2026 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.

DRAFT

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, 2026, by KPPA staff. The staff also supplied asset information as of June 30, 2026. 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.

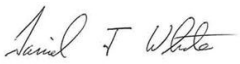
## CERTIFICATION

We certify that the information presented herein is accurate and fairly portrays the actuarial position of the Retirement Systems as of June 30, 2026. 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
Vice President and Actuary



Janie Shaw, ASA, EA, MAAA
Senior Consultant and Actuary



Krysti Kiesel, ASA, EA, MAAA
Consultant and Actuary7

DRAFT

# 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, 2026 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 fair value of assets and the expected fair value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between fair value and expected fair 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 separated, 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.

**Table 1. Salary Increase Assumptions**

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

DRAFT

| 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+ | 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) |
| 2028 | 7.75% | 12.00% | 1.50% |
| 2029 | 7.50% | 8.00% | 1.50% |
| 2030 | 7.25% | 8.00% | 1.50% |
| 2031 | 7.00% | 7.50% | 1.50% |
| 2032 | 6.75% | 7.00% | 1.50% |
| 2033 | 6.50% | 6.50% | 1.50% |
| 2034 | 6.25% | 6.00% | 1.50% |
| 2035 | 6.00% | 5.50% | 1.50% |
| 2036 | 5.75% | 5.00% | 1.50% |
| 2037 | 5.50% | 4.50% | 1.50% |
| 2038 | 5.25% | 4.25% | 1.50% |
| 2039 | 5.00% | 4.25% | 1.50% |
| 2040 | 4.75% | 4.25% | 1.50% |
| 2041 | 4.50% | 4.25% | 1.50% |
| 2042+ | 4.25% | 4.25% | 1.50% |

*(1) All increases are assumed to occur on January 1. The 2027 premiums were known at the time of the June 30, 2026, 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.*

DRAFT

**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.

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

| | Nonhazardous | | | | | Hazardous | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Normal Retirement | | Early Retirement [1] | | | Members participating before 9/1/2008 [2] | | Members participating between 9/1/2008 and 1/1/2014 [3] | Members participating after 1/1/2014 Male [3] |
| Age | Male | Female | Male | Female | Service | 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.*

DRAFT

**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.

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**

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

**Table 4b: Sample Annual Rate of Mortality**

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

DRAFT

**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**

| | CERS Nonhazrdous | CERS Hazardous |
|---|---|---|
| **Year of Service** | | |
| 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% | —% |

| Table 5: Selected Rates of Termination Prior to Retirement | | |
|---|---|---|
| CERS Nonhazrdous | | CERS Hazardous |
| Year of Service | | |
| 24 | 1.77% | —% |
| 25 | 1.55% | —% |
| 26+ | —% | —% |

**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 |
| 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 was increased during the select period and the ultimate trend assumption was increased for all plans as a result of this review.

DRAFT

# Summary of Actuarial Valuation Results

| Summary of Actuarial Valuation Results | | |
|---|---|---|
| | CERS Nonhazardous | CERS Hazardous |
| **Recommended Contribution Rate (FYE 2027)** | | |
| Pension Fund Contribution | 16.23% | 29.64% |
| Insurance Fund Contribution | —% | 2.31% |
| Actuarially Determined Employer Contributions Rate(1), payable as a percentage of payroll | 16.23% | 31.95% |
| Amortization Cost to be Allocated, if applicable | N/A | N/A |
| **Funded Status as of Valuation Date As of June 30, 2026 (in Whole $)** | | |
| **Pension Fund** | | |
| Actuarial Liability | $16,515,753,322 | $6,502,366,671 |
| Actuarial Value of Assets | 10,569,519,160 | 3,891,831,104 |
| Unfunded Liability on Actuarial Value of Assets | 5,946,234,162 | 2,610,535,567 |
| Funding Ratio on Actuarial Value of Assets | 64.00% | 59.85% |
| Fair Value of Assets | 11,686,835,391 | 4,296,454,640 |
| Unfunded Liability on Fair Value of Assets | $4,828,917,931 | $2,205,912,031 |
| Funding Ratio on Fair Value of Assets | 70.76% | 66.08% |
| **Insurance Fund** | | |
| Actuarial Liability | $3,723,224,114 | $1,956,790,910 |
| Actuarial Value of Assets | 4,030,229,276 | 1,822,918,929 |
| Unfunded Liability on Actuarial Value of Assets | (307,005,162) | 133,871,981 |
| Funding Ratio on Actuarial Value of Assets | 108.25% | 93.16% |
| Fair Value of Assets | 4,447,299,229 | 2,011,803,146 |
| Unfunded Liability on Fair Value of Assets | ($724,075,115) | ($55,012,236) |
| Funding Ratio on Fair Value of Assets | 119.45% | 102.81% |
| **Member Data (See Footnotes)** | | |
| Number of Active Members | 82,313 | 10,178 |
| Total Annual Payroll (Active Members)(2) | $3,475,471,439 | $856,393,732 |
| Average Annual Pay (Active Members) | $42,223 | $84,142 |
| Number of Retired Members & Beneficiaries | 74,998 | 12,367 |
| Average Annual Retirement Allowance | 12,398 | 28,597 |
| Number of Vested Inactive Members | 49,759 | 1,820 |
| Number of Active Members Due to Refund | 79,108 | 3,064 |

*(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 FYE2028, and therefore, the rates shown above are equal to the actuarially determined rates.*

DRAFT

# Recommended Employer Contribution Rates

The ten-year schedule of actuarially determined and actual contributions are provided in the required supplementary information within the Financial Section.

**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 |
|---|---|---|---|---|---|---|
| 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% |
| 2025 | 2026-2027 | 5.03% | 12.11% | 17.14% | 0.29% | 17.43% |
| 2026 | 2027-2028 | 4.94% | 11.29% | 16.23% | —% | 16.23% |

**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 |
|---|---|---|---|---|---|---|
| 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% |
| 2026 | 2027-2028 | 8.92% | 20.72% | 29.64% | 2.31% | 31.95% |

*The insurance fund contribution rates and the employer contribution rates for CERS Non-Hazardous and CERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2017 through 2026 annual valuations. However, in the case of CERS Non-Hazardous 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.*

DRAFT

# 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 Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $12,803,509 | $6,764,873 | $6,038,636 | 52.84% | $2,376,290 | 246.32% |
| 2018 | 13,191,505 | 6,950,225 | 6,241,280 | 52.69% | 2,454,927 | 248.08% |
| 2019 | 14,356,114 | 7,049,527 | 7,306,587 | 49.10% | 2,424,796 | 290.05% |
| 2020 | 14,610,867 | 7,220,607 | 7,390,260 | 49.42% | 2,462,752 | 311.44% |
| 2021 | 14,894,907 | 7,715,884 | 7,179,023 | 51.80% | 2,446,612 | 260.60% |
| 2022 | 15,674,220 | 8,148,912 | 7,525,308 | 51.99% | 2,835,173 | 254.98% |
| 2023 | 15,296,428 | 8,585,072 | 6,711,356 | 56.12% | 2,966,567 | 216.29% |
| 2024 | 15,776,491 | 9,211,735 | 6,564,757 | 58.39% | 3,259,999 | 183.45% |
| 2025 | 16,174,006 | 9,933,705 | 6,240,300 | 61.42% | 3,416,871 | 162.86% |
| 2026 | 16,515,753 | 10,569,519 | 5,946,234 | 64.00% | 3,603,426 | 132.47% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

### CERS Nonhazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $3,355,151 | $2,227,401 | $1,127,750 | 66.39% | $2,480,130 | 81.06% |
| 2018 | 3,092,623 | 2,371,430 | 721,193 | 76.68% | 2,570,156 | 69.08% |
| 2019 | 3,567,947 | 2,523,249 | 1,044,698 | 70.72% | 2,577,378 | 65.26% |
| 2020 | 3,392,086 | 2,661,351 | 730,735 | 78.46% | 2,620,585 | 92.14% |
| 2021 | 3,450,485 | 2,947,312 | 503,172 | 85.42% | 2,619,695 | 73.08% |
| 2022 | 2,391,990 | 3,160,084 | (768,094) | 132.11% | 2,843,218 | 69.41% |
| 2023 | 2,560,387 | 3,366,332 | (805,945) | 131.48% | 2,982,960 | (4.63%) |
| 2024 | 2,901,345 | 3,549,422 | (648,077) | 122.34% | 3,259,999 | (5.31%) |
| 2025 | 3,562,876 | 3,793,782 | (230,906) | 106.48% | 3,416,871 | 2.81% |
| 2026 | 3,723,224 | 4,030,229 | (307,005) | 108.25% | 3,603,426 | 2.84% |

*Note: (1) Based on derived compensation using the provided employer contribution information. For 2024-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024-FYE2026.*

DRAFT

### CERS Hazardous Pension Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $4,649,047 | $2,238,320 | $2,410,726 | 48.15% | $526,559 | 424.89% |
| 2018 | 4,792,548 | 2,321,721 | 2,470,827 | 48.44% | 562,853 | 429.68% |
| 2019 | 5,245,365 | 2,375,106 | 2,870,258 | 45.28% | 553,541 | 499.02% |
| 2020 | 5,431,298 | 2,447,885 | 2,983,413 | 45.07% | 559,551 | 538.83% |
| 2021 | 5,629,458 | 2,628,621 | 3,000,837 | 46.69% | 572,484 | 465.02% |
| 2022 | 5,861,691 | 2,788,714 | 3,072,977 | 47.58% | 666,346 | 457.94% |
| 2023 | 5,849,996 | 3,008,147 | 2,841,849 | 51.42% | 714,837 | 377.14% |
| 2024 | 6,070,200 | 3,279,623 | 2,790,577 | 54.03% | 775,638 | 331.60% |
| 2025 | 6,301,846 | 3,592,717 | 2,709,129 | 57.01% | 834,657 | 287.93% |
| 2026 | 6,502,367 | 3,891,831 | 2,610,536 | 59.85% | 901,484 | 238.34% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

## Summary of Actuarial Unfunded Liabilities

As of June 30 ($ in Thousands)

CERS Hazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $1,788,433 | $1,196,780 | $591,653 | 66.92% | $542,710 | 152.32% |
| 2018 | 1,684,028 | 1,256,306 | 427,722 | 74.60% | 588,526 | 121.14% |
| 2019 | 1,732,879 | 1,313,659 | 419,221 | 75.81% | 583,632 | 126.77% |
| 2020 | 1,740,971 | 1,362,028 | 378,943 | 78.23% | 596,001 | 155.05% |
| 2021 | 1,751,203 | 1,475,635 | 275,568 | 84.26% | 613,985 | 131.69% |
| 2022 | 1,538,131 | 1,553,761 | (15,630) | 101.02% | 668,667 | 127.39% |
| 2023 | 1,604,147 | 1,615,349 | (11,202) | 100.70% | 719,666 | 19.01% |
| 2024 | 1,668,056 | 1,676,141 | (8,085) | 100.48% | 796,792 | 15.22% |
| 2025 | 1,939,809 | 1,763,479 | 176,330 | 90.91% | 836,505 | 33.79% |
| 2026 | $1,956,791 | $1,822,919 | $133,872 | 93.16% | $909,219 | 24.25% |

*Note: (1) Base on derived compensation using the provided employer contribution information.*

# Solvency Test

## Solvency Test

As of June 30 ($ in Thousands)

CERS Nonhazardous Pension Plan

| | Actuarial Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 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% | —% |
| 2026 | $1,511,740 | $10,519,875 | $4,484,138 | $10,569,519 | 100.00% | 86.10% | —% |

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) |
| 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% |
| 2026 | $— | $2,056,891 | $1,666,333 | $4,030,229 | 100.00% | 100.00% | 100.00% |

DRAFT

## Solvency Test

As of June 30 ($ in Thousands)

### CERS Hazardous Pension Plan

| Valuation Date | Actuarial Liabilities (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) |
|---|---|---|---|---|---|---|---|
| 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% | —% |
| 2026 | $573,186 | $4,290,335 | $1,638,845 | $3,891,831 | 100.00% | 77.40% | —% |

### CERS Hazardous Insurance Plan

| Valuation Date | Actuarial Liabilities (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) |
|---|---|---|---|---|---|---|---|
| 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% |
| 2026 | $— | $1,421,933 | $534,858 | $1,822,919 | 100.00% | 100.00% | 75.00% |

DRAFT

# 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 |
|---|---|---|---|---|---|---|---|
| 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 |
| 2026 | 1,082 | 82,313 | $3,475,471 | $42 | 3.59% | 46.8 | 8.4 |

## Summary of Active Member Valuation Data

As of June 30 ($ in Thousands)

### 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 |
|---|---|---|---|---|---|---|---|
| 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 |
| 2026 | 241 | 10,178 | $856,394 | $84 | 3.57% | 37.3 | 9.3 |

(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, 2026.*

## 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 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2026 | 4,373 | 2,945 | 74,998 | $56,394 | $31,883 | $929,848 | 2.71% | $12 |

### 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 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| 2026 | 636 | 343 | 12,367 | $20,180 | $7,052 | $353,657 | 3.86% | $29 |

(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 $31,638,000 in CERS nonhazardous annual benefits not included in summary above for June 30, 2026.*

DRAFT

# 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 amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 78.635.

## Membership Eligibility

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

**Retirement Eligibility for Nonhazardous Employees**

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

DRAFT

**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 | Member begins participating on or after 9/1/2008 but before 1/1/2014. | 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* | Member begins participating on or after 9/1/2008 but before 1/1/2024. | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |
| | *Service | Multiplier | |
| | 10 years or less | 1.30% | |
| | 10-20 years | 1.50% | |
| | 20-25 years | 2.25% | |
| | 25+ years | 2.50% | |

DRAFT

## 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 2026) | Actuarial Factor |
|---|---|---|---|---|---|
| CERS Nonhazardous | 5.00% | 4.00% | 4.00% | 6.80% | See www.kyret.ky.gov for most recent Actuarial Factors |
| CERS Hazardous | 8.00% | 7.50% | 4.00% | 6.96% | |

*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.

DRAFT

## 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.

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

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

Effective January 1, 2026, the monthly health insurance contribution for members who are not eligible for Medicare benefits and have attained over 27 years for nonhazardous and 20 years of for hazardous (25 years of service if hired on

or after September 1, 2008) of service will be $40 for nonhazardous and $50 for hazardous for each year of earned service. The monthly benefit will be increased by 1.5% annually from July 1, 2026.

## Refunds

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

## Interest On Accounts

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

## Benefit Changes Since The Prior Valuation

There have been no benefit changes since the prior valuation.

DRAFT

# 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 |
|---|---|---|---|---|
| 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 |
| 2026 | 86,158 | 127,662 | 81,890 | 295,710 |

DRAFT

**CERS Hazardous Membership As of June 30**

| Fiscal Year | Active | Inactive | Retired | Total |
|---|---|---|---|---|
| 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 |
| 2026 | 11,057 | 5,272 | 12,689 | 29,018 |

**County Employees Retirement System Membership Totals As of June 30**

| Fiscal Year | Active | Inactive | Retired | Total |
|---|---|---|---|---|
| 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 |
| 2026 | 97,215 | 132,934 | 94,579 | 324,728 |

# Participating Employers

| Principal Participating Employers in CERS As of June 30, 2026 | | | |
|---|---|---|---|
| **Fiscal Year** | **Rank** | **Covered Employees** | **% of Total System** |
| JEFFERSON COUNTY BOARD OF EDUCATION | 1 | 5,409 | 5.68% |
| LOUISVILLE JEFFERSON COUNTY METRO GOVERNMENT | 2 | 4,911 | 5.16% |
| FAYETTE COUNTY BOARD OF EDUCATION | 3 | 2,146 | 2.25% |
| LEXINGTON FAYETTE URBAN COUNTY GOVERNMENT | 4 | 1,825 | 1.92% |
| JUDICIAL DEPARTMENT ADMINISTRATIVE OFFICE OF THE COURTS | 5 | 1,478 | 1.55% |
| BOONE COUNTY BOARD OF EDUCATION | 6 | 1,236 | 1.30% |
| HARDIN COUNTY BOARD OF EDUCATION | 7 | 1,152 | 1.21% |
| SCOTT COUNTY BOARD OF EDUCATION | 8 | 1,040 | 1.09% |
| BULLITT COUNTY BOARD OF EDUCATION | 9 | 997 | 1.05% |
| WARREN COUNTY BOARD OF EDUCATION | 10 | 903 | 0.95% |
| ALL OTHERS | | 74,143 | 77.84% |
| **Total** | | **95,240** | **100.00%** |

| Schedule of Participating Employers in CERS As of June 30, 2026 | | |
|---|---|---|
| **Agency Classification** | **Number of Agencies** | **Covered Employees** |
| Airport Boards | 6 | 572 |
| Ambulance Services | 20 | 514 |
| Area Development Districts | 14 | 757 |
| Boards of Education | 171 | 47,707 |
| Cities | 222 | 11,003 |
| Community Action Agencies | 21 | 2,725 |
| Conservation Districts | 46 | 61 |
| County Attorneys | 73 | 574 |
| County Clerks | 16 | 575 |
| Development Authorities | 7 | 11 |
| Fire Departments | 25 | 1,298 |
| Fiscal Courts | 118 | 11,693 |
| Hospitals & Clinics (incl. Dental) | 1 | 342 |
| Housing Authorities | 37 | 411 |
| Jailers | 2 | 77 |
| Libraries | 86 | 1,384 |
| Other Retirement Systems | 2 | 2 |
| P1 State Agencies | 2 | 1,479 |
| Parks and Recreation | 7 | 71 |
| Planning Commissions | 16 | 210 |
| Police Departments | 2 | 17 |
| Riverport Authorities | 5 | 77 |
| Sanitation Districts | 8 | 316 |
| Sheriff Departments | 12 | 804 |
| Special Districts & Boards | 44 | 1,289 |
| Tourist Commissions | 25 | 221 |
| Urban Government Agencies | 2 | 6,736 |
| Utility Boards | 120 | 4,314 |
| **Total** | **1,110** | **95,240** |
| **Total Employees By Tier Levels** | | |
| **Tier 1** | | **18,414** |
| **Tier 2** | | **10,697** |
| **Tier 3** | | **66,129** |

DRAFT

# Member Monthly Benefit

| Average Monthly Benefit by Length of Service in CERS As of June 30, 2026 (in Whole $) | | | | |
|---|---|---|---|---|
| | Nonhazardous | | Hazardous | |
| Service Credit Range | Number of Accounts | Average Monthly Benefit | Number of Accounts | Average Monthly Benefit |
| Under 5 years | 12,758 | $190 | 1,425 | $514 |
| 5 or more but less than 10 | 11,804 | 353 | 1,174 | 718 |
| 10 or more but less than 15 | 12,204 | 550 | 1,167 | 1,285 |
| 15 or more but less than 20 | 10,795 | 851 | 1,433 | 1,980 |
| 20 or more but less than 25 | 13,969 | 1,070 | 5,314 | 2,835 |
| 25 or more but less than 30 | 16,003 | 1,998 | 1,675 | 3,883 |
| 30 or more but less than 35 | 3,431 | 2,762 | 415 | 4,678 |
| 35 or more | 926 | 3,828 | 86 | 5,766 |
| **Total** | **81,890** | **$1,007** | **12,689** | **$2,358** |

*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<br>As of June 30 ($ in Thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | Nonhazardous | | | Hazardous | | |
| Fiscal Year | Pension | Insurance | Total | Pension | Insurance | Total |
| 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 |
| 2026 | $11,840,769 | $4,293,366 | $16,134,135 | $4,325,493 | $1,982,765 | $6,308,258 |

*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

# Changes in Fiduciary Net Position

| Changes in Fiduciary Net Position - CERS Nonhazardous Pension Plan<br>As of June 30 ($ in Thousands) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Additions** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| Members' Contributions | $150,714 | $160,370 | $159,064 | $168,994 | $165,698 | $186,648 | $147,769 | $161,176 | $167,151 | $176,786 |
| Employers' Contributions | 331,493 | 355,473 | 393,302 | 475,311 | 472,196 | 606,772 | 697,634 | 764,747 | 677,432 | 674,552 |
| Health Insurance Contributions (HB1) | 9,158 | 10,826 | 11,801 | 5 | (1) | (60) | (30) | (86) | (68) | (201) |
| Net Investment Income (Loss) | 825,901 | 578,377 | 394,558 | 56,682 | 1,784,231 | (500,996) | 815,417 | 1,002,646 | 1,107,012 | 1,441,280 |
| Northern Trust Settlement | — | 361 | 44 | — | — | — | — | — | — | — |
| Pension Spiking | 2,061 | 2,544 | 151 | 105 | 32 | 35 | 46 | 31 | (2) | 2 |
| **Total Additions** | **1,319,327** | **1,107,951** | **958,920** | **701,097** | **2,422,156** | **292,399** | **1,660,836** | **1,928,514** | **1,951,524** | **2,292,419** |
| **Deductions** | | | | | | | | | | |
| Benefit Payments | 687,460 | 726,568 | 766,221 | 795,960 | 826,749 | 858,260 | 894,351 | 940,514 | 993,357 | 1,023,972 |
| Refunds | 14,430 | 14,608 | 14,387 | 14,918 | 13,862 | 19,789 | 23,263 | 25,267 | 24,377 | 25,982 |
| Administrative Expenses | 19,614 | 19,592 | 21,659 | 22,304 | 21,767 | 22,670 | 24,128 | 26,547 | 25,841 | 27,271 |
| Capital Project Expenses | 77 | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **721,581** | **760,768** | **802,267** | **833,182** | **862,378** | **900,719** | **941,742** | **992,328** | **1,043,575** | **1,077,225** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$597,746** | **$347,183** | **$156,653** | **($132,085)** | **$1,559,778** | **($608,321)** | **$719,094** | **$936,186** | **$907,949** | **$1,215,194** |

| Changes in Fiduciary Net Position - CERS Nonhazardous Insurance Plan<br>As of June 30 ($ in Thousands) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Additions** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| Employers' Contributions | $117,310 | $120,798 | $135,570 | $124,740 | $124,697 | $118,550 | $101,121 | $2,765 | $825 | $695 |
| Net Investment Income (Loss) | 259,586 | 197,520 | 133,697 | 8,656 | 619,593 | (170,699) | 306,003 | 380,512 | 397,265 | 511,508 |
| Retired Reemployed (HB1) | 3,402 | 3,821 | 4,085 | 4,528 | 5,206 | 4,816 | 4,922 | 7,378 | 12,017 | 13,596 |
| Member Drug Reimbursement | 1 | 11 | 6 | 4 | 3 | 1 | — | — | — | — |
| Premiums Received from Retirees | 707 | 637 | 616 | 596 | 555 | 534 | 294 | 262 | 74 | 186 |
| 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 | 25,161 |
| **Total Additions** | **381,006** | **322,862** | **277,557** | **151,483** | **784,344** | **(21,901)** | **436,073** | **422,098** | **432,955** | **551,146** |
| **Deductions** | | | | | | | | | | |
| Health Insurance Premiums | 124,573 | 131,631 | 133,005 | 135,094 | 136,263 | 134,428 | 123,587 | 122,209 | 137,430 | 130,657 |
| Administrative Expenses | 789 | 761 | 877 | 903 | 884 | 933 | 937 | 930 | 910 | 567 |
| Self-Funded Healthcare Costs | 3,635 | 4,248 | 3,979 | 3,887 | 3,462 | 3,288 | 3,240 | 2,585 | 4,654 | 2,397 |
| Excise Tax Insurance | 6 | 6 | 6 | 6 | — | 12 | — | 13 | 7 | 7 |
| **Total Deductions** | **129,003** | **136,646** | **137,867** | **139,890** | **140,609** | **138,661** | **127,764** | **125,737** | **143,001** | **133,628** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$252,003** | **$186,216** | **$139,690** | **$11,593** | **$643,735** | **($160,562)** | **$308,309** | **$296,361** | **$289,954** | **$417,518** |

DRAFT

## Changes in Fiduciary Net Position - CERS Hazardous Pension Plan

As of June 30 ($ in Thousands)

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Members' Contributions | $60,102 | $61,089 | $58,661 | $63,236 | $62,367 | $69,565 | $56,988 | $61,438 | $65,847 | $70,174 |
| Employers' Contributions | 114,315 | 124,953 | 137,664 | 168,201 | 172,089 | 221,968 | 308,036 | 321,225 | 305,978 | 308,963 |
| Health Insurance Contributions (HB1) | 1,708 | 2,173 | 2,458 | 1 | 2 | (104) | (20) | (59) | (59) | (71) |
| Net Investment Income (Loss) | 270,473 | 192,174 | 132,970 | 15,992 | 600,730 | (175,431) | 281,965 | 355,852 | 396,987 | 521,122 |
| Northern Trust Settlement | — | 111 | 14 | — | — | — | — | — | — | — |
| Pension Spiking | 1,632 | 2,707 | 387 | 242 | 116 | 60 | 186 | 68 | 53 | 12 |
| **Total Additions** | **448,230** | **383,207** | **332,154** | **247,672** | **835,304** | **116,058** | **647,155** | **738,524** | **768,806** | **900,200** |
| **Deductions** | | | | | | | | | | |
| Benefit Payments | 226,985 | 244,119 | 259,008 | 275,802 | 290,000 | 305,790 | 319,594 | 343,583 | 376,348 | 384,338 |
| Refunds | 2,315 | 4,214 | 2,854 | 3,814 | 4,662 | 5,766 | 6,568 | 8,540 | 8,005 | 10,025 |
| Administrative Expenses | 1,421 | 1,504 | 1,726 | 1,981 | 1,910 | 1,995 | 2,124 | 2,338 | 2,262 | 2,395 |
| Capital Project Expenses | 7 | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **230,728** | **249,837** | **263,588** | **281,597** | **296,572** | **313,551** | **328,286** | **354,461** | **386,615** | **396,758** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$217,502** | **$133,370** | **$68,566** | **($33,925)** | **$538,732** | **($197,493)** | **$318,869** | **$384,063** | **$382,191** | **$503,442** |

## Changes in Fiduciary Net Position - CERS Hazardous Insurance Plan

As of June 30 ($ in Thousands)

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employers' Contributions | $50,743 | $55,027 | $61,106 | $56,739 | $58,451 | $58,374 | $48,792 | $20,556 | $17,734 | $15,729 |
| Net Investment Income (Loss) | 142,929 | 109,004 | 72,580 | 2,237 | 322,817 | (78,453) | 148,739 | 183,407 | 187,237 | 236,628 |
| Retired Reemployed (HB1) | 794 | 975 | 1,166 | 1,158 | 1,348 | 1,530 | 1,611 | 2,088 | 2,216 | 2,616 |
| Premiums Received from Retirees | (301) | (265) | (53) | (32) | (149) | (271) | (546) | (151) | (269) | (260) |
| 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 | 6,574 |
| **Total Additions** | **194,165** | **164,781** | **135,310** | **62,862** | **388,553** | **(13,803)** | **203,788** | **212,575** | **212,682** | **261,287** |
| **Deductions** | | | | | | | | | | |
| Health Insurance Premiums | 70,407 | 74,844 | 78,190 | 81,849 | 85,151 | 89,319 | 93,485 | 96,052 | 104,552 | 113,836 |
| Administrative Expenses | 381 | 376 | 434 | 462 | 466 | 502 | 522 | 522 | 524 | 530 |
| Self-Funded Healthcare Costs | 160 | 603 | 149 | 228 | 257 | 210 | 172 | 184 | 569 | 596 |
| **Total Deductions** | **70,948** | **75,823** | **78,773** | **82,539** | **85,874** | **90,031** | **94,179** | **96,758** | **105,645** | **114,962** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$123,216** | **$88,958** | **$56,537** | **($19,677)** | **$302,679** | **($103,834)** | **$109,609** | **$115,817** | **$107,037** | **$146,325** |

DRAFT

# 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 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 |
| 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% |
| **Fiscal Year 2026** | | | | |
| Average Benefit | $750 | $1,123 | $931 | $807 |

DRAFT

## Schedule of Benefit Expenses - CERS Nonhazardous

**As of June 30 (in whole $)**

| | | | | |
|---|---|---|---|---|
| Number of Accounts | 21,615 | 53,597 | 5,181 | 1,497 |
| Total Monthly Benefits | $16,214,278 | $60,188,391 | $4,822,391 | $1,207,889 |
| % of Total Monthly Benefits | 19.67% | 73.01% | 5.85% | 1.47% |

## Schedule of Benefit Expenses - CERS Hazardous

**As of June 30 (in whole $)**

| | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|---|---|---|---|---|
| **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 |
| 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% |
| **Fiscal Year 2026** | | | | |
| Average Benefit | $1,764 | $2,712 | $1,233 | $1,605 |
| Number of Accounts | 3,208 | 8,457 | 844 | 180 |

DRAFT

| Schedule of Benefit Expenses - CERS Hazardous<br>As of June 30 (in whole $) | | | | |
|---|---|---|---|---|
| Total Monthly Benefits | $5,658,359 | $22,932,603 | $1,040,625 | $288,938 |
| % of Total Monthly Benefits | 18.91% | 76.65% | 3.48% | 0.97% |

# Active Refunds

| Active Refunds Report For the Period ended June 30, 2026 (in Whole $) | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | Active Termination Refunds | | Active Death Refunds | | Totals | |
| System | Tier | Number of Refunds | Amount of Refunds | Number of Refunds | Amount of Refunds | Number of Refunds | Amount of Refunds |
| CERS Nonhazardous | 1 | 135 | 1,416,531 | 138 | 206,824 | 273 | 1,623,355 |
| | 2 | 136 | 804,872 | 42 | 132,498 | 178 | 937,369 |
| | 3 | 2,375 | 23,456,846 | 125 | 560,278 | 2,500 | 24,017,124 |
| | **Total** | **2,646** | **25,678,249** | **305** | **899,600** | **2,951** | **26,577,848** |
| CERS Hazardous | 1 | 13 | 433,440 | 3 | 8,939 | 16 | 442,379 |
| | 2 | 3 | 114,522 | 1 | 3,531 | 4 | 118,053 |
| | 3 | 267 | 9,691,617 | 4 | 10,728 | 271 | 9,702,345 |
| | **Total** | **283** | **10,239,579** | **8** | **23,198** | **291** | **10,262,777** |
| **Totals** | | **2,929** | **$35,917,828** | **313** | **$922,799** | **3,242** | **$36,840,625** |

# Analysis of Initial Retirees

DRAFT

| Analysis of Initial Retirees As of June 30 (in Whole $) | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| **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 |
| Average System Payment for Health Insurance | $539 | $1,361 |
| **Fiscal Year 2021** | | |
| Number of Accounts | 3,967 | 531 |
| Average Service Credit (months) | 194 | 209 |

| Analysis of Initial Retirees As of June 30 (in Whole $) | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| 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 |
| **Fiscal Year 2026** | | |
| Number of Accounts | 3,640 | 460 |
| Average Service Credit (months) | 192 | 206 |
| Average Final Compensation | $46,424 | $91,459 |
| Average Monthly Benefit | $1,092 | $3,031 |
| Average System Payment for Health Insurance | $746 | $1,422 |
| *Note: This table represents all individuals who had an initial retirement date within the fiscal year.* | | |

DRAFT

# Payment Options

| Payment Options Selected by Retired Members As of June 30, 2026 (in Whole $) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Basic | Other | Period Certain | PLSO Basic-One time payment | PLSO Surv-One time payment | Pop Up | Social Security Adjustment | Survivorship | Annuity |
| **CERS Nonhazardous** | | | | | | | | | |
| Number of Accounts | 35,148 | 209 | 11,699 | 935 | 642 | 12,217 | 2,288 | 20,304 | 209 |
| Monthly Benefits | $30,461,218 | $36,486 | $11,176,705 | $29,703,351 | $22,343,969 | $15,659,869 | $3,243,504 | $21,815,489 | $36,486 |
| **CERS Hazardous** | | | | | | | | | |
| Number of Accounts | 2,140 | 2,140 | 1,138 | 143 | 320 | 4,814 | 589 | 3,969 | 2 |
| Monthly Benefits | $4,452,056 | $4,452,056 | $2,574,992 | $9,671,694 | $20,920,006 | $12,770,727 | $1,039,442 | $9,014,027 | $2,346 |
| **CERS Total** | | | | | | | | | |
| Number of Accounts | 37,288 | 2,349 | 12,837 | 1,078 | 962 | 17,031 | 2,877 | 24,273 | 211 |
| Monthly Benefits | $34,913,274 | $4,488,542 | $13,751,697 | $39,375,045 | $43,263,975 | $28,430,596 | $4,282,946 | $30,829,516 | $38,832 |

*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.*

DRAFT

# 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 the employer contribution rate increased more than 12% and had to be capped per HB 362. The actual pension and insurance employer contribution rates that were paid are shown below.

| Employer Contribution Rates (%) As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
| **CERS Nonhazardous** | | | | | | | | | | |
| Actual Rate | 18.68% | 19.18% | 21.48% | 24.06% | 24.06% | 26.95% | 26.79% | 23.34% | 19.71% | 18.62% |
| **CERS Hazardous** | | | | | | | | | | |
| Actual Rate | 31.06% | 31.55% | 35.34% | 39.58% | 39.58% | 44.33% | 49.59% | 43.69% | 38.61% | 35.73% |

DRAFT

# 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, 2026 (in Whole $)**

| | CERS Nonhazardous | CERS Hazardous |
|---|---|---|
| Number | 41,745 | 10,212 |
| Average Service Credit (Months) | 268 | 277 |
| Average Monthly System Payment for Health Insurance | $363 | $1,201 |
| Average Monthly Member Payment for Health Insurance | $47 | $53 |
| Total Monthly Payment for Health Insurance | $16,252,089 | $10,567,807 |

**Insurance Contracts by Type As of June 30**

| CERS Nonhazardous | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| KEHP Parent Plus | 222 | 231 | 214 | 210 | 218 | 225 | 234 | 241 | 248 | 252 |
| KEHP Couple/Family | 462 | 510 | 530 | 519 | 508 | 543 | 524 | 506 | 464 | 483 |
| KEHP Single | 8,313 | 8,802 | 8,912 | 8,751 | 8,685 | 8,692 | 8,721 | 8,562 | 8,340 | 8,212 |
| Medicare without Prescription | 2,462 | 2,389 | 2,278 | 2,183 | 2,081 | 1,958 | 1,921 | 1,826 | 1,730 | 1,795 |
| Medicare with Prescription | 24,247 | 25,476 | 26,848 | 27,786 | 28,472 | 29,001 | 29,542 | 30,026 | 26,679 | 31,003 |
| **CERS Hazardous** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 395 | 422 | 430 | 425 | 473 | 468 | 491 | 477 | 461 | 479 |
| KEHP Couple/Family | 2,387 | 2,571 | 2,648 | 2,816 | 2,894 | 2,961 | 3,047 | 3,050 | 3,021 | 2,991 |
| KEHP Single | 1,645 | 1,712 | 1,746 | 1,731 | 1,768 | 1,810 | 1,893 | 1,899 | 1,671 | 1,864 |
| Medicare without Prescription | 125 | 119 | 121 | 116 | 120 | 134 | 138 | 144 | 122 | 161 |
| Medicare with Prescription | 3,205 | 3,388 | 3,658 | 3,911 | 4,103 | 4,284 | 4,455 | 4,565 | 3,840 | 4,717 |
| **CERS Total** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 617 | 653 | 644 | 635 | 691 | 693 | 725 | 718 | 709 | 731 |
| KEHP Couple/Family | 2,849 | 3,081 | 3,178 | 3,335 | 3,402 | 3,504 | 3,571 | 3,556 | 3,485 | 3,474 |
| KEHP Single | 9,958 | 10,514 | 10,658 | 10,482 | 10,453 | 10,502 | 10,614 | 10,461 | 10,011 | 10,076 |
| Medicare without Prescription | 2,587 | 2,508 | 2,399 | 2,299 | 2,201 | 2,092 | 2,059 | 1,970 | 1,852 | 1,956 |
| Medicare with Prescription | 27,452 | 28,864 | 30,506 | 31,697 | 32,575 | 33,285 | 33,997 | 34,591 | 30,519 | 35,720 |

DRAFT

## Acronym Glossary for County Employees Retirement System

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

DRAFT

*County Employees Retirement System*
a component unit and pension trust fund
of the Commonwealth of Kentucky

CERS
County Employees Retirement System

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

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

DRAFT

KPPA
Kentucky Public Pensions Authority

**Kentucky Retirement Systems**
a component unit and pension trust fund
of the Commonwealth of Kentucky

KRS
Kentucky Retirement Systems

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

for the fiscal year ended ***June 30, 2026***
available @***kyret.ky.gov***

DRAFT



KPPA
Kentucky Public Pensions Authority

*prepared by*
Kentucky Public Pensions Authority's
Division of Accounting

# TABLE OF CONTENTS

## INTRODUCTION


Letter of Transmittal 4
Governance 7
Agency Structure 8
Professional Awards 9


## FINANCIAL


Independent Auditor's Report 10
Management's Discussion & Analysis 14
**Basic Financial Statements** 18
Combining Statement of Fiduciary Net Position 17
Combining Statement of Changes in Fiduciary Net Position 18
Notes to the Financial Statements 18
Note A. Summary Of Significant Accounting Policies 20
Note B. Description & Contribution Information 21
Note C. Cash, Short-term Investments & Securities Lending Collateral 26
Note D. Investments 26
Note E. Securities Lending Transactions 40
Note F. Risk Of Loss 41
Note G. Contingencies 41
Note H. Income Tax Status 41
Note I. Financial Reporting For (GASB 67) Pension Plans And (GASB 74) Postemployment Benefit Plans 41
Note J. Legislation 46
Note K. Litigation 47
Note L. Reciprocity 50
Note M. Reimbursement of Retired Reemployed Health Insurance, Active Member Health Insurance Contributions, and Retired Reemployed Employer Contributions 50
Note N. General Fund Appropriations 51
Note O. Prisma Daniel Boone Fund 51
Note P. Subsequent Events 51
Note Q. Related Party 52


DRAFT

## REQUIRED SUPPLEMENTARY INFORMATION


Schedule of Employers' Net Pension Liability 53
Schedule of Changes in Employers' Total Pension Liability 54
Notes to Schedule of Employers' Pension Contributions 57
Schedule of Employers' Pension Contributions 57
Schedule of Employers' Net OPEB Liability 59
Schedule of Changes in Employers' Net OPEB Liability 60
Notes to Schedule of Employers' OPEB Contributions 63
Schedule of Employers' OPEB Contributions 64
Money Weighted Rates of Return 65

## OTHER SUPPLEMENTARY INFORMATION


Schedule of Administrative Expenses 66
Schedule of Direct Investment Expenses 66
Schedule of Professional Consultant Fees 67
Independent Auditor's Report on Internal Control 68


## INVESTMENTS


Investment Overview 70
Investment Strategies 71
Investment Objectives 72
Investment Results 73
Benchmarks 73
Long-Term Results 74
Public Equity 75
Core Fixed Income 77
Specialty Credit 79
Private Equity 80
Real Estate 81
Real Return 81
Cash 82
Additional Schedules 82


## ACTUARIAL

DRAFT


Certification of Actuarial Results 88
Summary of Actuarial Assumptions 91
Summary of Actuarial Valuation Results 96
Recommended Employer Contribution Rates 96
Summary of Actuarial Unfunded Liabilities 98
Solvency Test 100
Member Valuation 102
Summary of Benefit Provisions KERS & SPRS Plans 104


## STATISTICAL


Plan Statistics 108
Participating Employers 109
Member Monthly Benefit 110
Fiduciary Net Position 110
Changes in Fiduciary Net Position 112
Schedule of Benefit Expenses 116
Active Refunds 119
Analysis of Initial Retirees 119
Payment Options 121
Employer Contribution Rates 122
Insurance Contracts 122
Glossary 124

# 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 8, 2026
On behalf of the Kentucky Public Pensions Authority (KPPA) we are honored to present the Annual Comprehensive Financial Report (ACFR) of the Kentucky Retirement Systems, a component unit of the Commonwealth of Kentucky, for the Fiscal Year Ended (FYE) June 30, 2026.

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

Eide Bailly, LLP has issued an unmodified ("clean") opinion on the KRS financial statements for the FYE June 30, 2026. 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.

DRAFT

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).

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, to the public, and stakeholders.

## KPPA Executive Director's Message
## Ryan Barrow

**Record Assets**
A fourth consecutive year of double-digit investment returns across all pension and insurance plans, coupled with General Fund appropriations authorized by the Legislature and employer contributions, drove system assets to record highs in FY 2026. Total assets by market value stood at $33.6 billion as of June 30, compared with $29.8 billion as of the same date in 2025.

Considering the level of risk in each portfolio, almost all system pension and insurance portfolios are in the top 5% of peer public pension funds in terms of Sharpe ratio over the most recent five-year period. The Sharpe ratio measures how much investment return a portfolio earns compared to how much risk is in the portfolio.

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 92% of that money going to Kentucky residents. Every dollar in benefits paid ultimately supports $1.26 in total output in the state, making state and local government retirement benefits an important economic driver for the Commonwealth.

**Core Values**

As a result of recommendations put forth by the KPPA Leadership Academy, we re-branded and re-focused our Mandates, which are now our Core Values. They are available on our website, on our About page, but at a high level the Core Values are:

- Enhance members' access to information, counseling, support, and services.
- Manage plan assets prudently and effectively in pursuit of full actuarial funding by 2049.
- Build trust through transparency and clear, consistent communication.
- Cultivate a high-performing workforce for the present and the future.
- Always search for ways to improve.

**Other Notes**

**PAS modernization:** The General Assembly, in its 2026 Regular Session, appropriated $15 million for Phase One planning related to a pension administration system (PAS) modernization project. The entire project is estimated to cost approximately $75 million.

**Senior management changes:** Erin Surratt was named Deputy Executive Director and Odette Gwandi was promoted to Executive Director of the Office of Benefits.

**Louisville investment office:** After securing approval from the Department of Housing, Buildings & Construction for the Louisville investment office plans, construction began in the first half of 2026. The Office of Investments team is expected to occupy the space in fall 2026.

## KRS Chief Executive Officer's Message
## John Chilton

DRAFT

All pension and insurance portfolios in KRS earned returns above 12% in FY 2026. That closely tracked, and in most cases exceeded, the 12.6% median return for other pension plans with more than $1 billion in assets, as tracked by Wilshire Associates. Importantly, over the past five years, KRS investment returns resulted from a relatively low risk profile, ranking KRS in the top 5% of peer pension funds. That is by design. The KRS Investment Committee works with the KPPA Office of Investments to monitor the KERS and SPRS investment portfolios. The goal is always to maximize investment returns while minimizing risk.

Investment returns are one component of healthy funding for the systems, along with employer and employee contributions, and, in recent years, additional appropriations from the General Assembly to pay down unfunded liabilities for the KERS Nonhazardous and SPRS pension funds. Together, investment returns, contributions, and the Legislature's commitment to provide funding beyond the Actuarially Determined Employer Contribution have improved funded levels for both pension funds over the past decade. The KERS Nonhazardous pension fund reached a low of 12.9% funded in FY 2018 and is now nearly 30% funded. The SPRS pension was only 27% funded in FY 2017 and is now more than 60% funded.

All KRS plans are on track to be fully funded no later than 2049.

Lastly, thank you to those who participate in the preparation of the annual reports. Many hands touch this report, and all are valuable.

**Acknowledgments**

The preparation of this report has been a collaborative effort of KPPA Executive Management and the Accounting Division, Communications Division, Office of Investments, and the KRS CEO. 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,



Ryan Barrow
KPPA Executive Director



Michael B. Lamb, CPA
KPPA Chief Financial Officer

DRAFT

# GOVERNANCE

As of December 8, 2026

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

## KRS BOARD OF TRUSTEES

Keith Peercy, Chair
C. Prewitt Lane, Vice Chair

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

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




**Keith Peercy**
**Chair**
Term ends March 31, 2027
Elected by SPRS




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



**John E. Chilton**
**Chief Executive Officer**

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

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




**Larry Totten**
Term ends March 31, 2030
Elected by KERS



**Mike Riley**
Term ends March 31, 2030
Elected by KERS




**William Summers V**
Term ends June 17, 2030

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

APPOINTED BY GOVERNOR:
The Governor appoints six individuals to serve on the Board of Trustees.



**Pamela F. Thompson**
Term ends June 17, 2027



**Lynn Hampton**
Term ends June 17, 2026



**Ramsey Bova**
Term ends June 17, 2030



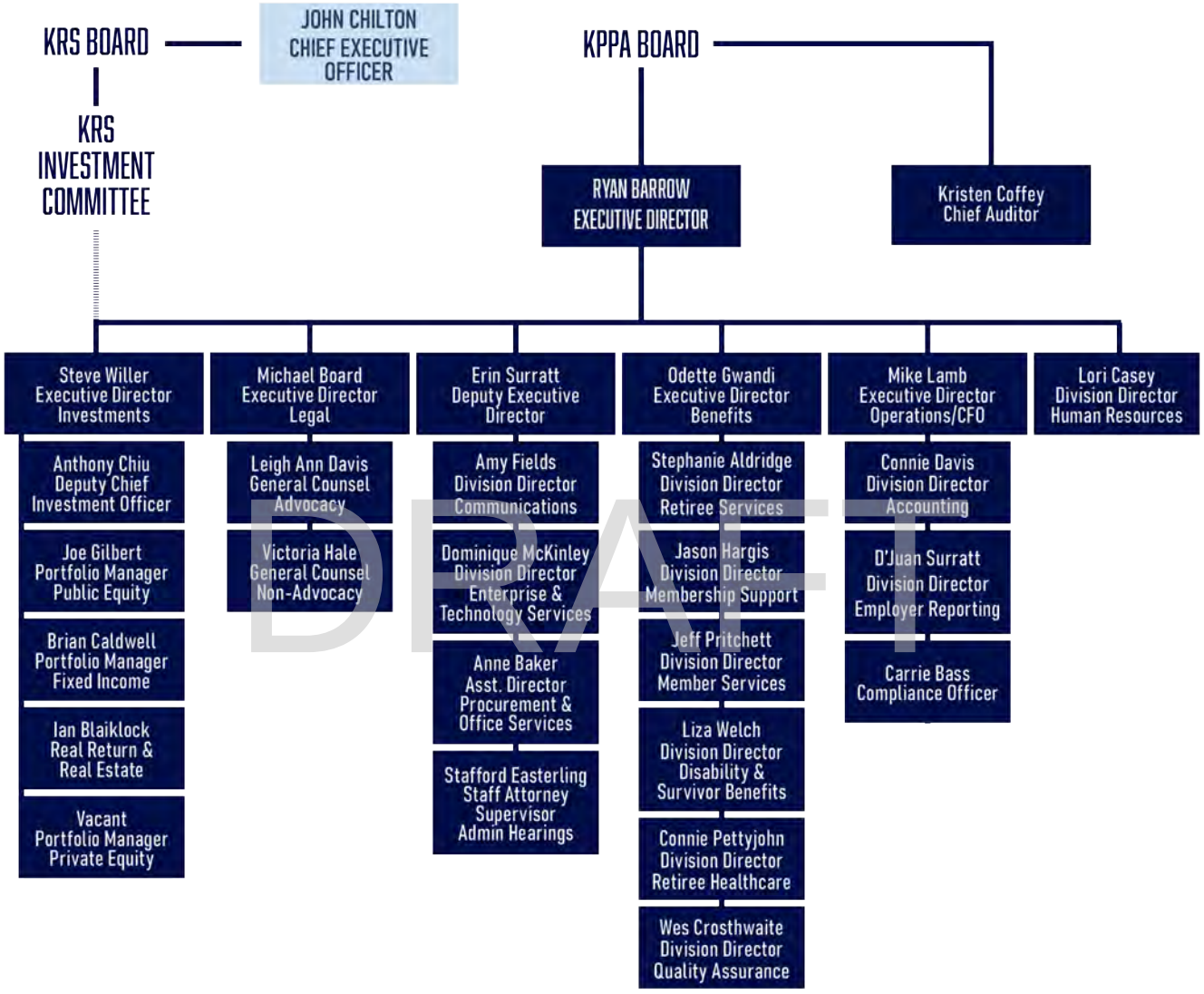
**Mary G. Eaves**
Term ends June 21, 2027

DRAFT

# AGENCY STRUCTURE

As of December 8, 2026

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




DRAFT

## CONSULTANTS

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

**Actuarial Services**
Gabriel, Roeder, Smith & Co.

**Auditing Services**
Eide Bailly, LLP

**Fiduciary Review Counsel**
Ice Miller, LLP

**Investment Consultants**
Wilshire
Albourne
Mercer

**Master Custodian**
BNY Mellon

Refer to the Investments Section for information regarding Investment Advisors (pages 82-86) and Schedules of Fees and Expenses (pages 84-86).

# Professional Awards

### CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kentucky Retirement Systems for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2025. This is the 27th award earned by KRS. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized document. The report must satisfy both generally accepted accounting principles and applicable legal requirements.


Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kentucky Retirement Systems

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2025

and issued to the public 158 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

### PUBLIC PENSIONS STANDARDS AWARD FOR FUNDING AND ADMINISTRATION

The Public Pension Coordinating Council awarded the Public Pensions Standards Award for Funding and Administration to the Kentucky Retirement Systems (KRS) for 2026.

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.


Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2026

Presented to

Kentucky Retirement Systems

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Keith Brainard

Keith Brainard
Program Administrator

DRAFT

Independent Auditor’s Report forthcoming

DRAFT

DRAFT

DRAFT

DRAFT

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

Management's Discussion and Analysis (MD&A) provides insight into the financial performance of KRS for the fiscal year ended June 30, 2026. It is meant to be read in the context of the accompanying Letter of Transmittal in the Introduction, the Basic Financial Statements and the Notes to those statements, the Required Supplementary Information (RSI), and additional material following this section. Together, this information provides a comprehensive picture of KRS' financial position.

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements include the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. The Statement of Fiduciary Net Position presents the System's assets, liabilities, and net position at year-end, while the Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System's net position during the year. These statements are interrelated, as changes in net position result from the activities reported in the Statement of Changes in Fiduciary Net Position.

## FINANCIAL SUMMARY

The following are the Condensed Comparative Statement of Fiduciary Net Position and Condensed Comparative Statement of Changes in Fiduciary Net Position of KRS for the fiscal years ended June 30, 2026, 2025, and 2024.

DRAFT

| Condensed Summary of Fiduciary Net Position as of June 30 | | | |
|---|---|---|---|
| | FY 2026 | FY 2025 | FY 2024 |
| **ASSETS** | | | |
| Cash, Short-term Investments, and Receivables | $718 | $695 | $615 |
| Investments, at fair value | 11,127 | 9,653 | 8,322 |
| **TOTAL ASSETS** | **11,845** | **10,348** | **8,937** |
| **TOTAL LIABILITIES** | **419** | **466** | **324** |
| **FIDUCIARY NET POSITION** | **$11,426** | **$9,882** | **$8,613** |

| Condensed Summary of Changes in Fiduciary Net Position for the Fiscal Years Ended June 30 | | | |
|---|---|---|---|
| | FY 2026 | FY 2025 | FY 2024 |
| **ADDITIONS** | | | |
| Member Contributions | $157 | $148 | $137 |
| Employer Contributions | 347 | 321 | 369 |
| Actuarially Accrued Liability Contributions (AALC) | 868 | 866 | 987 |
| General Fund Appropriations | 325 | 325 | 240 |
| Total Contributions | 1,697 | 1,660 | 1,733 |
| Net Investment Income | 1,257 | 985 | 776 |
| Other Additions | — | — | 10 |
| **TOTAL ADDITIONS** | **2,954** | **2,645** | **2,519** |
| **DEDUCTIONS** | | | |
| Benefits and Refunds | 1,241 | 1,217 | 1,192 |
| Other Deductions | 169 | 159 | 145 |
| **TOTAL DEDUCTIONS** | **1,410** | **1,376** | **1,337** |
| **NET INCREASE** | **1,544** | **1,269** | **1,182** |
| **FIDUCIARY NET POSITION** | | | |
| **BEGINNING OF THE PERIOD** | **9,882** | **8,613** | **7,431** |
| **END OF PERIOD** | **$11,426** | **$9,882** | **$8,613** |

# DETAILED ANALYSIS

## Fiduciary Net Position

The Fiduciary Net Position of KRS was $9,882 at the beginning of the fiscal year and increased by 15.62% to $11,426 as of June 30, 2026. The $1,544 increase is primarily attributable to the appreciation of the fair value of investments, continued AALC payments, and additional funding from the Kentucky General Assembly.

## Contributions

Total contributions reported for fiscal year 2026 were $1,697 compared to $1,660 in fiscal year 2025, an increase of 2.2% or $37. This increase was driven by an increase in covered payroll attributed to salary raises across the participating employers.

## Investments

The KRS pension and insurance portfolios investment returns averaged 12.9% for the fiscal year ended June 30, 2026, compared to 11.4% for the fiscal year ended June 30, 2025. The continued positive performance is due to the notable returns from the Public Equity portfolio (21.1%-21.6%), despite being below their benchmark of 24.2%,and the outpacing of the Real Return portfolios over their benchmarks. See investment results beginning on page 73 of the investment section.

The fair value of investments, as of June 30, 2026, were $11,127, an increase of $1,474 from the prior year, and net investment income was $1,257 for the current fiscal year, compared to $985 for the prior fiscal year.

Investment returns are reported net of fees and investment expenses, including carried interest. Investment fees and expenses totaled $77 for fiscal year 2026 compared to $81 in the prior fiscal year.

DRAFT

| | 1-Year Return | | | Fair Value of Investments | | | Investment Fees & Expenses | | | Net Investment Income | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 |
| **Pension** | | | | | | | | | | | | |
| KERS Nonhazardous | 12.3% | 11.2% | 9.5% | $5,942 | $5,001 | $4,100 | $38 | $39 | $29 | $643 | $493 | $356 |
| KERS Hazardous | 13.6% | 11.9% | 11.1% | 1,275 | 1,120 | 1,008 | 8 | 10 | 9 | 155 | 121 | 102 |
| SPRS | 12.1% | 11.0% | 9.6% | 829 | 725 | 635 | 6 | 6 | 4 | 90 | 72 | 57 |
| **Insurance** | | | | | | | | | | | | |
| KERS Nonhazardous | 13.3% | 11.8% | 11.1% | $1,986 | $1,806 | $1,649 | $15 | $16 | $13 | $240 | $195 | $167 |
| KERS Hazardous | 13.0% | 11.2% | 11.2% | 787 | 713 | 662 | 7 | 7 | 7 | 93 | 74 | 67 |
| SPRS | 12.9% | 11.3% | 11.0% | 308 | 288 | 268 | 3 | 3 | 3 | 36 | 30 | 27 |
| **Average/Total** | **12.9%** | **11.4%** | **10.6%** | **$11,127** | **$9,653** | **$8,322** | **$77** | **$81** | **$65** | **$1,257** | **$985** | **$776** |

Asset allocation is the primary driver of long-term investment performance and is designed to achieve an optimal long-term asset mix. The investment policy statement (IPS) of the KRS board has established the following asset allocation guidelines as of June 30, 2026. See also the investment overview beginning on page 70 of the investment section.

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

## Deductions

Benefits and refunds paid for fiscal year 2026 totaled $1,241 compared to $1,217 in fiscal year 2025, a 1.97% increase, due to the slight increase in retired membership of the systems.

# SIGNIFICANT CAPITAL ASSET & LONG-TERM FINANCING ACTIVITY

KRS did not have any significant capital asset or long-term financing activity during the fiscal year.

# CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

DRAFT

House Bill (HB) 500 of the 2026 regular session appropriated $78M in FY 2027 to be used to pay down the unfunded liability of the KERS NH Plan, this money was received in July of 2026.

In addition, this same legislation, as part of the capital projects budget, allocated $15M for the planning phase of a pension administration system (PAS) technology modernization project that will span the next six years and cost approximately $75 million.

Continued legislative appropriations, including the $890M in general fund appropriations received over the past three years, coupled with strong investment experience and continued commitment to full funding of the actuarially required contributions, continues to improve the funding status of the plans of KRS as outlined in the Actuarial Highlights below.

## Actuarial Highlights

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

| Schedule of Unfunded Actuarial Accrued Liability (UAAL) As of June 30 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | KERS Nonhazardous | | | | | | KERS Hazardous | | | | | |
| | Pension | | | Insurance | | | Pension | | | Insurance | | |
| | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 |
| Actuarial Accrued Liability (AAL) | $16,993 | $16,839 | $16,648 | $2,544 | $2,475 | $2,095 | $1,546 | $1,488 | $1,443 | $428 | $420 | $380 |
| Actuarial Value of Assets | 5,543 | 4,810 | 4,122 | 1,918 | 1,818 | 1,712 | 1,168 | 1,076 | 985 | 741 | 700 | 652 |
| Unfunded Actuarial Accrued Liability (UAAL) | $11,450 | $12,029 | $12,526 | $625 | $657 | $383 | $378 | $412 | $458 | ($313) | ($279) | ($273) |
| Funded Ratio | 32.6% | 28.6% | 24.8% | 75.4% | 73.5% | 81.7% | 75.6% | 72.3% | 68.3% | 173.1% | 166.4% | 171.9% |

| Schedule of Unfunded Actuarial Accrued Liability (UAAL)<br>As of June 30 | | | | | | |
|---|---|---|---|---|---|---|
| | SPRS | | | | | |
| | Pension | | | Insurance | | |
| | 2026 | 2025 | 2024 | 2026 | 2025 | 2024 |
| **Actuarial Accrued Liability (AAL)** | $1,158 | $1,130 | $1,112 | $280 | $— | $251 |
| **Actuarial Value of Assets** | 770 | 700 | 631 | 284 | — | 263 |
| **Unfunded Actuarial Accrued Liability (UAAL)** | $388 | $431 | $481 | ($5) | $— | ($12) |
| **Funded Ratio** | 66.47% | 61.88% | 56.75% | 101.65% | 101.20% | 104.85% |

FY2027-2028 employer contribution rates for the KRS plans are as follows - KERS Hazardous 18.83%, SPRS 54.33%, KERS Nonhazardous normal cost 7.76% plus AALC of $868M.

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

## INFORMATION REQUESTS

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

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

DRAFT

# Basic Financial Statements

## Combining Statement of Fiduciary Net Position

As of June 30, 2026, with Comparative Totals as of June 30, 2025 ($ in Thousands)

| ASSETS | Pension | | | Insurance | | | KRS Total 2026 | KRS Total 2025 |
|---|---|---|---|---|---|---|---|---|
| | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS | | |
| **CASH AND SHORT-TERM INVESTMENTS** | | | | | | | | |
| Cash Deposits | $273 | $25 | $25 | $101 | $24 | $24 | $472 | $446 |
| Short-term Investments | 275,629 | 53,052 | 36,675 | 69,561 | 26,156 | 8,146 | 469,219 | 427,446 |
| **Total Cash and Short-term Investments** | **275,902** | **53,077** | **36,700** | **69,662** | **26,180** | **8,170** | **469,691** | **427,892** |
| **RECEIVABLES** | | | | | | | | |
| Accounts Receivable | 100,261 | 9,172 | 4,984 | 6,181 | 511 | 223 | 121,332 | 102,526 |
| Accounts Receivable - Investments | 75,570 | 11,721 | 10,911 | 19,789 | 6,532 | 2,634 | 127,157 | 164,726 |
| **Total Receivables** | **175,831** | **20,893** | **15,895** | **25,970** | **7,043** | **2,857** | **248,489** | **267,252** |
| **INVESTMENTS, AT FAIR VALUE** | | | | | | | | |
| Core Fixed Income | 1,623,327 | 127,938 | 226,075 | 196,037 | 78,722 | 30,307 | 2,282,406 | 1,905,672 |
| Public Equities | 1,997,271 | 580,452 | 280,803 | 901,948 | 360,106 | 137,962 | 4,258,542 | 3,574,360 |
| Private Equities | 231,464 | 60,018 | 30,605 | 96,774 | 37,225 | 16,497 | 472,583 | 472,777 |
| Specialty Credit | 1,164,651 | 314,364 | 161,972 | 486,748 | 192,261 | 76,332 | 2,396,328 | 2,125,075 |
| Derivatives | (214) | (20) | (31) | (31) | (7) | (6) | (309) | 25 |
| Real Return | 555,412 | 97,746 | 78,364 | 161,239 | 62,077 | 24,915 | 979,753 | 837,203 |
| Real Estate | 259,777 | 70,292 | 35,952 | 113,789 | 45,337 | 17,309 | 542,456 | 498,472 |
| Securities Lending Collateral | 110,387 | 23,841 | 15,436 | 29,549 | 11,714 | 4,561 | 195,488 | 239,101 |
| **Total Investments, at Fair Value** | **5,942,075** | **1,274,631** | **829,176** | **1,986,053** | **787,435** | **307,877** | **11,127,247** | **9,652,685** |
| **Total Assets** | **6,393,808** | **1,348,601** | **881,771** | **2,081,685** | **820,658** | **318,904** | **11,845,427** | **10,347,829** |
| **LIABILITIES** | | | | | | | | |
| Accounts Payable | 4,762 | 1,838 | 308 | 54 | — | — | 6,962 | 6,177 |
| Accounts Payable - Investments | 133,135 | 19,057 | 18,971 | 31,785 | 9,720 | 4,010 | 216,678 | 220,297 |
| Securities Lending Collateral | 110,387 | 23,841 | 15,436 | 29,549 | 11,714 | 4,561 | 195,488 | 239,101 |
| **Total Liabilities** | **248,284** | **44,736** | **34,715** | **61,388** | **21,434** | **8,571** | **419,128** | **465,575** |
| **Total Fiduciary Net Position Restricted for Benefits** | **$6,145,524** | **$1,303,865** | **$847,056** | **$2,020,297** | **$799,224** | **$310,333** | **$11,426,299** | **$9,882,254** |

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

DRAFT

## Combining Statement of Changes In Fiduciary Net Position

**For the fiscal year ended June 30, 2026, with Comparative Totals for the fiscal year ended June 30, 2025 ($ in Thousands)**

| | Pension | | | Insurance | | | KRS | KRS |
|---|---|---|---|---|---|---|---|---|
| | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS | Total 2026 | Total 2025 |
| **ADDITIONS** | | | | | | | | |
| Member Contributions | $110,676 | $24,057 | $5,948 | $13,765 | $2,501 | $458 | $157,405 | $147,821 |
| Employer Contributions | 165,161 | 78,568 | 56,252 | 42,315 | 2,401 | 1,823 | 346,520 | 321,062 |
| Actuarially Accrued Liability Contributions | 865,744 | — | — | 1,992 | — | — | 867,736 | 866,382 |
| General Fund Appropriations | 300,000 | — | 25,000 | — | — | — | 325,000 | 325,000 |
| Other Additions | — | — | — | 1 | — | — | 1 | 4 |
| **Total Contributions & Other Additions** | **1,441,581** | **102,625** | **87,200** | **58,073** | **4,902** | **2,281** | **1,696,662** | **1,660,269** |
| **INVESTMENT INCOME** | | | | | | | | |
| Net Appreciation in Fair Value of Investments | 488,271 | 122,689 | 67,841 | 189,366 | 74,348 | 28,845 | 971,360 | 735,500 |
| Interest/Dividends | 186,961 | 40,077 | 26,879 | 63,301 | 24,355 | 9,805 | 351,378 | 317,248 |
| Securities Lending Income | 6,471 | 1,494 | 1,024 | 2,068 | 681 | 279 | 12,017 | 13,195 |
| Less: Investment Expense | 24,857 | 6,405 | 3,570 | 9,753 | 4,914 | 1,871 | 51,370 | 50,543 |
| Less: Performance Fees | 8,568 | 1,523 | 1,156 | 3,419 | 1,116 | 406 | 16,188 | 18,410 |
| Less: Securities Lending Fees, Expenses, and Rebates | 5,373 | 1,241 | 853 | 1,692 | 548 | 226 | 9,933 | 11,891 |
| **Net Investment Income** | **642,905** | **155,091** | **90,165** | **239,871** | **92,806** | **36,426** | **1,257,264** | **985,099** |
| **Total Additions** | **2,084,486** | **257,716** | **177,365** | **297,944** | **97,708** | **38,707** | **2,953,926** | **2,645,368** |
| **DEDUCTIONS** | | | | | | | | |
| Benefit Payments | 1,056,094 | 92,087 | 72,105 | — | — | — | 1,220,286 | 1,199,334 |
| Refunds | 11,533 | 8,701 | 732 | — | — | — | 20,966 | 17,712 |
| Administrative Expenses | 14,619 | 1,733 | 325 | 558 | 104 | 77 | 17,416 | 16,972 |
| Healthcare Expenses | — | — | — | 110,961 | 22,483 | 17,769 | 151,213 | 141,906 |
| **Total Deductions** | **1,082,246** | **102,521** | **73,162** | **111,519** | **22,587** | **17,846** | **1,409,881** | **1,375,924** |
| Net Increase in Fiduciary Net Position Restricted for Benefits | 1,002,240 | 155,195 | 104,203 | 186,425 | 75,121 | 20,861 | 1,544,045 | 1,269,444 |
| **Total Fiduciary Net Position Restricted for Benefits** | | | | | | | | |
| **Beginning of Period** | **5,143,284** | **1,148,670** | **742,853** | **1,833,872** | **724,103** | **289,472** | **9,882,254** | **8,612,810** |
| **End of Period** | **$6,145,524** | **$1,303,865** | **$847,056** | **$2,020,297** | **$799,224** | **$310,333** | **$11,426,299** | **$9,882,254** |

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

DRAFT

# NOTE A. Summary of Significant Accounting Policies

## Basis Of Accounting

KRS' 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.

## Investment Unitization

DRAFT

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 Generally Accepted Accounting Principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Capital/intangible Assets

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

## Accounts Receivable

Accounts Receivable consist of amounts due from employers. Management considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary. If amounts become uncollectible,

they will be charged to operations when that determination is made. If amounts previously written off are collected, they will be credited to income when received.

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

## Benefits

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

## Expense Allocation

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

## Component Unit

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

KERS was created by the Kentucky General Assembly on July 1, 1956, pursuant to Kentucky Revised Statutes 61.515. SPRS was created by the Kentucky General Assembly on July 1, 1958, pursuant to Kentucky Revised Statutes 16.510. Six of the nine trustees are appointed by the Governor. The administrative budget of KPPA, which incorporates KRS administrative cost is subject to approval by the Kentucky General Assembly. KRS employer contribution rates are set by statute and subject to legislative approval. The methods used to determine the employer rates for KRS (KERS and SPRS) are specified in Kentucky Revised Statutes 61.565.

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

DRAFT

## Recent Accounting Pronouncements

*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 evaluated the impact of the Statement to the financial report and made appropriate changes 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 determined that since the capital assets of KRS are fully depreciated (immaterial) there is no current impact to the financial report.

*GASB Statement Number 105, Subsequent Events.* The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2027. Management is evaluating the impact of the Statement to the financial report.

# NOTE B. Description & Contribution Information

## KRS - Kentucky Retirement Systems

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

KERS was established by Kentucky Revised Statutes 61.515, to provide retirement, disability, and death benefits to system members. KERS, for financial reporting purposes, is composed of two pension Plans - KERS Nonhazardous Plan and KERS Hazardous Plan, and two corresponding OPEB Plans. Each of the Pension and OPEB plans are legally separated with benefits only eligible to be paid for each of the respective membership groups and are cost-sharing multiple-employer plans. The KERS Nonhazardous Plan was established to provide retirement benefits to all regular full-time members employed in positions of any state department, board, or agency directed by Executive Order to participate

in KERS. The membership of the KERS Hazardous Plan includes employees whose position is considered hazardous with principal job duties including, but are not limited to, active law enforcement, probation and parole officer, detective, pilots, paramedics, and emergency medical technicians, with duties that require frequent exposure to a high degree of danger and also require a high degree of physical condition.

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

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

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

## Employer Contributions

For the fiscal year ended June 30, 2026, there were 321 participating employers in KERS, and SPRS is a single employer plan. The Commonwealth is required to contribute actuarially determined rates for KERS and SPRS pensions and insurance. The KRS Board recommends the rates each year following the annual actuarial valuation, but the rates are set by the legislature within the budget bill for each biennium. The contribution rates from July 1, 2024, through June 30, 2026, were set within HB 6, passed in the 2024 Regular Legislative Session, for KERS Nonhazardous, KERS Hazardous and SPRS employers.

DRAFT

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

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

For the fiscal year ended June 30, 2026, participating employers of KERS Nonhazardous, KERS Hazardous and SPRS contributed a percentage of each employee's creditable compensation. The actuarially determined rates set by the KRS Board for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings.

| Contribution Rate Breakdown by Plan<br>As of June 30, 2026 | | | | | | |
|---|---|---|---|---|---|---|
| | Pension | | Insurance | | Combined Total | |
| Plan | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates |
| KERS Nonhazardous * | 6.99% | 6.99% | 1.45% | 1.45% | 8.44% | 8.44% |
| KERS Hazardous | 23.74% | 23.74% | —% | —% | 23.74% | 23.74% |
| SPRS | 65.79% | 65.79% | 2.31% | 2.31% | 68.10% | 68.10% |

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

## Benefit Tiers:

As of June 30, 2026, the date of the most recent actuarial valuation, membership consisted of:

| Membership as of June 30, 2026 (in Whole $) | | | | |
|---|---|---|---|---|
| Item | KERS Nonhazardous | KERS Hazardous | SPRS | KRS Total |
| **Members** | 146,916 | 20,730 | 3,487 | 171,133 |
| **Active Membership** | 34,163 | 5,268 | 865 | 40,296 |
| Tier 1 | 10,309 | 861 | 199 | 11,369 |
| Tier 2 | 4,536 | 686 | 180 | 5,402 |
| Tier 3 | 19,318 | 3,721 | 486 | 23,525 |
| **Average Annual Salary** | $63,819 | $64,765 | $84,060 | |
| **Average Age** | 45.6 | 40.1 | 36.3 | |
| **Retired Membership** | 53,011 | 5,345 | 1,814 | 60,170 |
| Tier 1 | 52,042 | 5,213 | 1,810 | 59,065 |
| Tier 2 | 813 | 103 | 1 | 917 |
| Tier 3 | 156 | 29 | 3 | 188 |
| **Average Annual Benefit** | $21,116 | $16,728 | $41,402 | |
| **Average Age** | 72.0 | 66.9 | 65.3 | |
| **Inactive Members** | 59,742 | 10,117 | 808 | 70,667 |
| Tier 1 | 30,820 | 2,149 | 249 | 33,218 |
| Tier 2 | 9,591 | 1,586 | 126 | 11,303 |
| Tier 3 | 19,331 | 6,382 | 433 | 26,146 |

DRAFT

### 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 in the Insurance Fund (see Kentucky Administrative Regulation (KAR) 105 KAR 2:420). These members are classified in the Tier 2 structure of benefits. Interest is paid each June 30 on members' accounts as of the June 30 of the previous year at a rate of 2.5%. If a member terminates employment and applies to take a refund, the member is entitled to a full refund of member contributions and interest; however, the 1% Health Insurance Contribution (HIC) to the Insurance Fund is non-refundable and is forfeited.

### TIER 3:

Members who began participating on or after January 1, 2014 are required to contribute to the Tier 3 Hybrid Cash Balance Plan. Tier 3 is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

The members' accumulated account balance consists of Employee Contributions, Employer Pay Credits, Base Interest and Upside Sharing Interest. Members contribute 5% (Nonhazardous) or 8% (Hazardous) of their creditable compensation which is deposited in their account. Tier 3 members also pay a one percent health insurance contribution which is deposited in a non-refundable trust to fund insurance benefits (see 105 KAR 2:420). When employer contributions are received, an Employer Pay Credit is deposited to the member's account. Nonhazardous members receive 4% and hazardous members receive 7.5% based on their creditable compensation. All Tier 3 members earn a 4% Base Interest annually on both the member contributions and the Employer Pay Credit. Interest is credited to a member's account each June 30, based on the account balance from the preceding June 30.

Upside Sharing Interest is an additional interest credit that may be applied to a Tier 3 account. Upside Sharing Interest is not guaranteed. The following conditions must be met before Upside Sharing Interest is credited:

- The Geometric Average Net Investment Return (GANIR) for the last five (5) years must exceed 4%.
- The member must have been active and participating in the fiscal year.

If the GANIR for the last five years exceeds 4%, the member's account will be credited with 75% of the amount of return over 4%. This credit is applied to the accumulated account balance as of June 30 of the prior fiscal year.

The GANIR is calculated for each individual plan. It is possible that the Upside Sharing Interest percentage will differ from plan to plan. It is also possible that one plan may receive Upside Sharing Interest, and another plan would not.

The chart that follows shows the interest calculated on the members' balances as of June 30, 2025, and credited to each member's account on June 30, 2026.

**(A-B) = C x 75% = D then B + D = Interest ($ in Thousands)**

| | A | B | C | D | | |
|---|---|---|---|---|---|---|
| Plan | 5-Year Geometric Average Return | Less Guarantee Rate of 4% | Upside Sharing Interest | Upside Sharing Interest X 75% = Upside Gain | Interest Rate Earned (4% + Upside) | Total Interest Credited to Member Accounts |
| KERS Nonhazardous | 6.38% | 4.00% | 2.38% | 1.79% | 5.79% | $22,461 |
| KERS Hazardous | 7.59% | 4.00% | 3.59% | 2.69% | 6.69% | $7,770 |
| SPRS | 6.89% | 4.00% | 2.89% | 2.17% | 6.17% | $1,590 |

If a Tier 3 member chooses to take a refund of their accumulated account balance, they will receive their individual retirement contributions (excluding the non-refundable HIC) plus any accumulated interest. Tier 3 members with less than 60 months of service credit are not vested, which means the refund will not include employer pay credits, base or upside sharing interest on the pay credit balance. Tier 3 members with at least 60 months of service credit are vested and will receive employer pay credits and any associated base and upside sharing interest.

## 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, 2026, insurance premiums withheld from benefit payments for KRS' members were $15.4 million and $1.5 million for KERS Nonhazardous and Hazardous, respectively; and, $0.6 million for SPRS.

**Retiree Medical Insurance Coverage (by Plan Count)**
**As of June 30, 2026**

| | Single | Couple/Family | Parent | Medicare Without Prescription | Medicare With Prescription |
|---|---|---|---|---|---|
| KERS Nonhazardous | 5,778 | 398 | 353 | 949 | 23,247 |
| KERS Hazardous | 550 | 457 | 118 | 62 | 1,915 |
| SPRS | 233 | 448 | 87 | 20 | 1,004 |
| **Total** | **6,561** | **1,303** | **558** | **1,031** | **26,166** |

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

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

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

**Portion Paid by Insurance Fund**
**As of June 30, 2026**

| Years of Service | Paid by Insurance Fund (%) |
|---|---|
| 20+ years | 100.00% |
| 15-19 years | 75.00% |
| 10-14 years | 50.00% |
| 4-9 years | 25.00% |
| Less than 4 years | 0.00% |

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

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

DRAFT

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 2026 For Member participation date on or after July 1, 2003**

| | (in Whole $) |
|---|---|
| KERS Nonhazardous | $14.41 |
| KERS Hazardous | $21.62 |
| SPRS | $21.62 |

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

## Cost Of Living Adjustment (COLA)

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

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

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

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

**Cash, Short-Term Investments, & Securities Lending Collateral**
**As of June 30, 2026 ($ in Thousands)**

| KERS Nonhazardous | Pension | Insurance |
|---|---|---|
| Cash | $273 | $101 |
| Short-Term Investments | 275,629 | 69,561 |
| Securities Lending Collateral Invested | 110,387 | 29,549 |
| **Total** | **$386,289** | **$99,211** |
| **KERS Hazardous** | **Pension** | **Insurance** |
| Cash | $25 | $24 |
| Short-Term Investments | 53,052 | 26,156 |
| Securities Lending Collateral Invested | 23,841 | 11,714 |
| **Total** | **$76,918** | **$37,894** |
| **SPRS** | **Pension** | **Insurance** |
| Cash | $25 | $24 |
| Short-Term Investments | 36,675 | 8,146 |
| Securities Lending Collateral Invested | 15,436 | 4,561 |
| **Total** | **$52,136** | **$12,731** |

DRAFT

# Note D. Investments

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

## Equity

### *Public Equity*

The public equity asset class will consist of securities such as publicly traded company stock and other securities with a similar profile. Examples include common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant exchange-traded funds ("ETFs"), and other similar securities.

This asset class is expected to provide exposure to economic growth. Public equity investments are highly liquid and can be liquidated with minimal cost.

### *Private Equity*

Private equity investments will primarily consist of investments in privately held companies. While it is expected that the majority of these assets will be invested within the United States, a portion can be allocated to non-United States private company investments. Examples of securities in this asset class include venture capital, leveraged buyouts, special situations, distressed debt, private debt, and private placements. This asset class is expected to achieve attractive risk-adjusted returns and, by definition, possesses a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. This asset class is highly illiquid.

## Fixed Income

### *Core Fixed Income*

Core fixed income investments will consist of lower-risk strategies in fixed income instruments such as government and sovereign bonds, mortgage-backed securities, investment-grade corporate bonds, and similar securities. This asset class is expected to provide steady growth and income. This asset class is considered liquid and can usually be liquidated with minimal cost.

### *Specialty Credit*

Specialty credit investments will consist of higher risk lending solutions in both public and private markets. Examples include non-investment grade U.S. and non-U.S. corporate credit (including 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, emerging market debt (including sovereign and corporate debt), direct lending, special situations, distressed debt, private debt, asset-based lending, and other similar securities. This asset class is expected to receive higher returns than core fixed income correlating with the higher degree of risk and is generally illiquid.

DRAFT

### *Cash Equivalent Securities*

Cash equivalent securities will consist of publicly traded investment grade corporate bonds, variable rate demand notes, government and agency bonds, mortgages, municipal bonds, collective short-term investment funds (“STIFs”), 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 relating to the above instruments. This asset class is highly liquid.

## Inflation Protected

### *Real Estate*

This asset class will consist of equity and debt real estate investments. Examples of real estate investments include open-end and closed end commingled real estate funds, joint ventures investments, real estate investment trusts (“REITs”), public real estate operating companies, and real estate related debt. The objectives of the real estate Portfolio are to provide the highest rate of return possible consistent with a prudent level of risk and act as a hedge against inflation. This asset class is generally illiquid.

### *Real Return*

Real return strategies consist of real assets and financial assets. Examples of real assets include infrastructure, real estate, commodities, and natural resources. Examples of financial assets include “real” bonds such as Treasury Inflation-Protected Securities (“TIPs”) and other inflation linkers.

## Investment Expenses

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

## Derivatives

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

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

In accordance with *GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments*, KRS provides additional disclosure regarding its derivatives. The charts included represent the derivatives by types as of June 30, 2026. The chart shows the change in fair value of derivative types as well as the current fair value and notional value. The notional value is the reference amount of the underlying asset times its current spot price. The Plans hold investments in options, commitments, futures, and forward foreign exchange contracts.

DRAFT

**KERS Pension and Insurance Derivative Instruments**
**As of June 30, 2026 ($ in Thousands)**

| Derivatives (by Type) | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value | Notional |
|---|---|---|---|---|
| **KERS Nonhazardous - Pension** | | | | |
| FX Spots and Forwards | ($43) | Investment | ($43) | |
| Futures | (171) | Investment | (171) | 74,369 |
| **KERS Nonhazardous - Insurance** | | | | |
| FX Spots and Forwards | ($17) | Investment | ($17) | |
| Futures | (14) | Investment | (14) | 10,075 |
| **KERS Hazardous - Pension** | | | | |
| FX Spots and Forwards | ($13) | Investment | ($13) | |
| Futures | (7) | Investment | (7) | 5,898 |
| **KERS Hazardous - Insurance** | | | | |
| FX Spots and Forwards | ($3) | Investment | ($3) | |
| Futures | (4) | Investment | (4) | 4,241 |

**SPRS Pension and Insurance Derivative Instruments**
**As of June 30, 2026 ($ in Thousands)**

| Derivatives (by Type) | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value | Notional |
|---|---|---|---|---|
| **SPRS Pension** | | | | |
| FX Spots and Forwards | ($8) | Investment | ($8) | $— |
| Futures | (23) | Investment | (23) | 10,344 |
| **SPRS Insurance** | | | | |
| FX Spots and Forwards | ($3) | Investment | ($3) | $— |
| Futures | (3) | Investment | (3) | 1,505 |

| Derivative Instruments Subject to Counterparty Credit Risk<br>As of June 30, 2026 | | | | | | | |
|---|---|---|---|---|---|---|---|
| Counterparty | S & P Ratings | KERS Percentage of Net Exposure | KERS INS Percentage of Net Exposure | KERS Haz Percentage of Net Exposure | KERS Haz INS Percentage of Net Exposure | SPRS Percentage of Net Exposure | SPRS INS Percentage of Net Exposure |
| ANZ Group Holdings Ltd | AA- | 0.11% | 0.13% | 0.03% | 0.02% | 0.02% | 0.03% |
| Bank of America Corp | A- | 0.06% | 0.11% | 0.02% | 0.04% | 0.01% | 0.02% |
| Bank of Montreal | A+ | 0.02% | —% | 0.01% | —% | —% | —% |
| Bank of New York Mellon Corp/The | A | 2.17% | 2.82% | 0.66% | 0.72% | 0.36% | 0.52% |
| Barclays PLC | BBB+ | 0.84% | 0.96% | 0.25% | 0.15% | 0.14% | 0.21% |
| Brown Brothers Harriman & Co | NR | 0.31% | 0.51% | 0.10% | 0.19% | 0.05% | 0.08% |
| Citigroup Inc | BBB+ | 1.57% | 1.83% | 0.47% | 0.29% | 0.27% | 0.40% |
| Goldman Sachs Group Inc/The | BBB+ | 1.78% | 2.08% | 0.54% | 0.33% | 0.31% | 0.46% |
| HSBC Holdings PLC | A- | 2.55% | 3.04% | 0.77% | 0.47% | 0.44% | 0.67% |
| JPMorgan Chase & Co | A | 1.77% | 2.11% | 0.54% | 0.33% | 0.30% | 0.46% |
| Morgan Stanley | A- | 0.88% | 1.05% | 0.27% | 0.16% | 0.15% | 0.23% |
| Northern Trust Corp | A+ | 0.04% | 0.07% | 0.01% | 0.02% | 0.01% | 0.01% |
| Royal Bank of Canada | AA- | 0.91% | 1.03% | 0.28% | 0.16% | 0.16% | 0.23% |
| Standard Chartered PLC | BBB+ | 2.49% | 2.98% | 0.75% | 0.47% | 0.43% | 0.65% |
| State Street Corp | A | 2.52% | 2.97% | 0.76% | 0.46% | 0.43% | 0.65% |
| Toronto-Dominion Bank/The | A+ | 0.03% | 0.04% | 0.01% | 0.01% | 0.01% | 0.01% |
| UBS Group AG | A- | 0.75% | 0.86% | 0.23% | 0.13% | 0.13% | 0.19% |
| **Total** | | **18.80%** | **22.59%** | **5.70%** | **3.95%** | **3.22%** | **4.82%** |

DRAFT

## Custodial Credit Risk For Deposits

Custodial credit risk for deposits is the risk that may occur as a result of a financial institution's failure, whereby KRS deposits may not be returned.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

a. uncollateralized,

b. collateralized with securities held by the pledging financial institution or

c. collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commonwealth's name.

As of June 30, 2026, KPPA's cash balance of $3,583.9 thousand was not exposed to custodial credit risk because this amount was collateralized fully with securities held by the depository Bank, JP Morgan, in the Retirement Systems name for $3,633.0 thousand.  KRS's portion of this cash balance was equal to $3,231.1 thousand.

## Custodial Credit Risk For Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, KRS will not be able to recover the value of an investment or collateral securities that are in the possession of an outside party. As of June 30, 2026, the currencies in the chart below were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in KERS's or SPRS's name. Below are total cash and securities held by Global Managers and consist of various currencies.

| Custodial Credit Risk for Investments<br>As of June 30, 2026 ($ in Thousands) | |
|---|---|
| **KERS** | |
| KERS Nonhazardous Pension Foreign Currency | $515,448 |
| KERS Nonhazardous Insurance Foreign Currency | 265,257 |
| KERS Hazardous Pension Foreign Currency | 161,320 |
| KERS Hazardous Insurance Foreign Currency | 102,266 |
| **SPRS** | |
| SPRS Pension Foreign Currency | 80,574 |
| SPRS Insurance Foreign Currency | $41,191 |

## Investment Summary - GASB 40 As Of June 30, 2026 ($ In Thousands)

| Investment Summary<br>As of June 30, 2026 ($ in Thousands) | Pension | | | Insurance | | |
|---|---|---|---|---|---|---|
| | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS |
| **Type** | **Fair Value** | | | **Fair Value** | | |
| Core Fixed Income | $1,623,327 | $127,938 | $226,075 | $196,037 | $78,722 | $30,307 |
| Public Equities | 1,997,271 | 580,452 | 280,803 | 901,948 | 360,106 | 137,962 |
| Private Equities | 231,464 | 60,018 | 30,605 | 96,774 | 37,225 | 16,497 |
| Specialty Credit | 1,164,651 | 314,364 | 161,972 | 486,748 | 192,261 | 76,332 |
| Derivatives | (214) | (20) | (31) | (31) | (7) | (6) |
| Real Return | 555,412 | 97,746 | 78,364 | 161,239 | 62,077 | 24,915 |
| Real Estate | 259,777 | 70,292 | 35,952 | 113,789 | 45,337 | 17,309 |
| Short-Term Investments | 275,629 | 53,052 | 36,675 | 69,561 | 26,156 | 8,146 |
| Accounts Receivable (Payable), Net | (57,565) | (7,336) | (8,060) | (11,996) | (3,188) | (1,376) |
| **Total** | **$6,049,752** | **$1,296,506** | **$842,355** | **$2,014,069** | **$798,689** | **$310,086** |

DRAFT

## Credit Risk Debt Securities

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

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

| Debt Securities - GASB 40<br>As of June 30, 2026 ($ in Thousands) | Pension | | | Insurance | | |
|---|---|---|---|---|---|---|
| Type | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS |
| AAA | $89,595 | $7,816 | $12,565 | $11,031 | $4,112 | $1,727 |
| AA+ | 9,838 | 962 | 1,398 | 4,395 | 1,684 | 701 |
| AA | 21,419 | 1,960 | 3,023 | 2,799 | 1,018 | 461 |
| AA- | 25,363 | 2,232 | 3,567 | 3,667 | 1,381 | 591 |
| A+ | 31,955 | 2,699 | 4,477 | 4,278 | 1,642 | 681 |
| A | 32,711 | 2,603 | 4,559 | 4,471 | 1,785 | 694 |
| A- | 45,046 | 3,631 | 6,285 | 5,786 | 2,289 | 904 |
| BBB+ | 58,732 | 4,784 | 8,202 | 8,044 | 3,117 | 1,273 |
| BBB | 56,695 | 6,102 | 8,120 | 9,287 | 3,031 | 1,583 |
| BBB- | 62,979 | 11,741 | 9,609 | 15,592 | 3,926 | 2,629 |
| BB+ | 41,294 | 10,918 | 6,590 | 15,319 | 4,234 | 1,869 |
| BB | 72,141 | 19,649 | 11,389 | 29,337 | 8,110 | 3,262 |
| BB- | 94,540 | 25,886 | 14,756 | 39,477 | 10,802 | 4,159 |
| B+ | 66,895 | 18,741 | 10,319 | 29,291 | 7,677 | 3,084 |
| B | 118,170 | 33,800 | 17,885 | 55,995 | 14,131 | 5,631 |
| B- | 61,310 | 17,611 | 9,235 | 29,728 | 7,443 | 2,949 |
| CCC+ | 21,952 | 5,914 | 3,427 | 9,648 | 2,721 | 965 |
| CCC | 9,312 | 2,471 | 1,465 | 4,034 | 1,179 | 404 |
| CCC- | 975 | 256 | 154 | 407 | 123 | 41 |
| CC | 144 | 38 | 23 | 60 | 18 | 6 |
| NR | 1,153,869 | 204,688 | 151,467 | 307,165 | 153,815 | 58,496 |
| WD | 20 | 6 | 3 | — | — | — |
| **Total Credit Risk Debt Securities** | **$2,074,955** | **$384,508** | **$288,518** | **$589,811** | **$234,238** | **$92,110** |
| Government Agencies | 19,014 | 1,739 | 2,678 | 1,102 | 396 | 182 |
| Government Mortgage-Backed Securities | 253,435 | 20,230 | 35,332 | 33,445 | 13,312 | 5,202 |
| Government Issued Commercial Mortgage Backed Securities | 4,970 | 625 | 726 | 3,544 | 1,266 | 589 |
| Government Collateralized Mortgage Obligations | 36,557 | 3,558 | 5,191 | 3,574 | 1,230 | 607 |
| Government Bonds | 399,047 | 31,642 | 55,602 | 51,309 | 20,541 | 7,949 |
| **Total Credit Risk Debt Securities** | **$2,787,978** | **$442,302** | **$388,047** | **$682,785** | **$270,983** | **$106,639** |

*Note: These ratings are based on Standard & Poor's (S&P) Global Ratings. Where S&P ratings are unavailable, equivalent Moody's Ratings are used as proxies.*
*Differences due to rounding.*
*Government Agencies, Government Mortgage-Backed Securities, Government Issued Commercial Mortgage Backed Securities, Government Collateralized Mortgage Obligations and Government Bonds are highly rated securities since they are backed by the US Government.*
*The NR reported indicates a rating has not been assigned.*

DRAFT

## Concentration Of Credit Risk Debt Securities

Concentration of credit risk for debt securities is the risk of loss attributed to the magnitude of an entity's exposure in a single issuer. The total debt securities portfolio is managed using the following general guidelines adopted by the KRS Board: bonds, notes, or other obligations issued or guaranteed by the U.S. Government, its agencies, or instrumentalities are permissible investments and may be held without restrictions. The amount invested in the debt of a single issuer shall not exceed 5% of the total fair value of the Plans' fixed income assets. As of June 30, 2026, KRS was in compliance with this guideline.

## 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, 2026 ($ in Thousands)**

| | Pension | | | | Insurance | | | |
|---|---|---|---|---|---|---|---|---|
| Type | Fair Value | Weighted Avg Modified Duration | Fair Value | Weighted Avg Modified Duration | Fair Value | Weighted Avg Modified Duration | Fair Value | Weighted Avg Modified Duration |
| **KERS** | **Nonhazardous** | | **Hazardous** | | **Nonhazardous** | | **Hazardous** | |
| Asset Backed Securities | $82,725 | 2.4 | $7,706 | 2.3 | $12,178 | 2.2 | $4,421 | 2.2 |
| Financial Institutions | 222,526 | 3.2 | 44,404 | 2.4 | 73,478 | 2.2 | 19,488 | 2.5 |
| Collateralized Mortgage Obligations | 37,543 | 4.4 | 3,857 | 4.1 | 5,749 | 3.9 | 1,925 | 4.1 |
| Commercial Mortgage Backed Securities | 34,989 | 4.4 | 3,209 | 4.2 | 5,171 | 4.3 | 1,895 | 4.4 |
| Corporate Bonds - Industrial | 518,220 | 4.0 | 115,827 | 3.3 | 177,483 | 3.2 | 49,997 | 3.5 |
| Corporate Bonds - Utilities | 76,899 | 8.8 | 11,808 | 11.4 | 18,086 | 12.7 | 5,517 | 11.0 |
| Agencies | 19,014 | 5.7 | 1,738 | 5.5 | 2,827 | 5.6 | 1,060 | 5.6 |
| Government Bonds - Sovereign Debt | 8,795 | 6.8 | 800 | 6.6 | 1,310 | 7.0 | 480 | 7.0 |
| Mortgage Back Securities Pass-through - Not CMO's | 257,079 | 5.3 | 20,559 | 5.3 | 33,445 | 5.3 | 13,312 | 5.3 |
| Local Authorities - Municipal Bonds | 19,316 | 6.0 | 1,957 | 6.4 | 3,111 | 6.2 | 1,073 | 6.0 |
| Supranational - Multi-National Bonds | 761 | 2.6 | 230 | 2.6 | 278 | 2.7 | 44 | 2.7 |
| Treasuries | 406,662 | 7.0 | 33,947 | 6.8 | 54,081 | 6.8 | 20,974 | 6.9 |
| Unclassified | 1,103,449 | 0.0 | 196,260 | 0.0 | 295,588 | 0.0 | 150,797 | 0.0 |
| **Total** | **$2,787,978** | **3.0** | **$442,302** | **2.4** | **$682,785** | **2.4** | **$270,983** | **2.0** |

**Interest Rate Risk - Modified Duration**
**As of June 30, 2026 ($ in Thousands)**

DRAFT

| SPRS | Pension | | Insurance | |
|---|---|---|---|---|
| Type | Fair Value | Weighted Avg Modified Duration | Fair Value | Weighted Avg Modified Duration |
| Asset Backed Securities | $11,587 | 2.4 | $1,801 | 2.4 |
| Financial Institutions | 32,703 | 3.2 | 8,644 | 2.6 |
| Collateralized Mortgage Obligations | 5,360 | 4.3 | 990 | 3.8 |
| Commercial Mortgage Backed Securities | 4,939 | 4.4 | 847 | 4.2 |
| Corporate Bonds - Industrial | 78,453 | 4.0 | 19,835 | 3.4 |
| Corporate Bonds - Utilities | 11,229 | 8.7 | 2,380 | 10.8 |
| Agencies | 2,678 | 5.7 | 433 | 5.6 |
| Government Bonds - Sovereign Debt | 1,240 | 6.8 | 215 | 7.0 |
| Mortgage Back Securities Pass-through - Not CMO's | 35,846 | 5.3 | 5,202 | 5.3 |
| Local Authorities - Municipal Bonds | 2,754 | 6.0 | 527 | 6.4 |
| Supranational - Multi-National Bonds | 131 | 2.6 | 61 | 2.7 |
| Treasuries | 56,913 | 6.9 | 8,556 | 6.7 |
| Unclassified | 144,214 | 0.0 | 57,148 | 0.0 |
| **Total** | **$388,047** | **3.1** | **$106,639** | **2.1** |

## Foreign Currency Risk

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

| Foreign Currency Risk<br>As of June 30, 2026 ($ in Thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | Pension | | | Insurance | | |
| Type | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS |
| Australian Dollar | $7,175 | $2,225 | $1,151 | $3,441 | $1,159 | $545 |
| Brazilian Real | 15,222 | 4,741 | 2,407 | 8,128 | 2,938 | 1,220 |
| Canadian Dollar | 24,964 | 7,778 | 3,943 | 12,770 | 4,645 | 1,908 |
| Czech Koruna | 188 | 57 | 32 | 71 | 11 | 16 |
| Danish Krone | 6,136 | 1,915 | 964 | 3,321 | 1,234 | 487 |
| Egyptian Pound | 302 | 94 | 47 | 133 | 49 | 19 |
| Euro | 133,767 | 42,437 | 20,400 | 64,706 | 28,691 | 11,439 |
| Hong Kong Dollar | 37,605 | 11,736 | 5,910 | 20,104 | 7,468 | 2,951 |
| Hungarian Forint | 3,074 | 959 | 483 | 1,683 | 625 | 247 |
| Indian Rupee | 16,986 | 5,290 | 2,687 | 9,015 | 3,249 | 1,357 |
| Indonesian Rupiah | 1,080 | 334 | 175 | 539 | 176 | 87 |
| Israeli Shekel | 5,318 | 1,660 | 836 | 2,756 | 1,024 | 405 |
| Japanese Yen | 79,062 | 24,644 | 12,473 | 40,913 | 14,944 | 6,091 |
| Malaysian Ringgit | 2,926 | 906 | 472 | 1,350 | 438 | 219 |
| Mexican Peso | (84) | (17) | (27) | 103 | 112 | (10) |
| New Taiwan Dollar | 48,083 | 15,006 | 7,557 | 25,671 | 9,536 | 3,768 |
| New Zealand Dollar | 3,256 | 985 | 561 | 1,217 | 190 | 267 |
| Norwegian Krone | 1,755 | 537 | 292 | 768 | 199 | 142 |
| Philippine Peso | 1,343 | 406 | 231 | 492 | 77 | 108 |
| Polish Zloty | 1,690 | 527 | 266 | 805 | 299 | 118 |
| Pound Sterling | 37,686 | 11,672 | 5,884 | 20,355 | 7,844 | 2,897 |
| Romanian Leu | 348 | 109 | 55 | 186 | 69 | 27 |
| Singapore Dollar | 3,365 | 1,060 | 514 | 1,815 | 756 | 239 |
| South African Rand | 1,715 | 535 | 270 | 870 | 323 | 128 |
| South Korean Won | 44,115 | 13,750 | 6,961 | 23,500 | 8,578 | 3,500 |
| Swedish Krona | 9,453 | 2,950 | 1,486 | 5,065 | 1,882 | 744 |
| Swiss Franc | 21,192 | 6,613 | 3,331 | 11,115 | 4,129 | 1,631 |
| Thai Baht | 4,878 | 1,522 | 767 | 2,826 | 1,050 | 415 |
| Turkish Lira | 1,981 | 618 | 311 | 1,079 | 401 | 158 |
| UAE Dirham | 867 | 271 | 136 | 460 | 171 | 68 |
| **Total Foreign Investment Securities** | **515,448** | **161,320** | **80,575** | **265,257** | **102,267** | **41,191** |
| U.S. Dollar | 5,534,304 | 1,135,186 | 761,780 | 1,748,812 | 696,422 | 268,894 |
| **Total Investment Securities** | **$6,049,752** | **$1,296,506** | **$842,355** | **$2,014,069** | **$798,689** | **$310,085** |

DRAFT

## Fair Value Measurement And Applications (GASB 72)

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

## KRS Defined The Fair Value Hierarchy And Levels As Follows:

### Level 1

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

### Level 2

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

## Level 3

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

## Net Asset Value (NAV)

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

DRAFT

## Fair Value Measurements and Application - Pension

As of June 30, 2026 ($ in Thousands)

| | KERS Nonhazardous | | | Total | KERS Hazardous | | | Total | SPRS | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Level | | | | Level | | | | Level | | | |
| Asset Type | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Value |
| **Public Equity** | | | | | | | | | | | | |
| Emerging Markets | $101,738 | $— | $— | $101,738 | $31,750 | $— | $— | **$31,750** | $15,990 | $— | $— | **$15,990** |
| US Equity | 1,260,378 | 5 | — | **1,260,383** | 358,157 | 1 | — | **358,158** | 177,331 | 1 | — | **177,332** |
| Non-US Equity | 452,662 | — | — | **452,662** | 141,752 | — | — | **141,752** | 71,387 | — | — | **71,387** |
| **Total Public Equity** | **1,814,778** | **5** | **—** | 1,814,783 | **531,659** | **1** | **—** | 531,660 | **264,708** | **1** | **—** | 264,709 |
| **Fixed Income** | | | | | | | | | | | | |
| Agencies | — | 7,141 | — | **7,141** | — | 563 | — | **563** | — | 995 | — | **995** |
| Asset-Backed | — | 69,670 | — | **69,670** | — | 6,979 | — | **6,979** | — | 9,812 | — | **9,812** |
| Bank & Finance | 5,445 | 102,876 | 190,782 | **299,103** | 1,214 | 12,554 | 57,780 | **71,548** | 611 | 14,940 | 28,109 | **43,660** |
| Cash & Cash Equivalent | — | 4,615 | — | **4,615** | — | 794 | — | **794** | — | 775 | — | **775** |
| Corporate | 500,993 | 590,162 | 2,252 | **1,093,407** | 42,372 | 108,985 | 682 | **152,039** | 73,061 | 88,877 | 326 | **162,264** |
| Healthcare | — | 25,317 | — | **25,317** | — | 2,842 | — | **2,842** | — | 3,625 | — | **3,625** |
| Insurance | — | 3,311 | — | **3,311** | — | 302 | — | **302** | — | 467 | — | **467** |
| Municipals | — | 17,062 | — | **17,062** | — | 1,345 | — | **1,345** | — | 2,376 | — | **2,376** |
| Sovereign Debt | — | 20,435 | — | **20,435** | — | 4,064 | — | **4,064** | — | 3,206 | — | **3,206** |
| US Government | 403,302 | 270,740 | — | **674,042** | 31,979 | 21,628 | — | **53,607** | 56,195 | 37,748 | — | **93,943** |
| **Total Fixed Income** | **909,740** | **1,111,329** | **193,034** | 2,214,103 | **75,565** | **160,056** | **58,462** | 294,083 | **129,867** | **162,821** | **28,435** | 321,123 |
| **Derivatives** | | | | | | | | | | | | |
| Foreign Exchange | — | (43) | | **(43)** | | (13) | — | **(13)** | — | (7) | — | **(7)** |
| Futures | (171) | — | — | **(171)** | (7) | — | — | **(7)** | (23) | — | — | **(23)** |
| **Total Derivatives** | **(171)** | **(43)** | **—** | (214) | **(7)** | **(13)** | **—** | (20) | **(23)** | **(7)** | **—** | (30) |
| **Private Equity** | **49,964** | **—** | **—** | 49,964 | **7,845** | **—** | **—** | 7,845 | **10,375** | **—** | **—** | 10,375 |
| **Real Estate ETFs** | **58,145** | **—** | **—** | 58,145 | **20,589** | **—** | **—** | 20,589 | **2,754** | **—** | **—** | 2,754 |
| **Real Return** | **284,532** | **—** | **—** | 284,532 | **48,259** | **—** | **—** | 48,259 | **33,045** | **—** | **—** | 33,045 |
| **Total Investments at Fair Value** | **3,116,988** | **1,111,291** | **193,034** | 4,421,313 | **683,910** | **160,044** | **58,462** | 902,416 | **440,726** | **162,815** | **28,435** | 631,976 |
| **Investments Measured at NAV** | | | | | | | | | | | | |
| **Specialty Credit** | **—** | **—** | **—** | **632,718** | **—** | **—** | **—** | **165,074** | **—** | **—** | **—** | **78,916** |
| **Private Equity** | **—** | **—** | **—** | **188,773** | **—** | **—** | **—** | **51,350** | **—** | **—** | **—** | **19,178** |
| **Real Estate** | **—** | **—** | **—** | **202,595** | **—** | **—** | **—** | **50,045** | **—** | **—** | **—** | **33,244** |
| **Real Return** | **—** | **—** | **—** | **287,627** | **—** | **—** | **—** | **52,251** | **—** | **—** | **—** | **48,012** |
| **Fixed Income** | **—** | **—** | **—** | **38,501** | **—** | **—** | **—** | **3,034** | **—** | **—** | **—** | **5,362** |
| **Non US Equity** | **—** | **—** | **—** | **182,575** | **—** | **—** | **—** | **49,290** | **—** | **—** | **—** | **16,343** |
| **Emerging Markets** | **—** | **—** | **—** | **3,384** | **—** | **—** | **—** | **1,056** | **—** | **—** | **—** | **532** |
| **US Equity** | **—** | **—** | **—** | **12,067** | **—** | **—** | **—** | **3,731** | **—** | **—** | **—** | **1,880** |
| **Total Investments Measured at NAV** | **—** | **—** | **—** | 1,548,240 | **—** | **—** | **—** | 375,831 | **—** | **—** | **—** | 203,467 |
| **Cash and Accruals** | **—** | **—** | **—** | **80,198** | **—** | **—** | **—** | **18,260** | **—** | **—** | **—** | **6,912** |

DRAFT

## Fair Value Measurements and Application - Pension

**As of June 30, 2026 ($ in Thousands)**

| | KERS Nonhazardous | | | Total | KERS Hazardous | | | Total | SPRS | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Level | | | | Level | | | | Level | | | |
| Asset Type | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Value |
| **Total Investments** | **$3,116,988** | **$1,111,291** | **$193,034** | **$6,049,751** | **$683,910** | **$160,044** | **$58,462** | **$1,296,507** | **$440,726** | **$162,815** | **$28,435** | **$842,355** |

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

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

DRAFT

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

**Fair Value Measurements and Application - Pension**
**As of June 30, 2026 ($ in Thousands)**

| | KERS Nonhazardous | | | | KERS Hazardous | | | | SPRS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit [1] | $632,718 | $102,380 | Daily - Quarterly | 90 Days | $165,074 | $29,281 | Daily - Quarterly | 90 Days | $78,916 | $10,431 | Daily - Quarterly | 90 Days |
| Real Estate [2] | 202,595 | 2,690 | | | 50,045 | 8,031 | | | 33,244 | 2,592 | | |
| Real Return [3] | 287,627 | 164,300 | Daily | 30 - 60 Days | 52,251 | 38,946 | Daily | 30 - 60 Days | 48,012 | 24,503 | Daily | 30 - 60 Days |
| Private Equity [4] | 188,773 | 130,126 | | | 51,350 | 26,067 | | | 19,178 | 22,438 | | |
| Fixed Income [5] | 38,501 | | Daily | | 3,034 | | Daily | | 5,362 | | Daily | |
| Non US Equity [5] | 182,575 | | Daily | | 49,290 | | Daily | | 16,343 | | Daily | |
| Emerging Markets [5] | 3,384 | | Daily | | 1,056 | | Daily | | 532 | | Daily | |
| US Equity [5] | 12,067 | | Daily | | 3,731 | | Daily | | 1,880 | | Daily | |
| **Total Investments Measured at NAV** | **$1,548,240** | **$399,496** | | | **$375,831** | **$102,325** | | | **$203,467** | **$59,964** | | |

*(1) This type includes 15 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 21 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 31 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

## Fair Value Measurements and Application - Insurance

As of June 30, 2026 ($ in Thousands)

| | KERS Nonhazardous | | | Total | KERS Hazardous | | | Total | SPRS | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Level | | | | Level | | | | Level | | | |
| Asset Type | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value | 1 | 2 | 3 | Fair Value |
| **Public Equity** | | | | | | | | | | | | |
| Emerging Markets | $55,494 | $— | $— | **$55,494** | $20,615 | $— | $— | **$20,615** | $8,145 | $— | $— | **$8,145** |
| US Equity | 512,497 | 2 | 601 | **513,100** | 206,902 | 1 | 23,456 | **230,359** | 79,427 | — | 9,844 | **89,271** |
| Non-US Equity | 240,535 | — | — | **240,535** | 89,355 | — | — | **89,355** | 35,306 | — | — | **35,306** |
| **Total Public Equity** | **808,526** | **2** | **601** | **809,129** | **316,872** | **1** | **23,456** | **340,329** | **122,878** | **—** | **9,844** | **132,722** |
| **Fixed Income** | | | | | | | | | | | | |
| Agencies | — | 933 | — | **933** | — | 375 | — | **375** | — | 144 | — | **144** |
| Asset-Backed | — | 10,946 | — | **10,946** | — | 3,799 | — | **3,799** | — | 1,641 | — | **1,641** |
| Bank & Finance | — | 16,769 | 103,038 | **119,807** | — | 5,411 | 23,162 | **28,573** | — | 2,807 | 10,626 | **13,433** |
| Cash & Cash Equivalent | — | 1,164 | — | **1,164** | — | 607 | — | **607** | — | 140 | — | **140** |
| Corporate | 101,120 | 159,820 | 132,321 | **393,261** | 40,369 | 49,940 | 70,041 | **160,350** | 15,671 | 19,270 | 26,129 | **61,070** |
| Healthcare | — | 4,447 | — | **4,447** | — | 1,549 | — | **1,549** | — | 643 | — | **643** |
| Insurance | — | 491 | — | **491** | — | 179 | — | **179** | — | 81 | — | **81** |
| Municipals | — | 2,337 | — | **2,337** | — | 938 | — | **938** | — | 361 | — | **361** |
| Sovereign Debt | — | 5,239 | — | **5,239** | — | 1,117 | — | **1,117** | — | 1,070 | — | **1,070** |
| US Government | 51,675 | 35,316 | — | **86,991** | 20,687 | 14,059 | — | **34,746** | 8,006 | 5,492 | — | **13,498** |
| **Total Fixed Income** | **152,795** | **237,462** | **235,359** | **625,616** | **61,056** | **77,974** | **93,203** | **232,233** | **23,677** | **31,649** | **36,755** | **92,081** |
| **Derivatives** | | | | | | | | | | | | |
| Foreign Exchange | — | (17) | — | **(17)** | — | (3) | — | **(3)** | — | (4) | — | **(4)** |
| Futures | (14) | — | — | **(14)** | (4) | — | — | **(4)** | (3) | — | — | **(3)** |
| **Total Derivatives** | **(14)** | **(17)** | **—** | **(31)** | **(4)** | **(3)** | **—** | **(7)** | **(3)** | **(4)** | **—** | **(7)** |
| **Private Equity** | **34,652** | **—** | **—** | **34,652** | **1** | **—** | **—** | **1** | **1** | **—** | **—** | **1** |
| **Real Estate ETFs** | **11,534** | | **5,210** | **16,744** | **—** | **4,467** | | **4,467** | **—** | **—** | **1,674** | **1,674** |
| **Real Return** | **49,220** | **—** | **—** | **49,220** | **21,693** | **—** | **—** | **21,693** | **8,621** | **—** | **—** | **8,621** |
| **Total Investments at Fair Value** | **1,056,713** | **237,447** | **241,170** | **1,535,330** | **399,618** | **77,972** | **121,126** | **598,716** | **155,174** | **31,645** | **48,273** | **235,092** |
| **Investments Measured at NAV** | | | | | | | | | | | | |
| **Specialty Credit** | **—** | **—** | **—** | **124,527** | **—** | **—** | **—** | **63,248** | **—** | **—** | **—** | **24,129** |
| **Private Equity** | **—** | **—** | **—** | **68,240** | **—** | **—** | **—** | **36,743** | **—** | **—** | **—** | **16,356** |
| **Real Estate** | **—** | **—** | **—** | **103,229** | **—** | **—** | **—** | **34,878** | **—** | **—** | **—** | **13,340** |
| **Real Return** | **—** | **—** | **—** | **107,791** | **—** | **—** | **—** | **22,732** | **—** | **—** | **—** | **8,812** |
| **Fixed Income** | **—** | **—** | **—** | **4,246** | **—** | **—** | **—** | **1,705** | **—** | **—** | **—** | **656** |
| **Non US Equity** | **—** | **—** | **—** | **47,981** | **—** | **—** | **—** | **26,544** | **—** | **—** | **—** | **8,369** |
| **Emerging Markets** | **—** | **—** | **—** | **1,924** | **—** | **—** | **—** | **715** | **—** | **—** | **—** | **282** |
| **US Equity** | **—** | **—** | **—** | **5,426** | **—** | **—** | **—** | **2,177** | **—** | **—** | **—** | **836** |
| **Total Investments Measured at NAV** | **—** | **—** | **—** | **463,364** | **—** | **—** | **—** | **188,742** | **—** | **—** | **—** | **72,780** |
| **Cash and Accruals** | **—** | **—** | **—** | **15,375** | **—** | **—** | | **11,230** | **—** | **—** | **—** | **2,214** |
| **Total Investments** | **$1,056,71** | **$237,447** | **$241,170** | **$2,014,069** | **$399,618** | **$77,972** | **$121,126** | **$798,688** | **$155,174** | **$31,645** | **$48,273** | **$310,086** |

*Note: The fair value hierarchies do not reflect cash and accruals thus totals differ from the Investment Summaries.*
*Note: Cash Equivalents include publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages; municipal bonds; Short Term Investment Funds (STIF); money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper); and repurchase agreements.*

DRAFT

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

**Fair Value Measurements and Application - Insurance**
**As of June 30, 2026 ($ in Thousands)**

| | KERS Nonhazardous | | | | KERS Hazardous | | | | SPRS | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Asset Type | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit [1] | $124,527 | $42,344 | Daily - Quarterly | 90 Days | $63,248 | $15,851 | Daily - Quarterly | 90 Days | $24,129 | $6,943 | Daily - Quarterly | 90 Days |
| Real Estate [2] | 103,229 | 1,043 | | | 34,878 | 4,439 | | | 13,340 | 2,574 | | |
| Real Return [3] | 107,791 | 52,704 | Daily | 30 - 60 Days | 22,732 | 12,475 | Daily | 30 - 60 Days | 8,812 | 7,061 | Daily | 30 - 60 Days |
| Private Equity [4] | 68,240 | 25,032 | | | 36,743 | 11,488 | | | 16,356 | 3,649 | | |
| Fixed Income [5] | 4,246 | | Daily | | 1,705 | | Daily | | 656 | | Daily | |
| Non US Equity [5] | 47,981 | | Daily | | 26,544 | | Daily | | 8,369 | | Daily | |
| Emerging Markets [5] | 1,924 | | Daily | | 715 | | Daily | | 282 | | Daily | |
| US Equity [5] | 5,426 | | Daily | | 2,177 | | Daily | | 836 | | Daily | |
| **Total Investments Measured at NAV** | **$463,364** | **$121,123** | | | **$188,742** | **$44,253** | | | **$72,780** | **$20,227** | | |

*(1) This type includes 15 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 21 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 31 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

## Money-weighted Rates Of Return

In accordance with *GASB Statement No. 67, Financial Reporting for Pension Plans, and GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, KRS provides this additional disclosure regarding its money-weighted rate of return for the period of June 30, 2026. 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, 2026 | | | | | | |
|---|---|---|---|---|---|---|
| | Pension | | | Insurance | | |
| | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS |
| **2026** | 12.3% | 13.6% | 12.1% | 13.3% | 13.0% | 12.9% |

# Note E. Securities Lending Transactions

Kentucky Revised Statutes 61.650 and 386.020(2) permit the Systems to lend their securities to broker-dealers and other entities. KRS utilizes a securities lending program to temporarily lend securities to qualified agents in exchange for either cash collateral or other securities with an initial fair value of 102% or 105% of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral. The types of securities lent include U.S. Treasuries, U.S. Agencies, U.S. Corporate Bonds, U.S. Equities, Global Fixed Income Securities, and Global Equities Securities. Securities Lending transactions are accounted for in accordance with *GASB Statement No. 28*. The net earnings for KERS (Pension and Insurance combined) and SPRS (Pension and Insurance combined) was $1.9 million and $0.2 million, respectively.

DRAFT

The IPS does not address any restrictions on the amount of loans that can be made. As of June 30, 2026, KRS had no credit risk exposure to borrowers because the collateral amounts received exceeded the amounts out on loan. The contracts with the custodial bank require them to indemnify KRS if the borrowers fail to return the securities and one or both of the custodial banks have failed to live up to their contractual responsibilities relating to the lending of securities.

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

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

As of June 30, 2026, the average days to maturity for loans was one day, and the weighted average investment maturity of cash collateral investments was one day. The trusts had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts the borrowers owed the trust, and no losses resulted during the period.

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

As of June 30, 2026, the cash collateral received for the securities on loan totaled $195.5 million and $741.3 million in non-cash collateral. See the below chart for individual plan totals.

| Securities Lending Collateral<br>As of June 30, 2026 ($ in Thousands) | KERS Nonhazardous Pension | KERS Nonhazardous Insurance | KERS Hazardous Pension | KERS Hazardous Insurance | SPRS Pension | SPRS Insurance | KRS Total |
|---|---|---|---|---|---|---|---|
| Cash Collateral | $110,386 | $29,549 | $23,841 | $11,714 | $15,436 | $4,561 | $195,487 |
| Non-Cash Collateral | $384,029 | $142,287 | $82,940 | $56,405 | $53,701 | $21,963 | $741,325 |

# Note F. Risk of Loss

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

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

Claims for job-related illnesses or injuries to employees are insured by the state's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations. All necessary 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, subject to the maximum average weekly wage set by the Department of Workers' Claims. 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.

DRAFT

# Note G. Contingencies

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

# Note H. Income Tax Status

The Internal Revenue Service (IRS) has ruled that KERS and SPRS qualify under Section 401(a) of the Internal Revenue Code as tax exempt. KERS and SPRS are subject to income tax on any unrelated business income (UBI).

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

The following details actuarial information and assumptions utilized in determining the unfunded (overfunded) actuarial accrued liabilities for KRS. Please note that calculations for Total Pension Liability (TPL), net fiduciary position, Net Pension Liability (NPL), total OPEB liability, net OPEB fiduciary position, and Net OPEB Liability (NOL) are reported in the Plans' Required Supplementary Information (RSI) beginning on page 53 are based on June 30, 2025, actuarial valuations, rolled forward to June 30, 2026. 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, 2026, in accordance with *GASB Statement No.67*, paragraph 37, and *GASB Statement No. 74*, paragraph 41.

# Financial Reporting For Pension Plans (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, 2025. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2026, using generally accepted actuarial principles. GRS will provide separate reports at a later date with additional accounting information determined in accordance with *GASB Statement No. 68*, *Accounting and Financial Reporting for Pensions*.

## Assumptions

Below is a summary of the principal assumptions used for the June 30, 2025, actuarial valuation:

- Investment Return - 6.25% for KERS Hazardous, 5.25% for KERS Nonhazardous and SPRS.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, and 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013- June 30, 2022, projected with the ultimate rates from MP-2020 mortality improvement scale. The experience study took place through June 30, 2022, and was adopted in May of 2023.

## Plan Provisions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2025.

DRAFT

## Discount Rate

Single discount rates of 5.25% for the nonhazardous and SPRS plans and 6.25% for the hazardous plan were used to measure the total pension liability for the fiscal year ending June 30, 2026. This single discount rate was based on the expected rate of return on pension plan investments for each plan. Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be sufficient to finance all the future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability for each plan.

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

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

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

## Additional Disclosures

This disclosure is based upon information, furnished to GRS by the Kentucky Public Pensions Authority (KPPA), which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but they did apply a number of tests and concluded that it was reasonable and consistent. GRS is not responsible for the accuracy or completeness of the information provided by KPPA. Please see the "Actuarial Valuation Report as of June 30, 2025" 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, 2026.

# 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, 2026. 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, 2025. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2026, using generally accepted actuarial principles.

## Assumptions

The discount rates used to calculate the total OPEB liability decreased from 6.25% to 6.22% for the KERS Nonhazardous plan and from 6.20% to 6.17% for the KERS Hazardous plan and remained at 6.24% for the SPRS 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, 2025, valuation process and was updated to better reflect the plan's anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

The Total OPEB Liability as of June 30, 2026, is determined using these updated assumptions.

Below is a summary of the principal assumptions used for the June 30, 2025, actuarial valuation:

- Investment Return - 6.50% for all plans.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0.00% for all plans.
- Mortality - System-specific mortality table based on mortality experience study through June 30, 2022, adopted May 2023 per the Actuarial Section.
- 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.

DRAFT

## Plan Provisions

There have been no plan provision changes that would materially impact the total OPEB liability since June 30, 2025.

## Implicit Employer Subsidy for Non-Medicare Retirees

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. *GASB Statement No. 74* requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

## Discount Rates

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2026.

| Plan | Fiscal Year 2026 | Fiscal Year 2025 | Change in Rate |
|---|---|---|---|
| KERS Nonhazardous | 6.22% | 6.25% | (0.03%) |
| KERS Hazardous | 6.17% | 6.20% | (0.03%) |
| SPRS | 6.24% | 6.24% | —% |

They are based on the expected rate of return on OPEB plan investments of 6.50% and municipal bond rate of 4.67% as reported in Bond Buyer's "20-Bond Go index" as of June 30, 2026.

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

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

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

Based on guidance issued by GASB in connection with *GASB Statement No. 74*, the 1% of pay Tier 2 and Tier 3 members contribute to a 401(h) subaccount is considered an OPEB asset. As a result, the reported fiduciary net positions as of June 30, 2017, and later are net of the 401(h) asset balance in the respective pension plans and are included in the OPEB fiduciary net position amounts in the below tables. Additionally, these member contributions and associated investment income and administrative expenses are included in the reconciliation of the fiduciary net position.

DRAFT

### Additional Disclosures[1]

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, 2025, " 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, 2026.

## 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.*

## Target Asset Allocation

**As of June 30, 2026**

| Asset Class | KERS Nonhazardous and SPRS Pension Plans Target Allocation | Long-Term Expected Real Rate of Return | KERS Hazardous and all KRS Insurance Plans Target Allocation | Long-Term Expected Real Rate of Return |
|---|---|---|---|---|
| **Equity** | | | | |
| Public Equity | 30.00% | 4.60% | 40.00% | 4.60% |
| Private Equity | 6.00% | 8.35% | 8.00% | 8.35% |
| **Fixed Income** | | | | |
| Core Fixed Income | 27.00% | 2.95% | 10.00% | 2.95% |
| Specialty Credit | 20.00% | 4.05% | 25.00% | 4.05% |
| Cash | 2.00% | 1.00% | 2.00% | 1.00% |
| **Inflation Protected** | | | | |
| Real Estate | 5.00% | 4.85% | 7.00% | 4.85% |
| Real Return | 10.00% | 5.25% | 8.00% | 5.25% |
| **Total** | **100.00%** | **4.28%** | **100.00%** | **4.60%** |

*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 2026) for each asset class.*

## Sensitivity of the NPL to Changes in the Discount Rate Fiscal Year 2026

**As of June 30, 2026 ($ in Thousands)**

| | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| | **Current 5.25%** | **Current 6.25%** | **Current 5.25%** |
| 1% Decrease | $12,785,226 | $417,053 | $434,292 |
| Current Discount Rate | 10,801,479 | 226,707 | 290,444 |
| 1% Increase | $9,157,014 | $77,673 | $171,931 |

DRAFT

## Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate and Healthcare Trend Rate

**As of June 30, 2026 ($ in Thousands)**

| | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| | **Single 6.22%** | **Single 6.17%** | **Single 6.24%** |
| **Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate** | | | |
| 1% Decrease | $1,327,002 | ($244,419) | $31,767 |
| Single Discount Rate | 971,677 | (308,400) | (4,161) |
| 1% Increase | $673,610 | ($361,054) | ($34,018) |
| **Sensitivity of the Net OPEB Liability (Asset) to Changes in the Current Healthcare Cost Trend Rate** | | | |
| 1% Decrease | $705,676 | ($351,568) | ($32,374) |
| Current Healthcare Cost Trend Rate | 971,677 | (308,400) | (4,161) |
| 1% Increase | $1,283,483 | ($256,976) | $29,313 |

## Development of Single Discount Rate for OPEB

**As of June 30, 2026**

| | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| Single Discount Rate | 6.22% | 6.17% | 6.24% |
| Long-Term Expected Rate of Return | 6.50% | 6.50% | 6.50% |
| Long-Term Municipal Bond Rate [1] | 4.67% | 4.67% | 4.67% |

*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 as of June 30, 2026.*

| Schedule of Employers' NPL<br>As of June 30, 2026 ($ in Thousands) | KERS Hazardous | KERS Nonhazardous | SPRS |
|---|---|---|---|
| Total Pension Liability (TPL) | $16,855,159 | $1,517,921 | $1,135,751 |
| Plan Fiduciary Net Position | $6,053,680 | $1,291,214 | $845,307 |
| Net Pension Liability | $10,801,479 | $226,707 | $290,444 |
| Ratio of Plan Fiduciary Net Position to TPL | 35.92% | 85.06% | $1 |
| Covered Payroll [1] | $2,226,064 | $318,070 | $74,615 |
| Net Pension Liability as a Percentage of Covered Payroll | 485.23% | 71.28% | 389.26% |

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

| Schedule of the Employers' Net OPEB Liability<br>As of June 30, 2026 ($ 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 (Asset) as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| KERS Nonhazardous[1] | $3,083,818 | $2,112,141 | $971,677 | 68.49% | $2,223,349 | 43.70% |
| KERS Hazardous[2] | $503,476 | $811,876 | ($308,400) | 161.25% | $318,070 | (96.96%) |
| SPRS[1] | $307,921 | $312,082 | ($4,161) | 101.35% | $77,564 | (5.36%) |

*(1) Covered Payroll is based on derived compensation using the provided employer contribution information.*

*(2) Covered Payroll is based on derived compensation using the provided employer contribution information. For 2021-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plans for FYE 2021-2026.*

# Note J. Legislation

DRAFT

## 2026 Regular Session

The 2026 Regular Session of the Kentucky General Assembly adjourned on Wednesday, April 15, 2026. Highlights from the Session include the following:

## BILLS OF DIRECT INTEREST TO KRS MEMBERS AND RETIREES

### Senate Bill 85: Special Needs Trust

**Senate Bill 85** allows a Special Needs Trust to be named as a beneficiary. A Special Needs Trust is a legal way to hold money or assets for a person with a disability. It helps protect their eligibility for important benefits, like Medicaid, while still receiving financial support. Senate Bill 85 also allows a Special Needs Trust to choose the same lifetime survivor payment options that are normally limited to person beneficiaries.

### House Bill 220: Pension Spiking

Pension spiking happens when a Tier 1 or Tier 2 member's pay increases by more than 10% a year during the last five years before retirement. House Bill 220 changes the effective date of an exemption established by House Bill 30 in the 2025 Regular Session. Currently, if an employer gives a group of employees a pay raise – either because the employer approves it, the legislature funds it, or it is part of a union contract – those raises are treated as normal pay increases. House Bill 220 clarifies that these group raises will not cause pension-spiking reductions for members with an effective retirement date on or after July 1, 2021. KPPA is developing procedures for the retroactive application of this change.

### House Bill 213: Reemployment of Retired Police Officers

**House Bill 213** gives cities, counties and postsecondary institutions the option to offer health insurance coverage for reemployed police officers. Each governing body may decide whether to provide this coverage and set its own terms. Retirees who currently receive health insurance through KPPA and choose to enroll in an employer plan will follow the current open enrollment and qualifying event processes. House Bill 213 also updates how cities determine the number of exempt positions allowable when rehiring retired officers. Instead of using a fixed 2015 benchmark, all cities will now use prior year staffing levels to determine the number of exempt positions.

### House Bill 500: Executive Branch/State Budget Bill

**House Bill 500** sets the Executive Branch Budget for the biennium (Fiscal Years 2026-2027 and 2027-2028). While this bill does not change member benefits, the Executive Branch Budget provides funding for the systems and sets KPPA's administrative budget. Key items include:

- KPPA's Additional Budget Request and Capital Project amounts are included.
- $78.5 million from the permanent pension fund in Fiscal Year 2027 to reduce the KERS Nonhazardous Pension unfunded liability.
- Employer contribution rates set at the actuarially determined employer contribution: 18.83% for KERS Hazardous and 54.33% for SPRS.
- KERS Nonhazardous normal cost employer contribution rate set at 7.76%, to be paid in addition to the Actuarially Accrued Liability Contribution (AALC).
- No retiree supplemental payment.

Legislation became effective 90 days after adjournment, unless a bill included an emergency clause, in which case the bill took effect when it is signed by the Governor. Each year, the Reviser of Statutes requests an Attorney General's Opinion to confirm the official effective date. For the 2026 Regular Session, the effective date was July 15, 2026.

# Note K. Litigation

## Seven Counties

DRAFT

Seven Counties Services, Inc. (Seven Counties) filed for Chapter 11 bankruptcy in the United States Bankruptcy Court for the Western District of Kentucky (the Bankruptcy Court) in April 2013. Seven Counties provides mental health services for the Cabinet for Health and Family Services for the greater Louisville, Kentucky area and surrounding counties. Seven Counties participated in KERS for approximately twenty-five years. Seven Counties identified KERS as a creditor with a primary objective of discharging its continuing obligation to remit retirement contributions for approximately 1,300 employees and to terminate its participation in KERS. If Seven Counties is successful in discharging its obligations to KERS, the estimated member pension and insurance actuarial accrued liability is in the range of $145 to $150 million.

KERS opposed Seven Counties' attempt to discharge its obligations and terminate its participation. KERS asserted that Seven Counties is a Governmental Unit properly participating in KERS by Executive Order issued in 1978 and thus ineligible for Chapter 11 relief. Consequently, Seven Counties would remain statutorily obligated to continue participation and remit contributions. On May 30, 2014, the Bankruptcy Court held that Seven Counties was not a Governmental Unit and could move forward with its Chapter 11 bankruptcy case. The Bankruptcy Court further held that Seven Counties' statutory obligation to participate in and remit contributions to KERS was a "contract" eligible for rejection. KRS appealed this decision.

On August 24, 2018, the U.S. Court of Appeals for the Sixth Circuit (the Sixth Circuit) issued a two to one Opinion affirming the decision that Seven Counties is eligible to file for bankruptcy under Chapter 11. However, the Sixth Circuit went on to state, "lacking state court precedent characterizing the nature of the relationship between Seven Counties and KERS, we certify that question to the Kentucky Supreme Court." KERS filed a petition to have the Opinion Reheard En Banc by the entire Sixth Circuit. On October 5, 2018, the Sixth Circuit issued an order holding the petition in abeyance pending a response from the Kentucky Supreme Court on the certified question of law. On November 1, 2018, the Supreme Court of Kentucky issued an Order granting certification of the question. The certified question of law was briefed by the parties and oral arguments were held before the Supreme Court of Kentucky on March 6, 2019. On August 29, 2019, the Supreme Court of Kentucky ruled that Seven Counties' participation in and its contributions to KERS are based on a statutory obligation. The Supreme Court of Kentucky's ruling was forwarded to the Sixth Circuit for further consideration.

On July 20, 2020, the Sixth Circuit Court of Appeals issued an Opinion stating that they affirmed their previous determination that Seven Counties was eligible to file a Chapter 11 bankruptcy case. The Sixth Circuit also reversed the conclusion that Seven Counties can reject its obligation to participate as an executory contract and that Seven Counties need not maintain its statutory contribution obligation during the pendency of the bankruptcy. The Sixth Circuit dismissed

Seven Counties' cross appeal and remanded the case for further proceedings consistent with the opinion. KERS again filed a petition to have the Opinion regarding Seven Counties' ability to file a Chapter 11 bankruptcy Reheard En Banc by the entire Sixth Circuit. This petition was denied in an Order dated September 11, 2020. The case was remanded back to the Bankruptcy Court.

The parties were able to stipulate to the principal amount of Seven Counties unpaid employer contributions for the post-petition time-frame of April 6, 2014 through February 5, 2015. A limited hearing occurred in February 2022 regarding whether interest is applicable to the stipulated amount. The Bankruptcy Court entered an order that set the amount of the contributions, but did not order Seven Counties to pay that amount. The order was silent regarding the application of interest. Both Seven Counties and KERS appealed the Bankruptcy Court's order to the United States District Court where it will be joined with the pending appeal of the confirmation of Seven Counties' reorganization plan.

The United States District Court refused to hear the appeals stating that the Bankruptcy Court's order was not final and appealable. That left KERS in a position where no relief was possible; the Bankruptcy Court would not enter an order requiring payment, and the District Court would not hear an appeal. This forced KERS to once again appeal the United States Court of Appeals for the Sixth Circuit. The matter is now fully briefed before that court and parties are awaiting oral arguments.

The Sixth Circuit Court of Appeals agreed with the District Court, ruling that the Bankruptcy Court order was not final and appealable. The Sixth Circuit did however instruct the Bankruptcy Court that it had construed the 2020 ruling too narrowly and returned the case to the Bankruptcy Court for "expeditious resolution of the remaining issues." KRS has moved the Bankruptcy Court to resolve the issue of ordering Seven Counties to pay the stipulated amount and to allow KRS to pursue collecting contributions from February 2015 forward outside of the Bankruptcy Court. These motions are pending. The Federal District Court lifted the stay on the appeal of the Chapter 11 confirmation and ultimately reversed Seven Counties Chapter 11 as it applied to KERS. KRS filed a new suit in Franklin Circuit Court pursuing contributions from February 2015 to present. Seven Counties has moved to dismiss that suit, and briefing on that motion to dismiss is now complete and we are waiting for a ruling.

## Mayberry

DRAFT

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant." On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a "nominal defendant." Since then, the Franklin Circuit Court ruled on various Defendants' Motions to Dismiss, denying nearly all of them. On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, "KKR Parties") amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain Officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing the Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals' decision to the Supreme Court of Kentucky. On July 9, 2020, the Supreme Court of Kentucky issued an Opinion stating that the plaintiffs, as beneficiaries of a defined-benefit plan who have received all of their vested benefits so far and are legally entitled to receive their benefits for the rest of their lives, do not have a concrete stake in this case and therefore lack standing to bring this claim. The case was remanded to the circuit court with directions to dismiss the complaint. Thereafter, plaintiffs filed a motion seeking to amend their complaint to add parties (Tier 3 members of the Retirement Systems) and claims that would purportedly correct the standing defect identified by the Supreme Court of Kentucky. Furthermore, the Attorney General of the Commonwealth of Kentucky sought leave to intervene in this action through a motion filed July 20, 2020, and an Intervening Complaint on July 22, 2020. The Defendants filed motions seeking to have the case dismissed. On December 28, 2020, Franklin Circuit Court issued an Order dismissing the Complaint filed by the Plaintiffs, denied Plaintiffs' Motion to file a Second Amended Complaint, and granted the Office of the Attorney General's Motion to Intervene. A variety of additional motions and pleadings were filed, including an original action by the Tier 3 Group. This original action is still in the initial stages and is pending with Franklin Circuit Court. (Tia Taylor, et al. v KKR & Co. L.P., et al.) On January 12, 2021, Franklin Circuit Court issued a scheduling Order granting the Attorney General until February 1, 2021 to file an Amended Intervening Complaint, granting the Tier 3 Group until February 11, 2021 to file a Motion to Intervene in this action. Additional extension orders were granted for the Attorney General intervention. The Attorney General filed an Amended Complaint on May 24, 2021. On June 14, 2021, the Tier 3 Group's Motion to Intervene in the Attorney General action was

denied. In the spring of 2022, Franklin Circuit Judge Phillip Shepherd recused and this matter was assigned to Judge Thomas Wingate.

Following the Attorney General's intervention, the Defendant's challenged the intervention as beyond the scope of the remand from the Supreme Court in July of 2020. Franklin Circuit Court denied that motion and the matter was on appeal when this case was assigned to Judge Thomas Wingate. Judge Wingate placed the matter in abeyance pending a decision on whether the Attorney General's intervention was proper. The Court of Appeals held that the Attorney General 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. 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 ultimately refused to approve the settlement agreement. Though appellate matters are moving forward, the parties remain committed to continue pursuing a negotiated settlement.

In June of 2026, the Attorney General, the Kentucky Public Pensions Authority, Kentucky Retirement Systems, and County Employee Retirement System reached a settlement with BAAM. The Franklin Circuit Court entered the Agreed Order of Dismissal with respect to BAAM. Negotiations among the other parties are ongoing.

## Mountain Comprehensive Care Center & Adanta

In 2022, Mountain Comprehensive Care Center and Adanta filed separate suits challenging the actuarially accrued liability assigned these two entities via the process outlined in KRS 61.565, known as House Bill 8 from the 2021 Regular Session of the Kentucky General Assembly. The suits challenge not only the liability assigned to them, but they challenge the constitutionality of the statutory scheme.

Both parties filed cross motions for summary judgment and oral arguments occurred on August 6, 2025. The court indicated it may take several months for a ruling to be issued due to the length of the pleadings.

The Franklin Circuit Court granted KRS' motion for summary judgment. The plaintiffs have appealed that ruling to the Kentucky Court of Appeals and briefing is now complete. We are waiting for a ruling.

DRAFT

### James Redwine, David Campbell, & Michael Steward

Three complaints were filed against the Kentucky Retirement Systems (KRS) on behalf of specific named plaintiffs and others similarly situated based on the same facts that gave rise to the former River City Fraternal Order of Police (FOP) complaint. KPPA was aware that the River City FOP case impacted more individuals than the named plaintiffs and had been working on legislative and regulatory solutions. Legislation passed by the 2022 General Assembly allows individuals negatively impacted by the Medicare Secondary Payer Act to receive their health insurance through the Kentucky Employees Health Plan, and KPPA has promulgated a regulation to reimburse those individuals who had to pay for health insurance consistent with the Sixth Circuit Opinion. In addition to the MSPA issue, these three complaints allege that requiring Medicare eligible members to pay for Medicare Part B violates their right to "free" health insurance under their inviolable contract.

These suits are identical to two suits filed against the County Employees Retirement System (CERS). The cases against KRS are being held in abeyance pending the outcome of the class certification issue in the CERS cases.

# Note L. Reciprocity

In accordance with Kentucky Revised Statutes 61.702, KRS has reciprocity with County Employees Retirement System (CERS), Teachers' Retirement System of Kentucky (TRS), Judicial Retirement System (JRS), and Legislators Retirement Plan (LRP) for retirement and insurance benefits for those members who have creditable service in KERS, SPRS and CERS, TRS, JRS, and/or LRP.

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

DRAFT

## Reimbursement Of Retired Reemployed Health Insurance

If a retiree is reemployed in a regular full-time position and has chosen health insurance coverage through KRS, the employer is required to reimburse KRS for the health insurance premium paid on the retiree's behalf, not to exceed the cost of the single premium rate. Exceptions for retired members who reemploy as a police officer, sheriff or school resource officer exist which may exempt employers from paying employer contributions and health insurance reimbursements if certain requirements are met. For the fiscal year ended June 30, 2026, the reimbursement totaled $12.5 million.

| Retired Reemployed Healthcare Contributions As of June 30, 2026 ($ in Thousands) | KERS Nonhazardous | KERS Hazardous | SPRS | KRS Total |
|---|---|---|---|---|
| Amount | $10,076 | $2,376 | $31 | $12,483 |

## 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, 2026, members paid into the Insurance Plans $16.7 million.

| Member Health Insurance Contributions As of June 30, 2026 ($ in Thousands) | KERS Nonhazardous | KERS Hazardous | SPRS | KRS Total |
|---|---|---|---|---|
| Amount | $13,715 | $2,536 | $492 | $16,743 |

## Retired Reemployed Employer Contributions

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

# Note N. General Fund Appropriations

During the 2025 Regular Session of the Kentucky General Assembly, HB6 allocated an additional $250 million in general fund dollars to the KERS Nonhazardous Plan for fiscal years 2024-2025 and 2025-2026. Also, HB1 allocated an additional $50 million in general fund dollars to the KERS Nonhazardous Plan, and $25 million to the SPRS Plan for fiscal years 2024-2025 and 2025-2026.

| General Fund Appropriations ($ in Thousands) | | | |
|---|---|---|---|
| Fiscal Year | KERS Nonhazardous | SPRS | KRS Total |
| 2025-2026 | $300,000 | $25,000 | $325,000 |

# Note O. Prisma Daniel Boone Fund

DRAFT

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, 2026, is $28.0 million for the Pension Plans and $14.0 million for the Insurance Plan. This is based on the May 31, 2026, report because Absolute Return managers are reported on a one month lag.

# Note P. Subsequent Events

Management has evaluated the period June 30, 2026, to December 8, 2026, (the date the combining financial statements were available to be issued) for items requiring recognition or disclosure in the combining financial statements.

# Note Q. Related Party

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

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

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

Total Administrative costs incurred by KPPA for the fiscal year ended June 30, 2026, were $48.2 million, of which $17.4 million was allocated to KRS based on the hybrid allocation developed by the KPPA Board, the KRS Board, and the CERS Board.

DRAFT

# REQUIRED SUPPLEMENTARY INFORMATION

## INCLUDING GASB 67 AND 74

### Schedule of Employers' Net Pension Liability - KERS Nonhazardous Pension

As of June 30 ($ in Thousands)

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Position Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $16,855,159 | $6,053,680 | $10,801,479 | 35.92% | $2,226,064 | 485.23% |
| 2025 | 16,648,847 | 5,061,425 | 11,587,422 | 30.40% | 2,081,792 | 556.61% |
| 2024 | 16,273,602 | 4,223,936 | 12,049,666 | 25.96% | 1,912,421 | 630.07% |
| 2023 | 15,858,669 | 3,539,943 | 12,318,726 | 22.32% | 1,648,318 | 747.35% |
| 2022 | 16,281,188 | 3,013,845 | 13,267,343 | 18.51% | 1,432,960 | 925.87% |
| 2021 | 16,335,657 | 3,018,660 | 13,316,997 | 18.48% | 1,441,337 | 923.93% |
| 2020 | 16,472,733 | 2,308,080 | 14,164,653 | 14.01% | 1,476,156 | 959.56% |
| 2019 | 16,356,674 | 2,233,672 | 14,123,002 | 13.66% | 1,485,854 | 950.50% |
| 2018 | 15,608,221 | 2,004,446 | 13,603,775 | 12.84% | 1,509,955 | 900.94% |
| 2017 | $15,445,206 | $2,056,870 | $13,388,336 | 13.32% | $1,602,396 | 835.52% |

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

### Schedule of Employers' Net Pension Liability - KERS Hazardous Pension

As of June 30 ($ in Thousands)

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Position Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $1,517,921 | $1,291,214 | $226,707 | 85.06% | $318,070 | 71.28% |
| 2025 | 1,476,069 | 1,137,480 | 338,589 | 77.06% | 288,682 | 117.29% |
| 2024 | 1,393,651 | 1,019,890 | 373,761 | 73.18% | 279,218 | 133.86% |
| 2023 | 1,316,521 | 893,533 | 422,988 | 67.87% | 223,922 | 188.90% |
| 2022 | 1,318,494 | 810,978 | 507,516 | 61.51% | 188,648 | 269.03% |
| 2021 | 1,311,767 | 866,140 | 445,627 | 66.03% | 172,725 | 258.00% |
| 2020 | 1,251,027 | 690,350 | 560,677 | 55.18% | 171,840 | 326.28% |
| 2019 | 1,227,226 | 680,932 | 546,294 | 55.49% | 160,600 | 340.16% |
| 2018 | 1,150,610 | 645,485 | 505,125 | 56.10% | 152,936 | 330.29% |
| 2017 | $1,098,630 | $601,529 | $497,101 | 54.75% | $178,511 | 278.47% |

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

DRAFT

### Schedule of Employer's Net Pension Liability - SPRS Pension

As of June 30 ($ in Thousands)

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Position Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $1,135,751 | $845,307 | $290,444 | 74.43% | $74,615 | 389.26% |
| 2025 | 1,123,489 | 741,282 | 382,207 | 65.98% | 75,855 | 503.87% |
| 2024 | 1,101,632 | 651,790 | 449,842 | 59.17% | 71,964 | 625.09% |
| 2023 | 1,039,813 | 591,514 | 448,299 | 56.89% | 65,693 | 682.42% |
| 2022 | 1,057,752 | 551,699 | 506,053 | 52.16% | 48,061 | 1,052.94% |
| 2021 | 1,055,824 | 356,346 | 699,478 | 33.75% | 47,873 | 1,461.11% |
| 2020 | 1,049,237 | 293,949 | 755,288 | 28.02% | 49,019 | 1,540.81% |
| 2019 | 1,035,000 | 286,165 | 748,835 | 27.65% | 49,515 | 1,512.34% |
| 2018 | 969,622 | 267,572 | 702,050 | 27.60% | 50,346 | 1,394.45% |
| 2017 | $943,271 | $255,737 | $687,534 | 27.11% | $54,065 | 1,271.68% |

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

## Schedule of Changes in Employers' Total Pension Liability - KERS Nonhazardous

**As of June 30 ($ in Thousands)**

| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service Cost | $227,428 | $211,862 | $184,567 | $163,563 | $165,616 | $171,472 | $179,702 | $184,988 | $195,681 | $143,858 |
| Interest | 846,039 | 826,613 | 805,180 | 827,579 | 830,440 | 838,084 | 832,178 | 793,163 | 785,123 | 870,725 |
| Benefit Changes | — | — | — | 2,024 | — | 2,091 | — | — | 9,624 | — |
| Difference between Expected and Actual Experience | 200,472 | 393,941 | 469,003 | 310,954 | (15,034) | (130,268) | 115,515 | 70,529 | 153,565 | (134,379) |
| Changes of Assumptions | — | — | — | 691,008 | — | — | — | 700,464 | — | 2,145,530 |
| Benefits Payments | (1,067,627) | (1,057,171) | (1,043,817) | (1,035,551) | (1,035,491) | (1,018,455) | (1,011,336) | (1,000,691) | (980,978) | (960,309) |
| **Net Change in TPL** | **206,312** | **375,245** | **414,933** | **422,519** | **(54,469)** | **(137,076)** | **116,059** | **748,453** | **163,015** | **2,065,425** |
| **TPL – Beginning** | **16,648,847** | **16,273,602** | **15,858,669** | **16,281,188** | **16,335,657** | **16,472,733** | **16,356,674** | **15,608,221** | **15,445,206** | **13,379,781** |
| **TPL – Ending (a)** | **$16,855,159** | **$16,648,847** | **$16,273,602** | **$15,858,669** | **$16,281,188** | **$16,335,657** | **$16,472,733** | **$16,356,674** | **$15,608,221** | **$15,445,206** |
| **Plan Fiduciary Net Position** [1] | | | | | | | | | | |
| Contributions – Employer Other | $1,330,904 | $1,318,931 | $1,295,695 | $1,275,007 | $1,116,869 | $1,134,232 | $948,592 | $1,035,462 | $689,143 | $757,121 |
| Contributions – Member [2] | 110,769 | 104,867 | 96,615 | 84,579 | 89,607 | 90,202 | 96,594 | 93,759 | 104,972 | 100,543 |
| Refunds of Contributions | (11,533) | (11,153) | (11,693) | (11,847) | (12,116) | (8,953) | (11,523) | (12,342) | (13,603) | (11,819) |
| Retirement Benefit | (1,056,094) | (1,046,018) | (1,032,124) | (1,023,704) | (1,023,375) | (1,009,502) | (999,813) | (988,349) | (967,375) | (948,490) |
| Net Investment Income [2] | 632,828 | 485,025 | 349,628 | 215,880 | (162,461) | 516,223 | 52,499 | 112,371 | 144,881 | 220,985 |
| Administrative Expense | (14,619) | (14,163) | (14,128) | (13,817) | (13,339) | (11,622) | (11,941) | (11,712) | (10,692) | (10,957) |
| Other | — | — | — | — | — | — | 37 [5] | 37 [5] | 301 [5] | (30,805) [4] |
| **Net Change in Fiduciary Net Position** | **992,255** | **837,489** | **683,993** | **526,098** | **4,815** | **710,580** | **74,408** | **229,226** | **(52,373)** | **76,578** |
| **Plan Fiduciary Net Position – Beginning** | **5,061,425** | **4,223,936** | **3,539,943** | **3,013,845** | **3,018,660** | **2,308,080** | **2,233,672** | **2,004,446** | **2,056,870** | **1,980,292** |
| **Prior Year Adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(51)** | **—** |
| **Plan Fiduciary Net Position – Ending (b)** | **6,053,680** | **5,061,425** | **4,223,936** | **3,539,943** | **3,013,845** | **3,018,660** | **2,308,080** | **2,233,672** | **2,004,446** | **2,056,870** |
| **Net Pension Liability – Ending (a) – (b)** | **10,801,479** | **11,587,422** | **12,049,666** | **12,318,726** | **13,267,343** | **13,316,997** | **14,164,653** | **14,123,002** | **13,603,775** | **13,388,336** |
| Plan Fiduciary Net Position as a Percentage | 35.92% | 30.40% | 25.96% | 22.32% | 18.51% | 18.48% | 14.01% | 13.66% | 12.84% | 13.32% |
| Covered Payroll [3] | $2,226,064 | $2,081,792 | $1,912,421 | $1,648,318 | $1,432,960 | $1,441,337 | $1,476,156 | $1,485,854 | $1,509,955 | $1,602,396 |
| **Net Pension Liability as a Percentage of Covered Payroll** | **485.23%** | **556.61%** | **630.07%** | **747.35%** | **925.87%** | **923.93%** | **959.56%** | **950.50%** | **900.94%** | **835.52%** |

(1) *Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled $91,844,000 as of June 30, 2026.*

(2) *Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2026 401(h) contributions equaled $(93,000); and associated investment return equaled $10,077,000.*

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

(4) *Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years.*

(5) *Northern Trust Settlement.*

DRAFT

## Schedule of Changes in Employers' Total Pension Liability - KERS Hazardous

**As of June 30 ($ in Thousands)**

| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service Cost | $40,850 | $40,051 | $32,732 | $26,852 | $26,885 | $28,450 | $25,568 | $27,117 | $28,641 | $21,081 |
| Interest | 89,105 | 84,171 | 79,637 | 79,822 | 79,422 | 75,743 | 74,357 | 69,657 | 66,536 | 66,589 |
| Benefit Changes | — | — | — | — | — | 26 | — | — | 705 | — |
| Difference between Expected and Actual Experience | 12,685 | 52,028 | 49,423 | (1,773) | (17,557) | 34,789 | (1,095) | 1,395 | 24,215 | 26,902 |
| Changes of Assumptions | — | — | — | (24,197) | — | — | — | 50,658 | — | 127,878 |
| Benefits Payments | (100,788) | (93,832) | (84,662) | (82,667) | (82,023) | (78,268) | (75,029) | (72,211) | (68,117) | (63,338) |
| **Net Change in TPL** | **41,852** | **82,418** | **77,130** | **(1,973)** | **6,727** | **60,740** | **23,801** | **76,616** | **51,980** | **179,112** |
| **TPL – Beginning** | **1,476,069** | **1,393,651** | **1,316,521** | **1,318,494** | **1,311,767** | **1,251,027** | **1,227,226** | **1,150,610** | **1,098,630** | **919,517** |
| **TPL – Ending (a)** | **$1,517,921** | **$1,476,069** | **$1,393,651** | **$1,316,521** | **$1,318,494** | **$1,311,767** | **$1,251,027** | **$1,227,226** | **$1,150,610** | **$1,098,630** |
| **Plan Fiduciary Net Position** [1] | | | | | | | | | | |
| Contributions – Employer Other | $78,568 | $70,768 | $89,899 | $72,807 | $59,055 | $62,200 | $59,115 | $55,259 | $43,661 | $52,974 |
| Contributions – Member [2] | 24,115 | 22,127 | 21,568 | 17,459 | 20,588 | 19,961 | 19,769 | 17,118 | 17,891 | 17,524 |
| Refunds of Contributions | (8,701) | (6,212) | (4,133) | (4,041) | (4,976) | (4,380) | (3,168) | (2,684) | (2,501) | (2,106) |
| Retirement Benefit | (92,087) | (87,620) | (80,529) | (78,636) | (77,047) | (73,888) | (71,861) | (69,527) | (65,616) | (61,231) |
| Net Investment Income [2] | 153,572 | 120,154 | 101,135 | 76,479 | (51,317) | 173,152 | 6,739 | 36,380 | 51,467 | 70,994 |
| Administrative Expense | (1,733) | (1,627) | (1,583) | (1,513) | (1,465) | (1,255) | (1,176) | (1,103) | (975) | (919) |
| Other | — | — | — | — | — | — | — | 4 [5] | 33 [5] | (3,586) [4] |
| **Net Change in Fiduciary Net Position** | **153,734** | **117,590** | **126,357** | **82,555** | **(55,162)** | **175,790** | **9,418** | **35,447** | **43,960** | **73,650** |
| **Plan Fiduciary Net Position – Beginning** | **1,137,480** | **1,019,890** | **893,533** | **810,978** | **866,140** | **690,350** | **680,932** | **645,485** | **601,529** | **527,879** |
| **Prior Year Adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(4)** | **—** |
| **Plan Fiduciary Net Position – Ending (b)** | **1,291,214** | **1,137,480** | **1,019,890** | **893,533** | **810,978** | **866,140** | **690,350** | **680,932** | **645,485** | **601,529** |
| **Net Pension Liability – Ending (a) – (b)** | **226,707** | **338,589** | **373,761** | **422,988** | **507,516** | **445,627** | **560,677** | **546,294** | **505,125** | **497,101** |
| Plan Fiduciary Net Position as a Percentage | 85.06% | 77.06% | 73.18% | 67.87% | 61.51% | 66.03% | 55.18% | 55.49% | 56.10% | 54.75% |
| Covered Payroll [3] | $318,070 | $288,682 | $279,218 | $223,922 | $188,648 | $172,725 | $171,840 | $160,600 | $152,936 | $178,511 |
| **Net Pension Liability as a Percentage of Covered Payroll** | **71.28%** | **117.29%** | **133.86%** | **188.90%** | **269.03%** | **258.00%** | **326.28%** | **340.16%** | **330.29%** | **278.47%** |

(1) *Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled $12,651,000 as of June 30, 2026.*

(2) *Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2026 401(h) contributions equaled $(58,000); and associated investment return equaled $1,520,000.*

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

(4) *Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years.*

(5) *Northern Trust Settlement.*

DRAFT

## Schedule of Changes in Employer's Total Pension Liability - SPRS

**As of June 30 ($ in Thousands)**

| Year | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Service Cost | $20,762 | $20,557 | $18,243 | $13,229 | $12,158 | $12,530 | $13,192 | $11,726 | $11,890 | $8,297 |
| Interest | 57,071 | 56,102 | 52,909 | 53,853 | 53,740 | 53,417 | 52,697 | 49,301 | 47,978 | 51,769 |
| Benefit Changes | — | — | — | — | 3,130 | 35 | — | — | 184 | — |
| Difference between Expected and Actual Experience | 7,266 | 11,240 | 54,711 | 10,204 | (2,700) | 4,127 | 10,859 | 20,952 | 25,126 | 8,143 |
| Changes of Assumptions | — | — | — | (31,255) | — | — | — | 44,510 | — | 136,602 |
| Benefits Payments | (72,837) | (66,042) | (64,044) | (63,970) | (64,400) | (63,522) | (62,511) | (61,111) | (58,827) | (56,960) |
| **Net Change in TPL** | **12,262** | **21,857** | **61,819** | **(17,939)** | **1,928** | **6,587** | **14,237** | **65,378** | **26,351** | **147,850** |
| **TPL – Beginning** | **1,123,489** | **1,101,632** | **1,039,813** | **1,057,752** | **1,055,824** | **1,049,237** | **1,035,000** | **969,622** | **943,271** | **795,421** |
| **TPL – Ending (a)** | **$1,135,751** | **$1,123,489** | **$1,101,632** | **$1,039,813** | **$1,057,752** | **$1,055,824** | **$1,049,237** | **$1,035,000** | **$969,622** | **$943,271** |
| **Plan Fiduciary Net Position** [1] | | | | | | | | | | |
| Contributions – Employer Other | $81,252 | $77,975 | $61,998 | $58,120 | $277,341 | $59,650 | $59,453 | $60,048 | $46,877 | $63,239 |
| Contributions – Member [2] | 5,960 | 6,017 | 5,703 | 5,250 | 4,773 | 4,752 | 4,767 | 5,062 | 5,522 | 5,348 |
| Refunds of Contributions | (732) | (346) | (221) | (166) | (280) | (273) | (88) | (162) | (22) | (26) |
| Retirement Benefit | (72,105) | (65,696) | (63,823) | (63,804) | (64,120) | (63,249) | (62,423) | (60,949) | (58,805) | (56,934) |
| Net Investment Income [2] | 89,975 | 71,850 | 56,933 | 40,708 | (22,088) | 61,729 | 6,341 | 14,816 | 18,437 | 26,795 |
| Administrative Expense | (325) | (308) | (314) | (293) | (273) | (212) | (266) | (225) | (194) | (181) |
| Other | — | — | — | — | — | — | — | 3[5] | 21[5] | (517)(4) |
| **Net Change in Fiduciary Net Position** | **104,025** | **89,492** | **60,276** | **39,815** | **195,353** | **62,397** | **7,784** | **18,593** | **11,836** | **37,724** |
| **Plan Fiduciary Net Position – Beginning** | **741,282** | **651,790** | **591,514** | **551,699** | **356,346** | **293,949** | **286,165** | **267,572** | **255,737** | **218,012** |
| **Prior Year Adjustment** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **—** | **(1)** | **—** |
| **Plan Fiduciary Net Position – Ending (b)** | **845,307** | **741,282** | **651,790** | **591,514** | **551,699** | **356,346** | **293,949** | **286,165** | **267,572** | **255,737** |
| **Net Pension Liability – Ending (a) – (b)** | **290,444** | **382,207** | **449,842** | **448,299** | **506,053** | **699,478** | **755,288** | **748,835** | **702,050** | **687,534** |
| Plan Fiduciary Net Position as a Percentage | 74.43% | 65.98% | 59.17% | 56.89% | 52.16% | 33.75% | 28.02% | 27.65% | 27.60% | 27.11% |
| Covered Payroll [3] | $74,615 | $75,855 | $71,964 | $65,693 | $48,061 | $47,873 | $49,019 | $49,515 | $50,346 | $54,065 |
| **Net Pension Liability as a Percentage of Covered Payroll** | **389.26%** | **503.87%** | **625.09%** | **682.42%** | **1052.94%** | **1461.11%** | **1540.81%** | **1512.34%** | **1394.45%** | **1271.68%** |

(1) *Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled $1,749,000 as of June 30, 2026.*

(2) *Does not include 401(h) contributions or associated investment income. For fiscal year 2026 401(h) contributions equaled $(12,000); and associated investment return equaled $190,000.*

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

(4) *Adjustment due to 401(h) plan asset balance being considered an OPEB asset under GASB 74 for fiscal years 2017 and later.*

(5) *Northern Trust Settlement.*

DRAFT

# Notes to Schedule of Employers' Pension Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2026 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' Pension Contributions | | | |
|---|---|---|---|
| **Item** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** |
| **Determined by the Actuarial Valuation as of:** | June 30, 2023 | June 30, 2023 | June 30, 2023 |
| **Actuarial Cost Method:** | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Asset Valuation Method:** | 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the fair value of assets and the expected actuarial value of assets is recognized |
| **Amortization Method:** | Level Percent of Pay | Level Percent of Pay | Level Percent of Pay |
| **Amortization Period:** | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases |
| **Payroll Growth** | 0.00% | 0.00% | 0.00% |
| **Investment Return:** | 5.25% | 6.25% | 5.25% |
| **Inflation:** | 2.50% | 2.50% | 2.50% |
| **Salary Increase:** | 3.30% to 15.30%, varies by service | 3.55% to 20.05%, varies by service | 3.55% to 16.05%, varies by service |
| **Mortality:** | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 |

DRAFT

# Schedule of Employers' Pension Contributions

**Schedule of Employers' Pension Contributions - KERS Nonhazardous**
**As of June 30 ($ in Thousands)**

| Fiscal Year Ending | Actuarially Determined Contribution [1] | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll [2] | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $1,010,190 | $1,330,904 | ($320,714) | $2,226,064 | 59.79% |
| 2025 | 1,000,105 | 1,318,931 | (318,826) | 2,081,792 | 63.36% |
| 2024 | 1,055,571 | 1,295,695 | (240,124) | 1,912,421 | 67.75% |
| 2023 | 1,034,918 | 1,275,007 | (240,089) | 1,648,318 | 77.35% |
| 2022 | 1,048,861 | 1,116,869 | (68,008) | 1,432,960 | 77.94% |
| 2021 | 1,056,211 | 1,134,232 | (78,021) | 1,441,337 | 78.69% |
| 2020 | 1,048,513 | 948,592 | 99,921 | 1,476,156 | 64.26% |
| 2019 | 1,055,402 | 1,035,462 | 19,940 | 1,485,854 | 69.69% |
| 2018 | 633,879 | 689,143 | (55,264) | 1,509,955 | 45.64% |
| 2017 | $623,813 | $757,121 | ($133,308) | $1,602,396 | 47.25% |

(1) *Actuarially determined contribution for fiscal year ending 2026 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.*

## Schedule of Employers' Pension Contributions - KERS Hazardous

As of June 30 ($ in Thousands)

| Fiscal Year Ending | Actuarially Determined Contribution [1] | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll [2] | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $78,568 | $78,568 | $— | $318,070 | 24.70% |
| 2025 | 70,768 | 70,768 | — | 288,682 | 24.51% |
| 2024 | 89,897 | 89,899 | (2) | 279,218 | 32.20% |
| 2023 | 72,778 | 72,807 | (29) | 223,922 | 32.51% |
| 2022 | 59,052 | 59,055 | (3) | 188,648 | 31.30% |
| 2021 | 62,181 | 62,200 | (19) | 172,725 | 36.01% |
| 2020 | 59,096 | 59,115 | (19) | 171,840 | 34.40% |
| 2019 | 55,230 | 55,259 | (29) | 160,600 | 34.41% |
| 2018 | 31,321 | 43,661 | (12,340) | 152,936 | 28.55% |
| 2017 | $37,630 | $52,974 | ($15,344) | $178,511 | 29.68% |

(1) *Actuarially determined contribution for fiscal year ending 2026 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.*

## Schedule of Employer's Pension Contributions - SPRS

As of June 30 ($ in Thousands)

| Fiscal Year Ending | Actuarially Determined Contribution [1] | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll [2] | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $56,252 | $81,252 | ($25,000) | $74,615 | 108.89% |
| 2025 | 52,975 | 77,975 | (25,000) | 75,855 | 102.79% |
| 2024 | 61,998 | 61,998 | — | 71,964 | 86.15% |
| 2023 | 58,120 | 58,120 | — | 65,693 | 88.47% |
| 2022 | 62,341 | 277,341 | (215,000) | 48,061 | 577.06% |
| 2021 | 59,263 | 59,650 | (387) | 47,873 | 124.60% |
| 2020 | 58,358 | 59,453 | (1,095) | 49,019 | 121.29% |
| 2019 | 58,948 | 60,048 | (1,100) | 49,515 | 121.27% |
| 2018 | 36,033 | 46,877 | (10,844) | 50,346 | 93.11% |
| 2017 | $35,937 | $63,240 | ($27,303) | $54,065 | 116.97% |

(1) *Actuarially determined contribution for fiscal year ending 2026 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.*

DRAFT

# Schedule of Employers' Net OPEB Liability

## Schedule of the Employers' Net OPEB Liability - KERS Nonhazardous

As of June 30 ($ in Thousands)

| Year | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll (1) | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $3,083,818 | $2,112,141 | $971,677 | 68.49% | $2,223,349 | 43.70% |
| 2025 | 2,771,333 | 1,915,732 | 855,601 | 69.13% | 2,087,763 | 40.98% |
| 2024 | 2,488,778 | 1,765,729 | 723,049 | 70.95% | 1,923,825 | 37.58% |
| 2023 | 2,317,344 | 1,532,752 | 784,592 | 66.14% | 1,653,492 | 47.45% |
| 2022 | 3,576,530 | 1,364,419 | 2,212,111 | 38.15% | 1,437,132 | 153.93% |
| 2021 | 3,698,804 | 1,419,477 | 2,279,327 | 38.38% | 1,452,345 | 156.94% |
| 2020 | 3,599,557 | 1,060,649 | 2,538,908 | 29.47% | 1,482,431 | 171.27% |
| 2019 | 3,217,985 | 995,089 | 2,222,896 | 30.92% | 1,515,953 | 146.63% |
| 2018 | $3,262,117 | $891,205 | 2,370,912 | 27.32% | $1,573,898 | 150.64% |
| 2017 | $3,353,332 | $817,370 | 2,535,962 | 24.37% | $1,593,097 | 159.18% |

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

## Schedule of the Employers' Net OPEB Liability - KERS Hazardous

As of June 30 ($ in Thousands)

| Year | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll (1) | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $503,476 | $811,876 | ($308,400) | 161.25% | $318,070 | (96.96%) |
| 2025 | 482,062 | 735,293 | (253,231) | 152.53% | 288,682 | (87.72%) |
| 2024 | 442,817 | 677,948 | (235,131) | 153.10% | 279,218 | (84.21)% |
| 2023 | 417,361 | 625,356 | (207,995) | 149.84% | 223,922 | (92.89%) |
| 2022 | 595,789 | 588,162 | 7,627 | 98.72% | 188,648 | 4.04% |
| 2021 | 622,152 | 633,677 | (11,525) | 101.85% | 172,725 | (6.67%) |
| 2020 | 564,524 | 521,755 | 42,769 | 92.42% | 182,209 | 23.47% |
| 2019 | 507,204 | 534,053 | ($26,849) | 105.29% | 151,448 | (17.73%) |
| 2018 | $485,904 | $519,072 | ($33,168) | 106.83% | $190,317 | (17.43%) |
| 2017 | $494,869 | $488,838 | $6,031 | 98.78% | $171,087 | 3.53% |

(1) *Based on derived compensation using the provided employer contribution information. For 2021-2026 derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE 2021-FYE 2026.*

DRAFT

## Schedule of Employer's Net OPEB Liability - SPRS

As of June 30 ($ in Thousands)

| Year | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll (1) | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2026 | $307,921 | $312,082 | ($4,161) | 101.35% | $77,564 | (5.36%) |
| 2025 | 298,847 | 291,043 | 7,804 | 97.39% | 80,447 | 9.70% |
| 2024 | 277,159 | 273,517 | 3,642 | 98.69% | 71,992 | 5.06% |
| 2023 | 263,450 | 248,109 | 15,341 | 94.18% | 65,830 | 23.30% |
| 2022 | 351,453 | 231,242 | 120,211 | 65.80% | 48,600 | 247.35% |
| 2021 | 364,899 | 247,318 | 117,581 | 67.78% | 47,155 | 249.35% |
| 2020 | 339,942 | 201,340 | 138,602 | 59.23% | 48,231 | 287.37% |
| 2019 | 312,553 | 201,206 | 111,347 | 64.38% | 48,780 | 228.26% |
| 2018 | $301,012 | $190,847 | $110,165 | 63.40% | $50,064 | 220.05% |
| 2017 | $313,234 | $178,838 | $134,396 | 57.09% | $48,873 | 274.99% |

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

# Schedule of Changes in Employers' Net OPEB Liability

| Schedule of Changes in Employers' Net OPEB Liability - KERS Nonhazardous<br>As of June 30 ($ in Thousands) | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service Cost | $44,854 | $45,357 | $44,779 | $43,199 | $62,548 | $58,831 | $59,600 | $61,345 | $66,360 | $46,992 |
| Interest | 168,846 | 145,355 | 134,251 | 200,910 | 190,531 | 191,624 | 179,811 | 186,820 | 191,178 | 192,911 |
| Benefit Changes | — | — | — | 3,209 | 21,884 | 1,382 | — | — | 1,865 | — |
| Difference between Expected and Actual Experience | 121,272 | 199,764 | 80,456 | (1,440,201) | (37,249) | (231,631) | 288,235 | (302,189) | (191,147) | (3,921) |
| Assumption Changes | 117,104 | 24,457 | 26,413 | 61,925 | (206,907) | 220,184 | 13,767 | 158,004 | (11,235) | 414,835 |
| Benefit Payments [1] [2] | (139,591) | (132,378) | (114,465) | (128,228) | (153,081) | (141,143) | (159,841) | (148,112) | (148,236) | (139,601) |
| **Net Change in Total OPEB Liability** | **312,485** | **282,555** | **171,434** | **(1,259,186)** | **(122,274)** | **99,247** | **381,572** | **(44,132)** | **(91,215)** | **511,216** |
| **Total OPEB Liability - Beginning** | **2,771,333** | **2,488,778** | **2,317,344** | **3,576,530** | **3,698,804** | **3,599,557** | **3,217,985** | **3,262,117** | **3,353,332** | **2,842,116** |
| **Total OPEB Liability - Ending (a** | **$3,083,818** | **$2,771,333** | **$2,488,778** | **$2,317,344** | **$3,576,530** | **$3,698,804** | **$3,599,557** | **$3,217,985** | **$3,262,117** | **$3,353,332** |
| **Plan Fiduciary Net Position** | | | | | | | | | | |
| Contributions –Employer [2] | $72,984 | $67,507 | $164,480 | $156,543 | $181,294 | $223,661 | $208,300 | $201,155 | $152,985 | $162,636 |
| Contributions – Member | 13,623 | 12,225 | 10,585 | 8,358 | 6,547 | 6,318 | 6,128 | 5,963 | 5,786 | 5,156 |
| Benefit Payments [1] [2] | (139,591) | (132,378) | (114,465) | (128,228) | (153,081) | (141,143) | (159,841) | (148,112) | (148,236) | (139,601) |
| OPEB Plan Net Investment Income | 249,947 | 203,332 | 173,104 | 132,431 | (88,998) | 270,811 | 11,820 | 45,749 | 64,028 | 94,239 |
| OPEB Plan Administrative Expense | (554) | (683) | (727) | (771) | (820) | (819) | (847) | (875) | (760) | (861) |
| Other [4] | — | — | — | — | — | — | — | 4 | 32 | — |
| **Net Change in Plan Fiduciary Net Position** | **196,409** | **150,003** | **232,977** | **168,333** | **(55,058)** | **358,828** | **65,560** | **103,884** | **73,835** | **121,569** |
| **Plan Fiduciary Net Position – Beginning** | **1,915,732** | **1,765,729** | **1,532,752** | **1,364,419** | **1,419,477** | **1,060,649** | **995,089** | **891,205** | **817,370** | **695,801** |
| **Plan Fiduciary Net Position – Ending (b)** | **2,112,141** | **1,915,732** | **1,765,729** | **1,532,752** | **1,364,419** | **1,419,477** | **1,060,649** | **995,089** | **891,205** | **817,370** |
| **Net OPEB Liability –Ending (a) – (b)** | **971,677** | **855,601** | **723,049** | **784,592** | **2,212,111** | **2,279,327** | **2,538,908** | **2,222,896** | **2,370,912** | **2,535,962** |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 68.49% | 69.13% | 70.95% | 66.14% | 38.15% | 38.38% | 29.47% | 30.92% | 27.32% | 24.37% |
| Covered Payroll [3] | $2,223,349 | $2,087,763 | $1,923,825 | $1,653,492 | $1,437,132 | $1,452,345 | $1,482,431 | $1,515,953 | $1,573,898 | $1,593,097 |
| **Net OPEB Liability as a Percentage of Covered Payroll** | **43.70%** | **40.98%** | **37.58%** | **47.45%** | **153.93%** | **156.94%** | **171.27%** | **146.63%** | **150.64%** | **159.18%** |

*(1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).*

*(2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to $28,676,479 for fiscal year 2026.*

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

*(4) Northern Trust Settlement.*

DRAFT

## Schedule of Changes in Employers' Net OPEB Liability - KERS Hazardous

As of June 30 ($ in Thousands)

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service Cost | $8,159 | $8,926 | $8,128 | $9,435 | $14,474 | $13,633 | $11,548 | $12,337 | $12,893 | $8,002 |
| Interest on Total OPEB liability | 29,150 | 25,848 | 24,181 | 32,737 | 30,599 | 29,254 | 28,101 | 27,990 | 28,500 | 27,591 |
| Benefit Changes | — | — | — | — | 10,289 | 48 | — | — | 167 | — |
| Difference between Expected and Actual Experience | (9,624) | 19,215 | 7,970 | (198,459) | (12,515) | (6,402) | 27,668 | (30,947) | (31,240) | (1,029) |
| Assumption Changes | 17,535 | 7,837 | 5,719 | (1,820) | (46,406) | 42,022 | 11,428 | 31,687 | (581) | 89,401 |
| Benefit Payments [1] [2] | (23,806) | (22,581) | (20,542) | (20,321) | (22,804) | (20,927) | (21,425) | (19,767) | (18,704) | (16,618) |
| **Net Change in Total OPEB Liability** | **21,414** | **39,245** | **25,456** | **(178,428)** | **(26,363)** | **57,628** | **57,320** | **21,300** | **(8,965)** | **107,347** |
| **Total OPEB Liability - Beginning** | **482,062** | **442,817** | **417,361** | **595,789** | **622,152** | **564,524** | **507,204** | **485,904** | **494,869** | **387,522** |
| **Total OPEB Liability - Ending (a** | **$503,476** | **$482,062** | **$442,817** | **$417,361** | **$595,789** | **$622,152** | **$564,524** | **$507,204** | **$485,904** | **$494,869** |
| **Plan Fiduciary Net Position** | | | | | | | | | | |
| Contributions –Employer [2] | $3,689 | $3,041 | $2,725 | $2,282 | $4,116 | $3,556 | $7,441 | $5,556 | $5,165 | $4,579 |
| Contributions – Member | 2,478 | 2,197 | 2,086 | 1,584 | 1,227 | 1,167 | 1,105 | 934 | 909 | 811 |
| Benefit Payments [1] [2] | (23,806) | (22,581) | (20,542) | (20,321) | (22,804) | (20,927) | (21,425) | (19,767) | (18,704) | (16,618) |
| OPEB Plan Net Investment Income | 94,326 | 74,804 | 68,440 | 53,772 | (27,929) | 128,244 | 704 | 28,373 | 42,950 | 59,614 |
| OPEB Plan Administrative Expense | (104) | (116) | (117) | (123) | (125) | (118) | (123) | (117) | (104) | (105) |
| Other [4] | — | — | — | — | — | — | — | 2 | 18 | — |
| **Net Change in Plan Fiduciary Net Position** | **76,583** | **57,345** | **52,592** | **37,194** | **(45,515)** | **111,922** | **(12,298)** | **14,981** | **30,234** | **48,281** |
| **Plan Fiduciary Net Position – Beginning** | **735,293** | **677,948** | **625,356** | **588,162** | **633,677** | **521,755** | **534,053** | **519,072** | **488,838** | **440,557** |
| **Plan Fiduciary Net Position – Ending (b)** | **811,876** | **735,293** | **677,948** | **625,356** | **588,162** | **633,677** | **521,755** | **534,053** | **519,072** | **488,838** |
| **Net OPEB Liability –Ending (a) – (b)** | **($308,400)** | **($253,231)** | **($235,131)** | **($207,995)** | **$7,627** | **($11,525)** | **$42,769** | **($26,849)** | **($33,168)** | **$6,031** |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 161.25% | 152.53% | 153.10% | 149.84% | 98.72% | 101.85% | 92.42% | 105.29% | 106.83% | 98.78% |
| Covered Payroll [3] | $318,070 | $288,682 | $279,218 | $223,922 | $188,648 | $172,725 | $182,209 | $151,448 | $190,317 | $171,087 |
| **Net OPEB Liability as a Percentage of Covered Payroll** | **(96.96%)** | **(87.72%)** | **(84.21%)** | **(92.89%)** | **4.04%** | **(6.67%)** | **23.47%** | **(17.73%)** | **(17.43%)** | **3.53%** |

*(1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).*

*(2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to $1,287,437 for fiscal year 2026.*

*(3) Based on derived compensation using the provided employer contribution information. For 2021-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE2021-FYE2026.*

*(4) Northern Trust Settlement.*

DRAFT

## Schedule of Changes in Employer's Net OPEB Liability - SPRS

As of June 30 ($ in Thousands)

| | 2026 | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | | | |
| Service Cost | $4,020 | $4,479 | $4,115 | $4,092 | $5,605 | $5,218 | $5,389 | $4,816 | $6,087 | $4,147 |
| Interest on Total OPEB liability | 18,088 | 16,408 | 15,508 | 19,608 | 18,592 | 17,984 | 17,600 | 17,724 | 18,432 | 17,993 |
| Benefit Changes | — | — | — | — | 4,975 | 101 | — | — | 34 | — |
| Difference between Expected and Actual Experience | (6,200) | 7,013 | 1,360 | (98,425) | (5,952) | (6,318) | 13,810 | (14,295) | (23,320) | (573) |
| Assumption Changes | 11,125 | 8,383 | 4,394 | 404 | (21,937) | 21,784 | 4,578 | 16,483 | (358) | 57,312 |
| Benefit Payments [1] [2] | (17,959) | (14,595) | (11,668) | (13,682) | (14,729) | (13,812) | (13,988) | (13,187) | (13,097) | (12,123) |
| **Net Change in Total OPEB Liability** | **9,074** | **21,688** | **13,709** | **(88,003)** | **(13,446)** | **24,957** | **27,389** | **11,541** | **(12,222)** | **66,756** |
| **Total OPEB Liability - Beginning** | **298,847** | **277,159** | **263,450** | **351,453** | **364,899** | **339,942** | **312,553** | **301,012** | **313,234** | **246,478** |
| **Total OPEB Liability - Ending (a** | **$307,921** | **$298,847** | **$277,159** | **$263,450** | **$351,453** | **$364,899** | **$339,942** | **$312,553** | **$301,012** | **$313,234** |
| **Plan Fiduciary Net Position** | | | | | | | | | | |
| Contributions –Employer [2] | $1,978 | $1,819 | $9,788 | $8,755 | $9,343 | $9,381 | $12,873 | $12,623 | $8,535 | $7,862 |
| Contributions – Member | 480 | 438 | 396 | 348 | 230 | 209 | 196 | 176 | 155 | 131 |
| Benefit Payments [1] [2] | (17,959) | (14,595) | (11,668) | (13,682) | (14,729) | (13,812) | (13,988) | (13,187) | (13,097) | (12,123) |
| OPEB Plan Net Investment Income | 36,617 | 29,935 | 26,963 | 21,520 | (10,847) | 50,289 | 1,124 | 10,815 | 16,470 | 21,627 |
| OPEB Plan Administrative Expense | (77) | (71) | (71) | (74) | (73) | (89) | (71) | (69) | (62) | (66) |
| Other [4] | — | — | — | — | — | — | — | 1 | 8 | — |
| **Net Change in Plan Fiduciary Net Position** | **21,039** | **17,526** | **25,408** | **16,867** | **(16,076)** | **45,978** | **134** | **10,359** | **12,009** | **17,431** |
| **Plan Fiduciary Net Position – Beginning** | **291,043** | **273,517** | **248,109** | **231,242** | **247,318** | **201,340** | **201,206** | **190,847** | **178,838** | **161,407** |
| **Plan Fiduciary Net Position – Ending (b)** | **312,082** | **291,043** | **273,517** | **248,109** | **231,242** | **247,318** | **201,340** | **201,206** | **190,847** | **178,838** |
| **Net OPEB Liability –Ending (a) – (b)** | **($4,161)** | **$7,804** | **$3,642** | **$15,341** | **$120,211** | **$117,581** | **$138,602** | **$111,347** | **$110,165** | **$134,396** |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 101.35% | 97.39% | 98.69% | 94.18% | 65.80% | 67.78% | 59.23% | 64.38% | 63.40% | 57.09% |
| Covered Payroll [3] | $77,564 | $80,447 | $71,992 | $65,830 | $48,600 | $47,155 | $48,231 | $48,780 | $50,064 | $48,873 |
| **Net OPEB Liability as a Percentage of Covered Payroll** | **(5.36%)** | **9.70%** | **5.06%** | **23.30%** | **247.35%** | **249.35%** | **287.37%** | **228.26%** | **220.05%** | **274.99%** |

*(1) Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).*

*(2) Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to $155,467 for fiscal year 2026.*

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

*(4) Northern Trust Settlement.*

DRAFT

# Notes to Schedule of Employers' OPEB Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2026, 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 Contributions | | | |
|---|---|---|---|
| **Item** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** |
| **Determined by the Actuarial Valuation as of:** | June 30, 2023 | June 30, 2023 | June 30, 2023 |
| **Actuarial Cost Method:** | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| **Asset Valuation Method:** | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized | 20% of the difference between the market value of assets and the expected actuarial value of assets is recognized |
| **Amortization Method:** | Level Percent of Pay | Level Percent of Pay | Level Percent of Pay |
| **Amortization Period:** | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases | 30-year closed period at June 30, 2019, Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases |
| **Payroll Growth** | 0.00% | 0.00% | 0.00% |
| **Investment Return:** | 6.50% | 6.50% | 6.50% |
| **Inflation:** | 2.50% | 2.50% | 2.50% |
| **Salary Increase:** | 3.30% to 15.30%, varies by service | 3.55% to 20.05%, varies by service | 3.55% to 16.05%, varies by service |
| **Mortality:** | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 | System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023 |
| **Healthcare Trend Rates:** | | | |
| **Pre-65** | Initial trend starting at 6.80% at January 1, 2025, 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, 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, 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, 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, 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, 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. |

DRAFT

# Schedule of Employers' OPEB Contributions

## Schedule of Employers' OPEB Contributions - KERS Nonhazardous

As of June 30 ($ in Thousands)

| Fiscal Year Ending [1] | Actuarially Determined Contribution [2] | Total Employer Contribution [3] | Contribution Deficiency (Excess) | Covered Payroll [4] | Actual Contributions as a Percentage of Covered Payroll |
|---|---|---|---|---|---|
| 2026 | $34,212 | $44,307 | ($10,095) | $2,223,349 | 1.99% |
| 2025 | 32,246 | 40,722 | (8,476) | 2,087,763 | 1.95% |
| 2024 | 129,764 | 136,628 | (6,864) | 1,923,825 | 7.10% |
| 2023 | 123,952 | 129,108 | (5,156) | 1,653,492 | 7.81% |
| 2022 | 135,809 | 140,694 | (4,885) | 1,437,132 | 9.79% |
| 2021 | 161,936 | 186,676 | (24,740) | 1,452,345 | 12.85% |
| 2020 | 183,821 | 175,007 | 8,814 | 1,482,431 | 11.81% |
| 2019 | 187,978 | 178,964 | 9,014 | 1,515,953 | 11.81% |
| 2018 | 132,365 | 136,419 | (4,054) | 1,573,898 | 8.67% |
| 2017 | $133,024 | $152,356 | ($19,332) | $1,593,097 | 9.56% |

(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 2026 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.*

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

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

## Schedule of Employers' OPEB Contributions - KERS Hazardous

As of June 30 ($ in Thousands)

DRAFT

| 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 |
|---|---|---|---|---|---|
| 2026 | $— | $2,401 | ($2,401) | $318,070 | 0.75% |
| 2025 | — | 2,159 | (2,159) | 288,682 | 0.75% |
| 2024 | — | 1,910 | (1,910) | 279,218 | 0.68% |
| 2023 | — | 1,489 | (1,489) | 223,922 | 0.66% |
| 2022 | — | 1,281 | (1,281) | 188,648 | 0.68% |
| 2021 | — | 1,300 | (1,300) | 172,725 | 0.75% |
| 2020 | 4,482 | 5,776 | (1,294) | 182,209 | 3.17% |
| 2019 | 3,726 | 4,970 | (1,244) | 151,448 | 3.28% |
| 2018 | 2,550 | 5,288 | (2,738) | 190,317 | 2.78% |
| 2017 | $4,688 | $5,620 | ($932) | $171,087 | 3.28% |

(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 2026 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.*

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

(4) *Based on derived compensation using the provided employer contribution information. For 2021-2026, derived compensation based on pension contribution information as there were no required employer contributions for the Insurance Plan for FYE2021-FYE2026.*

| Schedule of Employer's OPEB Contributions - SPRS<br>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 |
| 2026 | $1,792 | $1,823 | ($31) | $77,564 | 2.35% |
| 2025 | 1,858 | 1,888 | (30) | 80,447 | 2.35% |
| 2024 | 10,158 | 10,163 | (5) | 71,992 | 14.12% |
| 2023 | 9,289 | 9,289 | — | 65,830 | 14.11% |
| 2022 | 8,782 | 8,782 | — | 48,600 | 18.07% |
| 2021 | 9,285 | 9,285 | — | 47,155 | 19.69% |
| 2020 | 13,133 | 13,133 | — | 48,231 | 27.23% |
| 2019 | 13,283 | 13,288 | (5) | 48,780 | 27.24% |
| 2018 | 9,062 | 9,397 | (335) | 50,064 | 18.77% |
| 2017 | $9,222 | $9,222 | $— | $48,873 | 18.87% |

(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 2026 is based on the contribution rate calculated with the June 30, 2023, actuarial valuation.*

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

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

# Money-Weighted Rates of Return

DRAFT

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

See below for the money-weighted rates of return for multiple periods including fiscal year June 30, 2026, as calculated by the custodian bank, BNY Mellon:

| Money - Weighted Rates of Return As of June 30 | | | | | | |
|---|---|---|---|---|---|---|
| | KERS Nonhazardous | KERS Hazardous | SPRS | KERS Nonhazardous | KERS Hazardous | SPRS |
| | Pension | | | Insurance | | |
| 2026 | 12.31% | 13.58% | 12.09% | 13.29% | 12.98% | 12.93% |
| 2025 | 11.24% | 11.88% | 10.97% | 11.74% | 11.17% | 11.23% |
| 2024 | 9.58% | 11.17% | 9.64% | 11.14% | 11.12% | 11.01% |
| 2023 | 7.07% | 9.46% | 7.53% | 9.89% | 9.26% | 9.44% |
| 2022 | (5.29%) | (5.94%) | (5.80%) | (6.22%) | (4.43%) | (4.43%) |
| 2021 | 22.53% | 25.21% | 21.70% | 25.16% | 24.99% | 25.36% |
| 2020 | 2.35% | 0.96% | 2.21% | 0.98% | 0.21% | 0.64% |
| 2019 | 5.77% | 5.68% | 5.67% | 5.04% | 5.56% | 5.73% |
| 2018 | 7.63% | 8.69% | 7.68% | 7.95% | 8.93% | 9.39% |
| 2017 | 12.08% | 13.45% | 12.50% | 13.77% | 13.75% | 13.69% |

# Schedule of Administrative Expenses

KPPA provides administrative support for KRS and CERS. Kentucky Revised Statute 61.505 (11)(a) requires all expenses incurred by KPPA on behalf of the Systems be prorated, assigned, or allocated to the Systems. KPPA works closely with the KRS and CERS Boards of Trustees to develop an allocation method that takes into consideration membership, assets under management, system specific costs, and statutory requirements. Total administrative costs incurred by KPPA for the fiscal year ended June 30, 2026, were $48.2 million, of which $17.4 million was allocated to KRS based on the hybrid allocation developed by the KPPA Board, the KRS Board, and the CERS Board.

**Schedule of Administrative Expenses**
**As of June 30 ($ in Thousands)**

| | 2026 | 2025 |
|---|---|---|
| Salaries | $8,082 | $7,356 |
| Benefits | 5,254 | 5,198 |
| Professional Services | 1,187 | 1,426 |
| Information Technology | 1,370 | 1,287 |
| Communications | 252 | 224 |
| Office & Equipment Rent | 377 | 385 |
| Travel/Conferences | 41 | 46 |
| Other Operating Expenses | 114 | 176 |
| Insurance Plans' Administration | 739 | 874 |
| **Total Administrative Expenses** | **$17,416** | **$16,972** |

DRAFT

# Schedule of Direct Investment Expenses

**Schedule of Direct Investment Expenses**
**As of June 30 ($ in Thousands)**

| | Pension | | | Insurance | | | | |
|---|---|---|---|---|---|---|---|---|
| | KERS | | | KERS | | | | |
| | Nonhaz | Haz | SPRS | Nonhaz | Haz | SPRS | 2026 | 2025 |
| **Security Lending Fees** | | | | | | | | |
| Securities Lending Borrower Rebates | $5,179 | $1,196 | $823 | $1,626 | $524 | $217 | $9,565 | $11,660 |
| Securities Lending Agent Fee | 194 | 45 | 30 | 66 | 24 | 9 | 368 | 231 |
| **Total Security Lending** | **5,373** | **1,241** | **853** | **1,692** | **548** | **226** | **9,933** | **11,891** |
| **Contractual Services** | | | | | | | | |
| Investment Management | 24,040 | 6,225 | 3,454 | 9,370 | 4,764 | 1,813 | 49,665 | 49,118 |
| Security Custody | 281 | 63 | 40 | 99 | 39 | 15 | 537 | 919 |
| Investment Consultant | 536 | 117 | 76 | 284 | 112 | 44 | 1,169 | 506 |
| Performance Fees | 8,568 | 1,523 | 1,156 | 3,419 | 1,116 | 406 | 16,188 | 18,410 |
| **Total Contractual Services** | **$33,425** | **$7,928** | **$4,726** | **$13,172** | **$6,030** | **$2,277** | **$67,558** | **$68,953** |

# Schedule of Professional Consultant Fees

| Schedule of Professional Consultant Fees<br>As of June 30 ($ in Thousands) | | |
|---|---|---|
| | **2026** | **2025** |
| Actuarial Services | $121 | $113 |
| Medical Review Services | 421 | 406 |
| Audit Services | 73 | 72 |
| Legal Counsel | 410 | 740 |
| Miscellaneous | 162 | 95 |
| **Total** | **$1,187** | **$1,426** |

DRAFT

Independent Auditor’s Report on Internal Control forthcoming

DRAFT

DRAFT

# Investment Overview

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

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

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

## Asset Allocation And Diversification

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

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

DRAFT

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, 2026.

| IPS Target Allocation vs. Actual Asset Allocation<br>As of June 30, 2026 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Pension** | **Public Equity** | **Private Equity** | **Core Fixed Income** | **Specialty Credit** | **Cash** | **Real Estate** | **Real Return** | **Total Plan** |
| **KERS Nonhazardous Policy Target Asset Allocation** | 30.0% | 6.0% | 27.0% | 20.0% | 2.0% | 5.0% | 10.0% | 100.0% |
| **KERS Nonhazardous Actual Asset Allocation** | **33.4%** | **4.0%** | **26.7%** | **19.6%** | **2.5%** | **4.3%** | **9.5%** | **100.0%** |
| | | | | | | | | |
| **KERS Hazardous Policy Target Asset Allocation** | 40.0% | 8.0% | 10.0% | 25.0% | 2.0% | 7.0% | 8.0% | 100.0% |
| **KERS Hazardous Actual Asset Allocation** | **45.3%** | **4.8%** | **9.8%** | **24.6%** | **2.2%** | **5.5%** | **7.8%** | **100.0%** |
| | | | | | | | | |
| **SPRS Policy Target Asset Allocation** | 30.0% | 6.0% | 27.0% | 20.0% | 2.0% | 5.0% | 10.0% | 100.0% |
| **SPRS Actual Asset Allocation** | **33.8%** | **3.9%** | **26.7%** | **19.6%** | **2.0%** | **4.3%** | **9.7%** | **100.0%** |

| **Insurance** | **Public Equity** | **Private Equity** | **Core Fixed Income** | **Specialty Credit** | **Cash** | **Real Estate** | **Real Return** | **Total Plan** |
|---|---|---|---|---|---|---|---|---|
| **KERS Nonhazardous Policy Target Asset Allocation** | 40.0% | 8.0% | 10.0% | 25.0% | 2.0% | 7.0% | 8.0% | 100.0% |
| **KERS Nonhazardous Actual Asset Allocation** | **45.3%** | **5.1%** | **9.7%** | **24.4%** | **1.6%** | **5.7%** | **8.2%** | **100.0%** |
| | | | | | | | | |
| **KERS Hazardous Policy Target Asset Allocation** | 40.0% | 8.0% | 10.0% | 25.0% | 2.0% | 7.0% | 8.0% | 100.0% |
| **KERS Hazardous Actual Asset Allocation** | **45.6%** | **4.7%** | **9.8%** | **24.2%** | **2.0%** | **5.7%** | **8.0%** | **100.0%** |
| | | | | | | | | |
| **SPRS Policy Target Asset Allocation** | 40.0% | 8.0% | 10.0% | 25.0% | 2.0% | 7.0% | 8.0% | 100.0% |
| **SPRS Actual Asset Allocation** | **45.1%** | **5.3%** | **9.7%** | **24.8%** | **1.3%** | **5.6%** | **8.2%** | **100.0%** |

*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.*

DRAFT

# Investment Strategies

## Diversification

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

## Rebalancing

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

## Performance Review

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

## Investment Consulting

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

# Investment Objectives

The Trustees recognize that as long-term investors, the primary aim is that the portfolios meet their performance objectives in the long-term while understanding that this may not necessarily occur in the short-term. The overall investment performance goal is to achieve an annualized rate of return which, when combined with employee and employer contributions, will meet or exceed the benefits and administrative funding requirements. The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of the Plans.

## Public Asset Class Allocations

**Short-term:** For periods less than five years or a full market cycle, the Asset Class composite performance should exceed the returns of the MSCI All Country World Investable Market Index.

**Intermediate & Long-term:** For periods greater than five years or a full market cycle, the Asset Class composite performance should exceed the MSCI All Country World Investable Market 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.

DRAFT

## 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 stated 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 stated goal or benchmark.

## Alternative Assets

### Private Equity

The Private Equity portfolio seeks long-term annualized net returns that meets or exceeds the Systems' Custom Private Equity Index.

### 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 2026 Results

Please see the tables below for the net returns reported for the fiscal year ended June 30, 2026.

**Net Returns As of June 30, 2026 ($ in Thousands)**

| | | | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|---|
| Pension | Fair Value | % of Total | Plan | Index | Plan | Index | Plan | Index | Plan | Index |
| KERS Nonhazardous | 6,049,752 | 73.9% | 12.3% | 11.4% | 11.0% | 9.8% | 6.8% | 6.1% | 8.3% | 7.6% |
| KERS Hazardous | 1,296,506 | 15.8% | 13.6% | 12.7% | 12.2% | 11.2% | 7.8% | 7.4% | 9.1% | 8.8% |
| SPRS | 842,355 | 10.3% | 12.1% | 11.0% | 10.9% | 9.8% | 6.9% | 6.2% | 8.3% | 7.8% |
| **Total** | **$8,188,613** | **100.0%** | **12.5%** | **11.5%** | **11.2%** | **10.1%** | **7.0%** | **6.3%** | **8.5%** | **7.7%** |

**Net Returns As of June 30, 2026 ($ in Thousands)**

| | | | 1 Year | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|---|
| Insurance | Fair Value | % of Total | Plan | Index | Plan | Index | Plan | Index | Plan | Index |
| KERS Nonhazardous | 2,014,069 | 64.5% | 13.3% | 12.4% | 12.0% | 11.1% | 7.7% | 7.8% | 9.0% | 8.9% |
| KERS Hazardous | 798,689 | 25.6% | 13.0% | 11.8% | 11.8% | 10.8% | 7.8% | 7.3% | 9.1% | 8.7% |
| SPRS | 310,086 | 9.9% | 12.9% | 11.9% | 11.7% | 10.8% | 7.8% | 7.4% | 9.2% | 8.7% |
| **Total** | **$3,122,844** | **100.0%** | **13.2%** | **12.2%** | **11.9%** | **11.0%** | **7.8%** | **7.6%** | **9.1%** | **8.8%** |

DRAFT

# Benchmarks

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

**Benchmarks and Allocation Guidelines**
**As of June 30, 2026**

| Index | Asset Class | KERS Nonhazardous/ SPRS Pension | KERS Hazardous Pension/All Insurance |
|---|---|---|---|
| **Equity** | | | |
| MSCI ACWI IMI | Public Equity | 30% | 40% |
| Custom Private Equity Benchmark | Private Equity | 6% | 8% |
| **Fixed Income** | | | |
| Bloomberg US Aggregate | Core Fixed Income | 27% | 10% |
| 50% Bloomberg US Corporate High Yield/50% Morningstar LSTA US Leveraged Loan | Specialty Credit | 20% | 25% |
| FTSE for 3-month Treasury Bill | Cash | 2% | 2% |
| **Inflation Protected** | | | |
| NCREIF ODCE (one quarter lagged) | Real Estate | 5% | 7% |
| US CPI +3% | Real Return | 10% | 8% |

*Note: These benchmarks are intended to be objective, measurable, investable/replicable, and representative of the investment mandates. The benchmarks are developed from publicly available information and accepted by the investment advisor and Investment Staff as the neutral position consistent with the investment mandate and status. Investment Staff and our Consultant recommend the indices and benchmarks, which are reviewed and approved by the Investment Committee and ratified by the KRS Board.*

# 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, 2026, the actuarial assumed rate of return for KERS Nonhazardous and SPRS Pension Plans was 5.3% and 6.3% for the KERS Hazardous Plan and 6.50% for all Insurance Plans.

Since June 30, 2017, fiscal year returns have ranged from minimum returns of (6.0%) in KERS Hazardous in fiscal year 2022 to a maximum return of 25.2% in fiscal year 2021. For fiscal year 2026, the total net return of each Plan exceeded both its benchmark and actuarially assumed rate of return. Translating these returns into dollars, a beginning balance of $1,000 would have a balance of $2,202 for the KERS Nonhazardous Pension Plan. The KERS Nonhazardous benchmark returns would have grown to a balance of $2,136.

**Pension Plan Growth**
**As of June 30 (in Whole $)**

| Fiscal Year | | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| KERS Nonhazardous Plan | | 12.1% | 7.5% | 5.7% | 2.4% | 22.6% | (5.2%) | 7.0% | 9.5% | 11.2% | 12.3% |
| Performance Benchmark | | 11.9% | 6.8% | 6.1% | 1.2% | 20.6% | (4.8%) | 7.0% | 10.1% | 9.6% | 11.4% |
| Actuarial Assumed ROR | | 6.8% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,113 | $1,197 | $1,265 | $1,295 | $1,587 | $1,505 | $1,610 | $1,763 | $1,960 | $2,202 |
| Performance Benchmark | $1,000 | $1,127 | $1,204 | $1,278 | $1,293 | $1,560 | $1,485 | $1,589 | $1,750 | $1,918 | $2,136 |
| Actuarial Assumed ROR | $1,000 | $1,148 | $1,208 | $1,271 | $1,338 | $1,408 | $1,482 | $1,560 | $1,642 | $1,728 | $1,819 |
| | | | | | | | | | | | |
| KERS Hazardous Plan | | 13.4% | 8.7% | 5.7% | 1.0% | 25.2% | (6.0%) | 9.5% | 11.1% | 11.9% | 13.6% |
| Performance Benchmark | | 13.6% | 7.0% | 6.4% | 0.2% | 25.7% | (5.2%) | 8.7% | 12.4% | 10.8% | 12.7% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,132 | $1,230 | $1,300 | $1,312 | $1,643 | $1,545 | $1,691 | $1,879 | $2,102 | $2,388 |
| Performance Benchmark | $1,000 | $1,129 | $1,208 | $1,285 | $1,287 | $1,619 | $1,534 | $1,668 | $1,875 | $2,077 | $2,340 |
| Actuarial Assumed ROR | $1,000 | $1,156 | $1,228 | $1,305 | $1,386 | $1,473 | $1,565 | $1,663 | $1,767 | $1,877 | $1,994 |
| | | | | | | | | | | | |
| SPRS Plan | | 12.5% | 7.7% | 5.7% | 2.2% | 21.7% | (4.6%) | 7.6% | 9.6% | 11.0% | 12.1% |
| Performance Benchmark | | 12.6% | 6.8% | 6.1% | 1.2% | 20.6% | (4.8%) | 7.0% | 10.1% | 9.6% | 11.0% |
| Actuarial Assumed ROR | | 6.8% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% | 5.3% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,108 | $1,193 | $1,261 | $1,289 | $1,569 | $1,496 | $1,609 | $1,764 | $1,958 | $2,194 |
| Performance Benchmark | $1,000 | $1,123 | $1,199 | $1,273 | $1,288 | $1,553 | $1,479 | $1,583 | $1,743 | $1,910 | $2,120 |
| Actuarial Assumed ROR | $1,000 | $1,148 | $1,208 | $1,271 | $1,338 | $1,408 | $1,482 | $1,560 | $1,642 | $1,728 | $1,819 |

DRAFT

The chart below shows theoretical annual returns for the Insurance portfolios since June 30, 2017. Fiscal year returns have ranged from minimum returns of (6.15%) in KERS Nonhazardous in fiscal year 2022 to maximum returns of 25.3% in SPRS in fiscal year 2021. The KERS Insurance portfolio earned 13.3% versus the benchmark return of 12.4%. The chart below indicates that a beginning balance of $1,000, would have grown to a balance of $2,350 at the end of fiscal year 2026. The actuarially assumed rate of return would have grown to a balance of $2,006 and the benchmark returns would have grown to a balance of $2,358 at the end of the 10-year period.

| Insurance Plan Growth<br>As of June 30 (in Whole $) | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Fiscal Year** | | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **KERS Nonhazardous Plan** | | 13.78% | 7.96% | 4.95% | 0.97% | 25.16% | (6.15)% | 9.87% | 11.07% | 11.8% | 13.3% |
| Performance Benchmark | | 13.9% | 7.0% | 6.1% | 0.4% | 24.4% | (3.4%) | 8.7% | 12.4% | 10.8% | 12.4% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,132 | $1,222 | $1,283 | $1,295 | $1,621 | $1,521 | $1,671 | $1,857 | $2,075 | $2,350 |
| Performance Benchmark | $1,000 | $1,133 | $1,212 | $1,286 | $1,291 | $1,605 | $1,550 | $1,685 | $1,893 | $2,098 | $2,358 |
| Actuarial Assumed ROR | $1,000 | $1,156 | $1,228 | $1,305 | $1,386 | $1,473 | $1,565 | $1,663 | $1,768 | $1,883 | $2,006 |
| | | | | | | | | | | | |
| **KERS Hazardous Plan** | | 13.8% | 8.9% | 5.6% | 0.2% | 25.0% | (4.5%) | 9.3% | 11.2% | 11.2% | 13.0% |
| Performance Benchmark | | 13.7% | 7.0% | 6.3% | (0.4%) | 24.8% | (4.9%) | 8.7% | 12.4% | 10.8% | 11.8% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,135 | $1,236 | $1,305 | $1,307 | $1,634 | $1,560 | $1,705 | $1,895 | $2,107 | $2,380 |
| Performance Benchmark | $1,000 | $1,133 | $1,213 | $1,289 | $1,283 | $1,601 | $1,523 | $1,656 | $1,861 | $2,062 | $2,306 |
| Actuarial Assumed ROR | $1,000 | $1,156 | $1,228 | $1,305 | $1,386 | $1,473 | $1,565 | $1,663 | $1,768 | $1,883 | $2,006 |
| | | | | | | | | | | | |
| **SPRS Plan** | | 13.7% | 9.3% | 5.7% | 0.7% | 25.3% | (4.5%) | 9.5% | 11.0% | 11.3% | 12.9% |
| Performance Benchmark | | 13.6% | 7.0% | 6.3% | (0.4%) | 24.8% | (3.4%) | 8.7% | 12.4% | 10.8% | 11.9% |
| Actuarial Assumed ROR | | 7.5% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.3% | 6.4% | 6.5% | 6.5% |
| | | | | | | | | | | | |
| Actual Performance | $1,000 | $1,137 | $1,243 | $1,315 | $1,323 | $1,659 | $1,584 | $1,734 | $1,925 | $2,141 | $2,418 |
| Performance Benchmark | $1,000 | $1,134 | $1,213 | $1,289 | $1,284 | $1,602 | $1,547 | $1,681 | $1,890 | $2,094 | $2,343 |
| Actuarial Assumed ROR | $1,000 | $1,156 | $1,228 | $1,305 | $1,386 | $1,473 | $1,565 | $1,663 | $1,768 | $1,883 | $2,006 |

DRAFT

# Public Equity

For the fiscal year, the KERS Pension Nonhazardous and Hazardous, and SPRS Pension Public Equity portfolios returned 21.1%, 21.5%, and 21.6%, respectively. The KERS Insurance Nonhazardous and Hazardous, and SPRS Insurance Public Equity portfolios returned 21.4%, 21.6%, and 21.4%, respectively. The portfolios underperformed their benchmark's (MSCI All Country World Index) return of 24.2%. Relative underperformance was driven by broadly weaker individual strategy performance. This was due in large part to style and factor weakness. Low-quality / high volatility headwinds were felt throughout the portfolio. This was partially offset by regional positioning, the tilt toward non-US equities in response to valuation metrics and a closing earnings gap, benefited the asset class as international equities outpaced their domestic counterparts by roughly 3.8%.

| Public Equity Performance<br>As of June 30, 2026 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Inception Date** | **1 Years** | | **3 Years** | | **5 Years** | | **10 Years** | |
| **Pension** | **4/1/1984** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **KERS Nonhazardous** | | 21.1% | 24.2% | 18.1% | 19.5% | 9.7% | 10.4% | 12.3% | 12.5% |
| **KERS Hazardous** | | 21.5% | 24.2% | 18.2% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **SPRS** | | 21.6% | 24.2% | 18.2% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **Insurance** | **7/1/1992** | | | | | | | | |
| **KERS Nonhazardous** | | 21.4% | 24.2% | 18.1% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **KERS Hazardous** | | 21.6% | 24.2% | 18.2% | 19.5% | 9.8% | 10.4% | 12.3% | 12.5% |
| **SPRS** | | 21.4% | 24.2% | 18.1% | 19.5% | 9.7% | 10.4% | 12.3% | 12.5% |
| *Note: Current Pension and Insurance benchmarks are MSCI ACWI. Plan returns are reported gross of fees.* | | | | | | | | | |

During the 12 months ended June 30, 2026, KPPA managed U.S. Equity portfolios collectively returned 21.6% versus the Russell 3000 Index return of 22.8%. Individual active strategies were broadly weaker; this was partially offset by the outperformance of the internal accounts. The tilt down market cap was beneficial as small caps (R2000: 40.8%) nearly doubled their large cap counterparts (R500: 20.8%).

For the fiscal year, KPPA managed non-U.S. Equity portfolios collectively returned 22.0% versus the MSCI ACWI Ex-US IMI return of 26.6%. Individual strategy relative performance was mixed, with weakness most notable in growth mandates, that struggled in a "risk on" environment that seemed to ignore quality and earnings.

Ultimately, despite strong absolute performance; the portfolio failed to keep up with its benchmark, as the fiscal year provided a difficult environment for active managers. The narrowness of the market, focused primarily on semi-conductors and memory as part of the AI story, set up the scenario where diversification created risk in regards to relative performance. High beta and low-quality names with high valuations outpaced their counterparts. While this scenario can win in the short term, it typically does not lend itself to long-term success.

## Top 10 Public Equity Holdings

**As of June 30, 2026 ($ in Thousands)**

**KERS Nonhazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND A | 4,234,332 | $178,863,523 |
| ISHARES CORE S&P MIDCAP ETF | 711,418 | 54,857,476 |
| LAZARD EMERG MKT EQY-INST | 1,460,737 | 44,377,189 |
| NVIDIA CORP | 120,865 | 24,183,830 |
| SAMSUNG ELECTRONICS CO LTD | 100,474 | 21,718,384 |
| ALPHABET INC | 56,807 | 20,273,603 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 244,104 | 19,795,359 |
| APPLE INC | 43,973 | 12,723,968 |
| ASML HOLDING NV | 5,816 | 11,483,280 |
| MICROSOFT CORP | 25,647 | 9,566,855 |
| **Total** | **7,004,173** | **$397,843,467** |

**KERS Nonhazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND B | 999,929 | $46,062,665 |
| LAZARD EMERG MKT EQY-INST | 758,078 | 23,030,401 |
| ISHARES CORE S&P MIDCAP ETF | 290,312 | 22,385,984 |
| SAMSUNG ELECTRONICS CO LTD | 53,662 | 11,539,566 |
| NVIDIA CORP | 55,108 | 11,026,519 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 129,403 | 10,379,210 |
| ALPHABET INC | 25,912 | 9,247,430 |
| APPLE INC | 20,217 | 5,850,056 |
| ASML HOLDING NV | 2,908 | 5,739,355 |
| MICROSOFT CORP | 11,777 | 4,393,105 |
| **Total** | **2,347,306** | **$149,654,291** |

**KERS Hazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND A | 1,139,453 | $48,131,936 |
| ISHARES CORE S&P MIDCAP ETF | 232,496 | 17,927,734 |
| LAZARD EMERG MKT EQY-INST | 455,865 | 13,849,171 |
| NVIDIA CORP | 37,369 | 7,477,085 |
| SAMSUNG ELECTRONICS CO LTD | 31,356 | 6,777,843 |
| ALPHABET INC | 17,568 | 6,270,548 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 76,228 | 6,200,748 |
| APPLE INC | 13,183 | 3,814,526 |
| ASML HOLDING NV | 1,825 | 3,603,571 |
| MICROSOFT CORP | 7,808 | 2,912,471 |
| **Total** | **2,013,151** | **$116,965,633** |

**KERS Hazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND B | 560,754 | $25,831,683 |
| ISHARES CORE S&P MIDCAP ETF | 116,668 | 8,996,294 |
| LAZARD EMERG MKT EQY-INST | 281,614 | 8,555,429 |
| NVIDIA CORP | 22,032 | 4,408,314 |
| SAMSUNG ELECTRONICS CO LTD | 19,935 | 4,286,766 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 48,116 | 3,877,002 |
| ALPHABET INC | 10,360 | 3,697,162 |
| APPLE INC | 8,061 | 2,332,488 |
| ASML HOLDING NV | 1,103 | 2,178,322 |
| MICROSOFT CORP | 4,702 | 1,753,940 |
| **Total** | **1,073,345** | **$65,917,400** |

**SPRS Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND A | 373,089 | $15,759,761 |
| ISHARES CORE S&P MIDCAP ETF | 118,477 | 9,135,769 |
| LAZARD EMERG MKT EQY-INST | 229,578 | 6,974,567 |
| NVIDIA CORP | 18,566 | 3,714,938 |
| SAMSUNG ELECTRONICS CO LTD | 15,791 | 3,413,383 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 38,395 | 3,125,810 |
| ALPHABET INC | 8,730 | 3,116,050 |
| APPLE INC | 6,452 | 1,867,001 |
| ASML HOLDING NV | 919 | 1,814,389 |
| MICROSOFT CORP | 3,851 | 1,436,318 |
| **Total** | **813,848** | **$50,357,986** |

**SPRS Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| MSCI WORLD EX-US INDEX FUND B | 175,574 | $8,087,995 |
| ISHARES CORE S&P MIDCAP ETF | 44,641 | 3,442,242 |
| LAZARD EMERG MKT EQY-INST | 111,271 | 3,380,425 |
| NVIDIA CORP | 8,556 | 1,711,978 |
| SAMSUNG ELECTRONICS CO LTD | 7,877 | 1,693,789 |
| TAIWAN SEMICONDUCTOR MANUFACTU | 19,004 | 1,528,366 |
| ALPHABET INC | 4,023 | 1,435,675 |
| APPLE INC | 3,155 | 912,813 |
| ASML HOLDING NV | 433 | 854,675 |
| MICROSOFT CORP | 1,833 | 683,787 |
| **Total** | **376,367** | **$23,731,745** |

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

DRAFT

# Core Fixed Income

For the fiscal year, the Pension Core Fixed Income KERS Nonhazardous, Hazardous and SPRS portfolios returned 4.3%, 4.4% and 4.3%, respectively, compared to the Bloomberg U.S. Aggregate benchmark returning 3.8%. For the Insurance Core Fixed Income, KERS Nonhazardous, Hazardous and SPRS portfolios returned 4.6%, 4.6% and 4.6%, respectively. Performance was driven by overweight allocations to Mortgage-Backed Securities (MBS) and Asset-Backed Securities (ABS) during the fiscal year.

## Core Fixed Income Performance

**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2013** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **KERS Nonhazardous** | | 4.3% | 3.8% | 5.2% | 4.2% | 2.2% | 0.1% | 2.6% | 1.5% |
| **KERS Hazardous** | | 4.4% | 3.8% | 5.2% | 4.2% | 2.2% | 0.1% | 2.6% | 1.5% |
| **SPRS** | | 4.3% | 3.8% | 5.2% | 4.2% | 2.2% | 0.1% | 2.6% | 1.5% |
| **Insurance** | **7/1/2013** | | | | | | | | |
| **KERS Nonhazardous** | | 4.6% | 3.8% | 5.2% | 4.2% | 2.1% | 0.1% | 2.5% | 1.5% |
| **KERS Hazardous** | | 4.6% | 3.8% | 5.2% | 4.2% | 2.2% | 0.1% | 2.5% | 1.5% |
| **SPRS** | | 4.6% | 3.8% | 5.2% | 4.2% | 2.2% | 0.1% | 2.5% | 1.5% |

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

## Top 10 Core Fixed Income Holdings

**As of June 30, 2026 ($ in Thousands)**

**KERS Nonhazardous Pension**

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 5,041,216 | $498,980 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 21,674,630 | $15,858 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26 | 14,069,111 | $13,967 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26 | 12,408,534 | $12,406 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26 | 11,672,082 | $11,666 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 10,581,450 | $10,553 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 10,413,723 | $10,176 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 10,383,191 | $10,161 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 9,489,190 | $9,597 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 9,043,818 | $9,042 |
| **Total** | **114,776,945** | **$602,406** |

**KERS Nonhazardous Insurance**

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 524,411 | $51,906 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 2,747,166 | $2,010 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 1,677,476 | $1,665 |
| U S TREASURY NOTE (1.500% 11/30/2028 DD 11/30/21) | 1,711,252 | $1,608 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 1,497,997 | $1,497 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 1,480,750 | $1,480 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 1,475,000 | $1,443 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 1,428,469 | $1,425 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 1,389,662 | $1,358 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 1,275,399 | $1,290 |
| **Total** | **15,207,582** | **$65,682** |

DRAFT

## Top 10 Core Fixed Income Holdings

As of June 30, 2026 ($ in Thousands)

### KERS Hazardous Pension

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 397,309 | $39,326 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 1,708,222 | $1,250 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 1,108,815 | $1,101 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 977,942 | $978 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 919,901 | $919 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 833,946 | $832 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 820,727 | $802 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 818,320 | $801 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 747,862 | $756 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 712,762 | $713 |
| **Total** | **9,045,806** | **$47,478** |

### KERS Hazardous Insurance

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 210,584 | $20,844 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 1,103,161 | $807 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 673,613 | $669 |
| U S TREASURY NOTE (1.500% 11/30/2028 DD 11/30/21) | 687,176 | $646 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 601,541 | $601 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 594,615 | $594 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 592,306 | $580 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 573,621 | $572 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 558,038 | $545 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 512,154 | $518 |
| **Total** | **6,106,809** | **$26,376** |

### SPRS Pension

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 702,072 | $69,491 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 3,018,546 | $2,208 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 1,959,353 | $1,945 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 1,728,091 | $1,728 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 1,625,528 | $1,625 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 1,473,640 | $1,470 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 1,450,281 | $1,417 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 1,446,029 | $1,415 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 1,321,525 | $1,337 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 1,259,499 | $1,259 |
| **Total** | **15,984,564** | **$83,895** |

### SPRS Insurance

| Holding | Shares | Fair Value |
|---|---|---|
| ISHARES CORE U.S. AGGREGATE | 81,073 | $8,025 |
| U S TREASURY BOND (2.250% 05/15/2041 DD 05/15/21) | 424,705 | $311 |
| U S TREASURY NOTE (3.875% 04/15/2029 DD 04/15/26) | 259,334 | $257 |
| U S TREASURY NOTE (1.500% 11/30/2028 DD 11/30/21) | 264,555 | $249 |
| U S TREASURY NOTE (4.125% 06/15/2029 DD 06/15/26) | 231,587 | $231 |
| U S TREASURY NOTE (4.125% 06/30/2028 DD 06/30/26) | 228,920 | $229 |
| U S TREASURY NOTE (4.000% 02/15/2034 DD 02/15/24) | 228,031 | $223 |
| U S TREASURY NOTE (4.125% 06/30/2031 DD 06/30/26) | 220,838 | $220 |
| U S TREASURY NOTE (3.625% 12/31/2030 DD 12/31/25) | 214,838 | $210 |
| U S TREASURY BOND (5.000% 05/15/2046 DD 05/15/26) | 197,174 | $199 |
| **Total** | **2,351,055** | **$10,154** |

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

DRAFT

# Specialty Credit

For the fiscal year, the Pension Specialty Credit KERS Nonhazardous, Hazardous and SPRS portfolios returned 7.5%, 7.6% and 7.5%, respectively, outperforming the custom benchmark which returned 5.1%. For the Insurance Specialty Credit, KERS Nonhazardous, Hazardous and SPRS portfolios returned 7.5%, 8.7% and 8.4%, respectively, also outperforming the benchmark. Much like investment grade credit, outperformance was a result of credit spreads continuing to tighten with B rated companies performing the best. Holdings within private credit continue to perform well as exposure to software/services and information technology remained limited.

**Specialty Credit Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2013** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| KERS Nonhazardous | | 7.5% | 5.1% | 10.4% | 8.2% | 8.1% | 5.1% | 7.9% | N/A |
| KERS Hazardous | | 7.6% | 5.1% | 10.4% | 8.2% | 8.3% | 5.1% | 7.8% | N/A |
| SPRS | | 7.5% | 5.1% | 10.2% | 8.2% | 7.8% | 5.1% | 7.6% | N/A |
| **Insurance** | **7/1/2013** | | | | | | | | |
| KERS Nonhazardous | | 7.5% | 5.1% | 10.3% | 8.2% | 8.3% | 5.1% | 7.6% | N/A |
| KERS Hazardous | | 8.7% | 5.1% | 11.4% | 8.2% | 9.3% | 5.1% | 8.2% | N/A |
| SPRS | | 8.4% | 5.1% | 11.0% | 8.2% | 8.9% | 5.1% | 7.9% | 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, 2026 ($ in Thousands)**

**KERS Nonhazardous Pension**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $7,564 |
| TRANSDIGM INC 144A | 6,718 |
| POST HOLDINGS INC 144A | 4,185 |
| NRG ENERGY INC 144A | 4,163 |
| VENTURE GLOBAL PLAQUEMINE 144A | 3,937 |
| CLOUD SOFTWARE GROUP LLC 144A | 3,787 |
| ONEMAIN FINANCE CORP | 3,711 |
| SIX FLAGS ENTERTAINMENT C 144A | 3,671 |
| OLYMPUS WATER US HOLDING 144A | 3,505 |
| SUNOCO LP 144A | 3,464 |
| **Total** | **$44,704** |

**KERS Nonhazardous Insurance**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $2,729 |
| TRANSDIGM INC 144A | 2,573 |
| VENTURE GLOBAL PLAQUEMINE 144A | 1,517 |
| NRG ENERGY INC 144A | 1,509 |
| CLOUD SOFTWARE GROUP LLC 144A | 1,426 |
| ONEMAIN FINANCE CORP | 1,420 |
| POST HOLDINGS INC 144A | 1,398 |
| SM ENERGY CO 144A | 1,363 |
| OLYMPUS WATER US HOLDING 144A | 1,302 |
| VENTURE GLOBAL LNG INC 144A | 1,290 |
| **Total** | **$16,528** |

**KERS Hazardous Pension**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $1,989 |
| TRANSDIGM INC 144A | 1,784 |
| POST HOLDINGS INC 144A | 1,123 |
| NRG ENERGY INC 144A | 1,101 |
| VENTURE GLOBAL PLAQUEMINE 144A | 1,035 |
| CLOUD SOFTWARE GROUP LLC 144A | 1,004 |
| ONEMAIN FINANCE CORP | 976 |
| SIX FLAGS ENTERTAINMENT C 144A | 965 |
| SUNOCO LP 144A | 924 |
| OLYMPUS WATER US HOLDING 144A | 922 |
| **Total** | **$11,824** |

**KERS Hazardous Insurance**

| Holding | Fair Value |
|---|---|
| CCO HOLDINGS LLC / CCO HO 144A | $827 |
| TRANSDIGM INC 144A | 756 |
| BSP COINVEST VEHICLE K LP | 598 |
| VENTURE GLOBAL PLAQUEMINE 144A | 460 |
| NRG ENERGY INC 144A | 450 |
| ONEMAIN FINANCE CORP | 430 |
| CLOUD SOFTWARE GROUP LLC 144A | 421 |
| SM ENERGY CO 144A | 413 |
| OLYMPUS WATER US HOLDING 144A | 395 |
| POST HOLDINGS INC 144A | 393 |
| **Total** | **$5,143** |

DRAFT

| Top 10 Specialty Credit Holdings<br>As of June 30, 2026 ($ in Thousands) | | | |
|---|---|---|---|
| **SPRS Pension** | | **SPRS Insurance** | |
| **Holding** | **Fair Value** | **Holding** | **Fair Value** |
| CCO HOLDINGS LLC / CCO HO 144A | $1,196 | TRANSDIGM INC 144A | $279 |
| TRANSDIGM INC 144A | 1,068 | CCO HOLDINGS LLC / CCO HO 144A | 275 |
| POST HOLDINGS INC 144A | 670 | BSP COINVEST VEHICLE K LP | 215 |
| NRG ENERGY INC 144A | 661 | POST HOLDINGS INC 144A | 166 |
| VENTURE GLOBAL PLAQUEMINE 144A | 622 | NRG ENERGY INC 144A | 158 |
| CLOUD SOFTWARE GROUP LLC 144A | 602 | VENTURE GLOBAL PLAQUEMINE 144A | 153 |
| ONEMAIN FINANCE CORP | 587 | CLOUD SOFTWARE GROUP LLC 144A | 153 |
| SIX FLAGS ENTERTAINMENT C 144A | 580 | VENTURE GLOBAL LNG INC 144A | 146 |
| OLYMPUS WATER US HOLDING 144A | 554 | ONEMAIN FINANCE CORP | 143 |
| SUNOCO LP 144A | 552 | SM ENERGY CO 144A | 137 |
| **Total** | **$7,093** | **Total** | **$1,825** |
| *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 9.6% for KERS Hazardous to 22.8% for KERS Nonhazardous, while the Insurance Private Equity portfolio gross returns ranged from 0.0% for KERS Hazardous to 6.3% for KERS Nonhazardous. 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

| Private Equity Performance<br>As of June 30, 2026 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Inception Date** | **1 Years** | | **3 Years** | | **5 Years** | | **10 Years** | |
| **Pension** | **7/1/2002** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| **KERS Nonhazardous** | | 22.8% | 10.6% | 12.8% | 7.1% | 7.9% | 8.2% | 12.8% | 13.8% |
| **KERS Hazardous** | | 9.6% | 10.6% | 7.9% | 7.1% | 10.3% | 8.2% | 13.3% | 13.8% |
| **SPRS** | | 16.6% | 10.6% | 12.2% | 7.1% | 10.5% | 8.2% | 14.1% | 13.8% |
| **Insurance** | **7/1/2002** | | | | | | | | |
| **KERS Nonhazardous** | | 6.3% | 1.7% | 7.0% | 3.4% | 13.2% | 8.0% | 13.4% | 13.7% |
| **KERS Hazardous** | | —% | 1.7% | 2.9% | 3.4% | 8.6% | 8.0% | 11.4% | 13.7% |
| **SPRS** | | 0.4% | 1.7% | 3.2% | 3.4% | 9.1% | 8.0% | 12.0% | 13.7% |
| *Note: Current Pension and Insurance benchmark is Russell 3000 + 3%, lagged 1 quarter. Plan returns are reported gross of fees.* | | | | | | | | | |

# Real Estate

For the fiscal year, the Pension and Insurance Real Estate portfolios saw gross returns ranging from 2.0% in the KERS Hazardous insurance plan to 3.7% in the KERS Nonhazardous pension plan, exceeding the benchmark in most plans.

**Real Estate Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/1984** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| KERS Nonhazardous | | 3.7% | 3.1% | 0.4% | (2.8%) | 5.5% | 2.3% | 7.2% | 3.8% |
| KERS Hazardous | | 3.6% | 3.1% | 0.1% | (2.8%) | 5.0% | 2.3% | 7.0% | 3.8% |
| SPRS | | 3.3% | 3.1% | (0.3%) | (2.8%) | 4.8% | 2.3% | 6.9% | 3.8% |
| **Insurance** | **5/1/2009** | | | | | | | | |
| KERS Nonhazardous | | 3.6% | 3.1% | 0.2% | (2.8%) | 4.7% | 2.3% | 7.0% | 3.8% |
| KERS Hazardous | | 2.0% | 3.1% | (1.1%) | (2.8%) | 3.8% | 2.3% | 6.5% | 3.8% |
| SPRS | | 2.0% | 3.1% | (1.1%) | (2.8%) | 3.9% | 2.3% | 6.5% | 3.8% |

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

# Real Return

For the fiscal year, the Pension and Insurance Real Return portfolio returns ranged from 19.6% (gross) in the KERS Hazardous insurance plan to 23.4% (gross) in the KERS Nonhazardous pension plan. All plan returns exceeded the benchmark return of 7.3%.

DRAFT

**Real Return Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **7/1/2011** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| KERS Nonhazardous | | 23.4% | 7.3% | 19.8% | 6.3% | 15.3% | 6.8% | 10.7% | 5.5% |
| KERS Hazardous | | 21.1% | 7.3% | 18.1% | 6.3% | 13.9% | 6.8% | 9.7% | 5.5% |
| SPRS | | 23.4% | 7.3% | 18.5% | 6.3% | 14.6% | 6.8% | 9.9% | 5.5% |
| **Insurance** | **7/1/2011** | | | | | | | | |
| KERS Nonhazardous | | 21.3% | 7.3% | 17.7% | 6.3% | 13.8% | 6.6% | 9.8% | 5.5% |
| KERS Hazardous | | 19.6% | 7.3% | 16.3% | 6.3% | 12.2% | 6.6% | 8.8% | 5.5% |
| SPRS | | 19.9% | 7.3% | 16.5% | 6.3% | 12.5% | 6.6% | 8.9% | 5.5% |

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

# Cash

For the fiscal year, the Pension Cash KERS Nonhazardous, Hazardous and SPRS portfolios each returned 4.0% slightly underperforming the FTSE 3-Month US Treasury Bill benchmark which returned 4.1%. For the Insurance Cash, KERS Nonhazardous, Hazardous and SPRS portfolios each returned 4.0% also underperforming the benchmark by 0.1%.

**Liquidity Performance**
**As of June 30, 2026**

| | Inception Date | 1 Years | | 3 Years | | 5 Years | | 10 Years | |
|---|---|---|---|---|---|---|---|---|---|
| **Pension** | **1/1/1988** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** | **Plan** | **Index** |
| KERS Nonhazardous | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.5% | 2.4% |
| KERS Hazardous | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.5% | 2.4% |
| SPRS | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.5% | 2.4% |
| **Insurance** | **7/1/1992** | | | | | | | | |
| KERS Nonhazardous | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.4% | 2.4% |
| KERS Hazardous | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.4% | 2.4% |
| SPRS | | 4.0% | 4.1% | 4.7% | 4.9% | 3.5% | 3.7% | 2.4% | 2.4% |

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

# Additional Schedules

The following schedules contain information on the assets under management for each firm KRS employs and assets managed by Investment Staff, external investment-related expenses, commissions paid, and portfolio summaries for each of the Pension and Insurance Plans for the fiscal year ended June 30, 2026.

DRAFT

**Investment Managers & Assets Under Management by Plan and Asset Class**
**As of June 30, 2026 ($ in Thousands)**

| | Pension | | | Insurance | | | |
|---|---|---|---|---|---|---|---|
| **Advisor/Asset Class** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** | **KRS Total** |
| **Core Fixed Income** | **$1,768,041** | **$155,435** | **$242,061** | **$226,715** | **$94,075** | **$34,268** | **$2,520,595** |
| Loomis, Sayles & Company Core | 545,389 | 42,983 | 75,954 | 66,798 | 26,823 | 10,327 | 768,274 |
| NISA Investment Advisors | 570,863 | 44,991 | 79,502 | 76,224 | 30,609 | 11,784 | 813,973 |
| Internally Managed by KPPA | 651,789 | 67,461 | 86,605 | 83,693 | 36,643 | 12,157 | 938,348 |
| **Private Equity** | **$230,058** | **$59,242** | **$32,244** | **$98,616** | **$33,837** | **$15,251** | **$469,248** |
| Ares | — | 1,101 | 347 | — | 704 | 438 | 2,590 |
| Bay Hills | 92,453 | 14,270 | 6,898 | 6,401 | 5,727 | 3,022 | 128,771 |
| Black Diamond | — | 2,678 | 844 | — | 2,231 | 1,388 | 7,141 |
| Blackstone | 11 | 415 | 1 | 2 | 422 | 201 | 1,052 |
| Crestview | 3,749 | 1,228 | 484 | 260 | 616 | 362 | 6,699 |
| CVC | — | 804 | 253 | — | 516 | 321 | 1,894 |
| DAG | 11,547 | 1,460 | 760 | 800 | 381 | 169 | 15,117 |
| Harvest | — | 1,445 | 6 | 4,197 | 2,581 | 1,005 | 9,234 |
| H.I.G. | 578 | 610 | 108 | 40 | 572 | 292 | 2,200 |
| Horsley Bridge | 26,777 | 3,386 | 1,762 | 1,855 | 883 | 393 | 35,056 |
| Keyhaven | 1,661 | 884 | 322 | 115 | 616 | 374 | 3,972 |
| Leonard Green | 52 | 1,668 | 3 | 2,783 | 2,672 | 1,122 | 8,300 |
| Levine Leichtman | — | 2,080 | 23 | 5,988 | 3,699 | 1,444 | 13,234 |
| Middle Ground | 13,408 | 6,095 | 1,543 | 20,116 | 4,120 | 1,622 | 46,904 |
| Strategic Value Partners | 20,157 | 6,429 | 2,504 | 11,330 | 4,686 | 1,611 | 46,717 |
| Triton | — | 474 | 150 | — | 303 | 189 | 1,116 |
| Vista | 45 | 1,945 | 3 | 3,363 | 3,108 | 1,298 | 9,762 |
| Internally Managed by KPPA | 59,620 | 12,270 | 16,233 | 41,366 | — | — | 129,489 |
| **Public Equity** | **$2,020,693** | **$587,771** | **$284,491** | **$913,782** | **$364,625** | **$139,730** | **$4,311,092** |
| American Century | 92,113 | 28,746 | 14,477 | 47,999 | 17,831 | 7,045 | 208,211 |
| Axiom | 33,127 | 10,338 | 5,206 | 18,840 | 6,999 | 2,765 | 77,275 |

## Investment Managers & Assets Under Management by Plan and Asset Class

**As of June 30, 2026 ($ in Thousands)**

| | Pension | | | Insurance | | | |
|---|---|---|---|---|---|---|---|
| **Advisor/Asset Class** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** | **KERS Nonhazardous** | **KERS Hazardous** | **SPRS** | **KRS Total** |
| BlackRock | 178,845 | 48,127 | 15,758 | 46,057 | 25,829 | 8,087 | 322,703 |
| Clearbridge | 60,395 | 18,848 | 9,492 | 31,682 | 11,770 | 4,650 | 136,837 |
| Franklin Templeton | 634 | 198 | 100 | 289 | 108 | 43 | 1,372 |
| JP Morgan | 113,830 | 33,804 | 16,542 | 56,995 | 21,904 | 8,669 | 251,744 |
| Lazard | 134,616 | 42,011 | 21,157 | 69,926 | 25,976 | 10,264 | 303,950 |
| LSV | 147,163 | 45,927 | 23,129 | 77,081 | 28,634 | 11,314 | 333,248 |
| Next Century | 42,949 | 14,036 | 7,153 | 21,030 | 8,451 | 3,234 | 96,853 |
| Northern Trust | 80,283 | 26,237 | 13,370 | 39,114 | 15,719 | 6,014 | 180,737 |
| Pzena | 51,815 | 16,170 | 8,144 | 28,896 | 10,734 | 4,241 | 120,000 |
| River Road | 74,082 | 24,211 | 12,337 | 34,024 | 13,673 | 5,232 | 163,559 |
| KRS TRP US Structured Eq | 68,776 | 19,525 | 9,290 | 31,911 | 12,666 | 5,020 | 147,188 |
| Westfield | 98,116 | 32,065 | 16,340 | 43,994 | 17,680 | 6,765 | 214,960 |
| Internally Managed by KPPA | 843,949 | 227,528 | 111,996 | 365,944 | 146,651 | 56,387 | 1,752,455 |
| **Real Estate** | **$255,795** | **$67,980** | **$35,192** | **$112,884** | **$44,517** | **$16,996** | **$533,364** |
| Barings | 22,787 | 6,234 | 2,635 | 7,424 | 5,552 | 2,123 | 46,755 |
| Fundamental | 7,097 | 1,941 | 821 | 2,312 | 1,729 | 661 | 14,561 |
| Harrison Street | 71,964 | 12,799 | 17,998 | 46,036 | 12,359 | 4,733 | 165,889 |
| Lubert-Adler | 532 | 681 | 253 | 729 | 547 | 207 | 2,949 |
| Mesa West | 8,283 | 3,906 | 1,264 | 6,143 | 5,165 | 1,940 | 26,701 |
| Prologis | 58,593 | 16,028 | 6,775 | 25,904 | 13,174 | 5,037 | 125,511 |
| Stockbridge | 27,430 | 5,461 | 2,646 | 12,602 | 5,991 | 2,295 | 56,425 |
| Internally Managed by KPPA | 59,109 | 20,930 | 2,800 | 11,734 | — | — | 94,573 |
| **Real Return** | **$575,108** | **$100,931** | **$81,509** | **$163,969** | **$63,579** | **$25,262** | **$1,010,358** |
| AMERRA | — | 2,366 | 1,197 | 2,499 | 2,026 | 762 | 8,850 |
| Arctos | 35,128 | 902 | 9,007 | 20,715 | 902 | 900 | 67,554 |
| BTG Pactual | — | 1,231 | 570 | 1,431 | 970 | 368 | 4,570 |
| Ceres Farms | 62,804 | 14,829 | 9,595 | 18,027 | 7,183 | 2,958 | 115,396 |
| IFM | 13,679 | 4,213 | 1,633 | 5,985 | 3,367 | 1,134 | 30,011 |
| ITE | 63,896 | 9,607 | 8,043 | 15,990 | 6,415 | 2,681 | 106,632 |
| Kayne Anderson | 18,842 | 2,593 | 2,766 | 6,482 | 2,852 | 1,037 | 34,572 |
| Maritime Partners | 40,934 | 4,449 | 8,009 | 17,696 | 3,407 | 1,780 | 76,275 |
| Prisma | 20,426 | 5,329 | 2,211 | 7,318 | 4,859 | 1,822 | 41,965 |
| Saba | 69,373 | 11,562 | 11,562 | 13,950 | 7,750 | 1,550 | 115,747 |
| Strategic Value Partners | 15,097 | 3,878 | 2,281 | 6,485 | 2,434 | 945 | 31,120 |
| Tortoise | 88,544 | 22,178 | 8,856 | 26,167 | 11,965 | 4,671 | 162,381 |
| Internally Managed by KPPA | 146,385 | 17,794 | 15,779 | 21,224 | 9,449 | 4,654 | 215,285 |
| **Specialty Credit** | **$1,183,439** | **$319,484** | **$164,988** | **$491,781** | **$193,691** | **$76,967** | **$2,430,350** |
| Adams Street | 74,041 | 19,532 | 8,180 | 30,271 | 10,149 | 4,739 | 146,912 |
| Arrowmark | 130,814 | 40,558 | 16,158 | 64,581 | 40,147 | 14,825 | 307,083 |
| Benefit Street | 14,180 | 5,093 | 1,316 | 7,972 | 4,814 | 1,734 | 35,109 |
| Blue Torch | 31,392 | 9,432 | 3,891 | 13,279 | 6,980 | 2,704 | 67,678 |
| CapitalSpring | 14,576 | 5,235 | 1,353 | 6,997 | 4,225 | 1,521 | 33,907 |
| Cerberus | 32,778 | 11,773 | 3,043 | 16,088 | 9,715 | 3,497 | 76,894 |
| Columbia Threadneedle | 321,059 | 84,434 | 50,768 | 121,168 | 36,714 | 12,220 | 626,363 |
| Manulife | 84,034 | 25,433 | 14,467 | 30,226 | 4,722 | 6,625 | 165,507 |
| Marathon | 161,621 | 27,306 | 14,592 | 43,045 | 25,756 | 8,893 | 281,213 |
| Oaktree | 175,094 | 53,049 | 25,372 | 98,334 | 22,515 | 9,422 | 383,786 |
| Shenkman | 4,673 | 1,416 | 673 | 542 | 124 | 52 | 7,480 |
| Waterfall | 114,214 | 27,257 | 22,858 | 45,823 | 19,705 | 7,810 | 237,667 |
| White Oak | 24,963 | 8,966 | 2,317 | 13,455 | 8,125 | 2,925 | 60,751 |
| **Other** | **16,617** | **5,664** | **1,870** | **6,322** | **4,365** | **1,611** | 36,449 |
| **Total Assets Under Management** | **$6,049,751** | **$1,296,507** | **$842,355** | **$2,014,069** | **$798,689** | **$310,085** | **$11,311,456** |

DRAFT

## External Investment Expenses - Pension Asset Class/Type Breakdown

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| KERS Nonhazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $3,055 | $871 | $956 | $5,297 | $— | $4,726 | $1,764 | $16,669 |
| Performance/Incentive Fees | 154 | (12) | 347 | 5,621 | — | 3,129 | (671) | 8,568 |
| Securities Lending Fees | 72 | — | 60 | 54 | — | 8 | — | 194 |
| Securities Lending Fee Rebate | 1,305 | — | 1,527 | 2,207 | — | 140 | — | 5,179 |
| Miscellaneous Fees & Expenses | 35 | 695 | 11 | 3,879 | — | 507 | 2,017 | 7,144 |
| Administration | — | — | — | — | 228 | — | — | 228 |
| Consultant Fees | — | — | — | — | 280 | — | — | 280 |
| Custodial Fees | — | — | — | — | 536 | — | — | 536 |
| **Total** | **$4,621** | **$1,554** | **$2,901** | **$17,058** | **$1,044** | **$8,510** | **$3,110** | **$38,798** |

| KERS Hazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $949 | $249 | $78 | $1,439 | $— | $847 | $435 | $3,997 |
| Performance/Incentive Fees | 47 | (296) | 28 | 1,465 | — | 470 | (191) | 1,523 |
| Securities Lending Fees | 23 | — | 5 | 15 | — | 2 | — | 45 |
| Securities Lending Fee Rebate | 408 | — | 124 | 629 | — | 35 | — | 1,196 |
| Miscellaneous Fees & Expenses | 11 | 247 | 1 | 1,240 | — | 122 | 556 | 2,177 |
| Administration | — | — | — | — | 51 | — | — | 51 |
| Consultant Fees | — | — | — | — | 63 | — | — | 63 |
| Custodial Fees | — | — | — | — | 117 | — | — | 117 |
| **Total** | **$1,438** | **$200** | **$236** | **$4,788** | **$231** | **$1,476** | **$800** | **$9,169** |

| SPRS | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $486 | $128 | $136 | $471 | $— | $789 | $275 | $2,285 |
| Performance/Incentive Fees | 25 | (31) | 49 | 632 | — | 562 | (80) | 1,157 |
| Securities Lending Fees | 12 | — | 9 | 9 | — | 1 | — | 31 |
| Securities Lending Fee Rebate | 211 | — | 218 | 380 | — | 14 | — | 823 |
| Miscellaneous Fees & Expenses | 6 | 121 | 2 | 673 | — | 97 | 235 | 1,134 |
| Administration | — | — | — | — | 33 | — | — | 33 |
| Consultant Fees | — | — | — | — | 40 | — | — | 40 |
| Custodial Fees | — | — | — | — | 76 | — | — | 76 |
| **Total** | **$740** | **$218** | **$414** | **$2,165** | **$149** | **$1,463** | **$430** | **$5,579** |

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

DRAFT

## External Investment Expenses - Insurance Asset Class/Type Breakdown

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| KERS Nonhazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $1,512 | $264 | $133 | $2,211 | $— | $1,575 | $748 | $6,443 |
| Performance/Incentive Fees | 86 | (225) | 47 | 2,444 | — | 1,293 | (226) | 3,419 |
| Securities Lending Fees | 33 | — | 7 | 24 | — | 2 | — | 66 |
| Securities Lending Fee Rebate | 491 | — | 168 | 949 | — | 18 | — | 1,626 |
| Miscellaneous Fees & Expenses | 16 | 181 | 2 | 1,739 | — | 240 | 660 | 2,838 |
| Administration | — | — | — | — | 89 | — | — | 89 |
| Consultant Fees | — | — | — | — | 99 | — | — | 99 |
| Custodial Fees | — | — | — | — | 284 | — | — | 284 |
| **Total** | **$2,138** | **$220** | **$357** | **$7,367** | **$472** | **$3,128** | **$1,182** | **$14,864** |

| KERS Hazardous | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $580 | $221 | $52 | $1,014 | $— | $625 | $409 | $2,901 |
| Performance/Incentive Fees | 32 | (551) | 18 | 1,444 | — | 343 | (170) | 1,116 |
| Securities Lending Fees | 13 | — | 3 | 7 | — | 1 | — | 24 |
| Securities Lending Fee Rebate | 194 | — | 65 | 257 | — | 8 | — | 524 |
| Miscellaneous Fees & Expenses | 6 | 179 | 1 | 1,042 | — | 102 | 494 | 1,824 |
| Administration | — | — | — | — | 38 | — | — | 38 |
| Consultant Fees | — | — | — | — | 39 | — | — | 39 |
| Custodial Fees | — | — | — | — | 112 | — | — | 112 |
| **Total** | **$825** | **($151)** | **$139** | **$3,764** | **$189** | **$1,079** | **$733** | **$6,578** |

DRAFT

| SPRS | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash | Real Return | Real Estate | Total |
|---|---|---|---|---|---|---|---|---|
| Investment Advisory Fees | $233 | $81 | $20 | $383 | $— | $222 | $156 | $1,095 |
| Performance/Incentive Fees | 13 | (225) | 7 | 525 | — | 151 | (65) | 406 |
| Securities Lending Fees | 5 | — | 1 | 3 | — | — | — | 9 |
| Securities Lending Fee Rebate | 78 | — | 26 | 110 | — | 3 | — | 217 |
| Miscellaneous Fees & Expenses | 3 | 86 | — | 385 | — | 40 | 189 | 703 |
| Administration | — | — | — | — | 14 | — | — | 14 |
| Consultant Fees | — | — | — | — | 15 | — | — | 15 |
| Custodial Fees | — | — | — | — | 44 | — | — | 44 |
| **Total** | **$332** | **($58)** | **$54** | **$1,406** | **$73** | **$416** | **$280** | **$2,503** |

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

## External Expenses

For the fiscal year ended June 30, 2026 ($ in Thousands)

| Expenses | KERS Nonhazardous Fees Paid | KERS Nonhazardous Share of Total | KERS Hazardous Fee Paid | KERS Hazardous Share of Total | SPRS Fee Paid | SPRS Share of Total |
|---|---|---|---|---|---|---|
| **Portfolio Management** | | | | | | |
| Pension Plans | $32,609 | 60.8% | 7,749 | 49.2% | 4,610 | 57.0% |
| Insurance Plans | 12,789 | 23.8% | 5,878 | 37.3% | 2,217 | 27.4% |
| **Securities Lending** | | | | | | |
| Pension Plans | 5,373 | 10.0% | 1,241 | 7.9% | 853 | 10.6% |
| Insurance Plans | 1,692 | 3.2% | 548 | 3.5% | 226 | 2.8% |
| **Custody** | | | | | | |
| Pension Plans | 280 | 0.5% | 63 | 0.4% | 40 | 0.5% |
| Insurance Plans | 284 | 0.5% | 39 | 0.2% | 44 | 0.5% |
| **Consultant** | | | | | | |
| Pension Plans | 536 | 1.0% | 116 | 0.7% | 76 | 0.9% |
| Insurance Plans | 99 | 0.2% | 112 | 0.7% | 15 | 0.2% |
| **Total Pension Plans** | **38,798** | **72.3%** | **9,169** | **58.2%** | **5,579** | **69.0%** |
| **Total Insurance Plans** | **14,864** | **27.7%** | **6,577** | **41.8%** | **2,502** | **31.0%** |
| **Total Expenses** | **$53,662** | **100.0%** | **$15,746** | **100.0%** | **$8,081** | **100.0%** |

## Schedule of Commissions Paid (in whole $)

For the fiscal year ended June 30, 2026

**KERS Nonhazardous**

| Assets | Total Shares | Commissions Paid | Price per Share |
|---|---|---|---|
| U.S. Equities | 24,508,978 | $546,515 | 0.0223 |
| Non U.S. Equities | 85,130,234 | 575,935 | 0.0068 |
| **Total** | **109,639,212** | **$1,122,450** | **0.0102** |

**KERS Hazardous**

| Assets | Total Shares | Commissions Paid | Price per Share |
|---|---|---|---|
| U.S. Equities | 7,618,696 | $163,122 | 0.0214 |
| Non U.S. Equities | 28,318,890 | 191,232 | 0.0068 |
| **Total** | **35,937,586** | **$354,354** | **0.0099** |

**SPRS**

| Assets | Total Shares | Commissions Paid | Price per Share |
|---|---|---|---|
| U.S. Equities | 3,932,934 | $88,046 | 0.0224 |
| Non U.S. Equities | 13,299,047 | 89,781 | 0.0068 |
| **Total** | **17,231,981** | **$177,827** | **0.0103** |

DRAFT

## Fair Values (FV)

**For the fiscal year ended June 30, 2026 ($ in Thousands)**

| Pension Plans | KERS Nonhazardous | | KERS Hazardous | | SPRS | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | % of Total FV | Fair Value | % of Total FV | Fair Value | % of Total FV | Fair Value | % of Total FV |
| **Equity** | | | | | | | | |
| Public Equity | $2,020,695 | 33.4% | $587,770 | 45.3% | $284,491 | 33.8% | $2,892,956 | 35.3% |
| Private Equity | 241,166 | 4.0% | 62,013 | 4.8% | 33,242 | 3.9% | 336,421 | 4.1% |
| **Fixed Income** | | | | | | | | |
| Core Fixed Income | 1,615,232 | 26.7% | 127,300 | 9.8% | 224,948 | 26.7% | 1,967,480 | 24.0% |
| Specialty Credit | 1,183,438 | 19.6% | 319,483 | 24.6% | 164,988 | 19.6% | 1,667,909 | 20.4% |
| Cash | 152,809 | 2.5% | 28,136 | 2.2% | 17,114 | 2.0% | 198,059 | 2.4% |
| **Inflation Protected** | | | | | | | | |
| Real Estate | 260,794 | 4.3% | 70,678 | 5.5% | 36,008 | 4.3% | 367,480 | 4.5% |
| **Real Return** | 575,618 | 9.5% | 101,126 | 7.8% | 81,564 | 9.7% | 758,308 | 9.3% |
| **Total Portfolio** | **$6,049,752** | | **$1,296,506** | | **$842,355** | | **$8,188,613** | |

| Insurance Plans | KERS Nonhazardous | | KERS Hazardous | | SPRS | | Total | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | % of Total FV | Fair Value | % of Total FV | Fair Value | % of Total FV | Fair Value | % of Total FV |
| **Equity** | | | | | | | | |
| Public Equity | $913,783 | 45.3% | $364,625 | 45.6% | $139,731 | 45.1% | $1,418,139 | 45.4% |
| Private Equity | 103,491 | 5.1% | 37,226 | 4.7% | 16,497 | 5.3% | 157,214 | 5.0% |
| **Fixed Income** | | | | | | | | |
| Core Fixed Income | 194,928 | 9.7% | 78,276 | 9.8% | 30,135 | 9.7% | 303,339 | 9.7% |
| Specialty Credit | 491,780 | 24.4% | 193,690 | 24.2% | 76,967 | 24.8% | 762,437 | 24.4% |
| Cash | 31,787 | 1.6% | 15,799 | 2.0% | 4,133 | 1.3% | 51,719 | 1.7% |
| **Inflation Protected** | | | | | | | | |
| Real Estate | 113,989 | 5.7% | 45,337 | 5.7% | 17,309 | 5.6% | 176,635 | 5.7% |
| **Real Return** | 164,311 | 8.2% | 63,736 | 8.0% | 25,314 | 8.2% | 253,361 | 8.1% |
| **Total Portfolio** | **$2,014,069** | | **$798,689** | | **$310,086** | | **$3,122,844** | |

DRAFT

## Certification of Actuarial Results

Re: Certification for the Actuarial Results as of June 30, 2026.

*Dear Board of Trustees:*

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

The results of the actuarial valuation for KERS and SPRS, including the calculated employer contribution requirement, will be used by the Board of Trustees of the Kentucky Retirement Systems (KRS) and stakeholders for informational purposes only as the employer contribution rate for the fiscal years ending June 30, 2027 and June 30, 2028 were certified in the June 30, 2025 actuarial valuation, which was adopted by the Board and incorporated in the Commonwealth's budget for the biennium period.

These contributions are calculated based on the membership data and plan assets as of June 30, 2026. These calculations are also based on the benefit provisions in effect as of June 30, 2026.

### FINANCING OBJECTIVES AND FUNDING POLICY

DRAFT

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

The employer contribution for KERS and SPRS is determined in accordance with Section 61.565 of Kentucky Statute. As specified by the Statute, the employer contribution is composed of a normal cost contribution and an actuarial accrued liability contribution. The actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period (23 years remaining as of June 30, 2026). Gains and losses incurring in years after June 30, 2019 are amortized as separated, 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 23-year period remaining from the original closed 30-year amortization base. Accordingly, the ADC under the funding policy can be considered a "Reasonable Actuarially Determined Contribution" as required by the Actuarial Standards of Practice.

House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS nonhazardous fund. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability.

HB 1 and HB 6 were enacted in the 2024 legislative session and provided an additional $300 million in appropriations to finance the unfunded actuarial accrued liability of the KERS non-hazardous retirement fund in FY 2026. HB 1 also provided an additional $25 million to finance the unfunded actuarial accrued liability of the SPRS retirement fund in FY 2026. The appropriations for FY 2026 were reflected in the contribution requirement calculated in the prior year's valuation. HB 500 was enacted in the 2026 legislative session and provided an additional $78.5 million in appropriations to finance the unfunded actuarial accrued liability of the KERS non-hazardous retirement fund in FY 2027. The appropriations for FY 2027 have been reflected in the contribution requirement calculated in this year's valuation.

## PROGRESS TOWARD REALIZATION OF FINANCING OBJECTIVES

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a plan's funded status. In the absence of benefit improvements, assumption changes, or actuarial losses, it should increase over time, until it reaches at least 100%. As of June 30, 2026, the funded ratios for the pension and health insurance funds are as follows:

| Funding Level As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2026 | | 2025 | | 2024 | | 2023 | | 2022 | |
| System | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance |
| KERS Nonhazardous | 32.6% | 75.4% | 28.6% | 73.4% | 24.8% | 81.7% | 21.8% | 81.7% | 18.5% | 79.1% |
| KERS Hazardous | 75.6% | 173.1% | 72.3% | 166.4% | 68.3% | 171.9% | 65.4% | 170.4% | 63.2% | 172.2% |
| SPRS | 66.5% | 101.6% | 61.9% | 101.2% | 56.7% | 104.9% | 54.0% | 100.5% | 52.5% | 100.6% |

| Funding Level As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2021 | | 2020 | | 2019 | | 2018 | | 2017 | |
| System | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance |
| KERS Nonhazardous | 16.8% | 50.2% | 14.2% | 42.7% | 13.4% | 36.3% | 12.9% | 36.4% | 13.6% | 30.7% |
| KERS Hazardous | 60.4% | 135.5% | 55.3% | 126.0% | 54.8% | 123.1% | 55.5% | 130.0% | 54.1% | 117.6% |
| SPRS | 30.7% | 82.0% | 28.1% | 75.0% | 27.0% | 71.3% | 27.1% | 71.6% | 27.0% | 65.2% |

DRAFT

## ASSUMPTIONS AND METHODS

The Board 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, 2026, 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, 2026, by KPPA staff. The staff also supplied asset information as of June 30, 2026. 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, 2026. 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.

DRAFT

Sincerely,

**Gabriel, Roeder, Smith & Company**

Daniel J. White, FSA, EA, MAAA
Vice President and Actuary

Janie Shaw, ASA, EA, MAAA
Senior Consultant and Actuary

Krysti Kiesel, ASA, EA, MAAA
Consultant and Actuary

# 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, 2026 valuation are based on the most recent actuarial experience study performed as of June 30, 2022, submitted, and adopted by the Boards in June 2023.

1. **Actuarial Cost Method:** The actuarial valuation was prepared using the entry age normal cost (EANC) method as required by state statute. Under this method, the present value of future benefits is determined for each member and allocated equitably as a level percentage of payroll from the member's entry age into the plan to the assumed age of exit from the plan. The portion of the present value of future benefits allocated to the current valuation year is called the normal cost. The portion of the present value of future benefits allocated to prior years of service is called the actuarial accrued liability. The unfunded actuarial accrued liability represents the difference between the actuarial accrued liability and the actuarial value of assets as of the valuation date. Relative to the pension fund and the insurance fund, an employer contribution has been established to pay for both the normal cost and the amount needed to amortize the unfunded actuarial accrued liability (UAAL).

2. **UAAL Amortization Method:** Effective for the June 30, 2019 valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019 over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as separated, closed 20-year amortization bases. This amortization cost is calculated using a 0.00% payroll growth assumption for the KERS and SPRS Funds. Effective for fiscal years ending June 30, 2022 and later, the amortization cost for the KERS Nonhazardous funds is allocated amongst employers as a dollar amount based on the employers' actuarial accrued liability as of June 30, 2019. The amortization cost for the remaining funds is divided by covered payroll and included in the contribution rate, payable by employers as a percentage of pay.

3. **Asset Valuation Method:** The actuarial value of assets recognizes a portion of the difference between the fair value of assets and the expected fair value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between fair value and expected fair 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 separated, closed 20-year amortization bases. This amortization cost is calculated using a 0.00% payroll growth assumption for the KERS and SPRS Funds. Effective for fiscal years ending June 30, 2022 and later, the amortization cost for the KERS Nonhazardous funds is allocated amongst employers as a dollar amount based on the employers' actuarial accrued liability as of June 30, 2019. The amortization cost for the remaining funds is divided by covered payroll and included in the contribution rate, payable by employers as a percentage of pay.

5. **Investment Return Assumption:** The future investment earnings of plan assets are assumed to accumulate at a rate of 6.50% per annum for all Insurance Plans. This rate consists of a 2.50% price inflation component and a 4.00% real rate of return component. The assumed rate of return for the KERS Hazardous pension plan is 6.25% and consists of a 2.50% inflationary component and a 3.75% real rate of return component. The assumed rate of return for the KERS Nonhazardous pension plan and the SPRS pension plan is 5.25% and consists of a 2.50% inflationary component and a 2.75% real rate of return component. This assumption was adopted in 2023.

6. **Salary Increase Assumptions:** Active member salaries are assumed to increase at the rates provided in Table 1. The rates include a price inflation and productivity component, and an additional increase due to promotion based upon plan experience. The price inflation component is 2.50% for all plans and the productivity component is 0.80% for the nonhazardous plan and 1.05% for the hazardous plan and SPRS. This assumption was adopted in 2023.

**Table 1. Salary Increase Assumptions**

| Service | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| 0 | 15.30% | 20.05% | 16.05% |
| 1 | 6.80% | 7.55% | 8.55% |
| 2 | 6.05% | 6.55% | 7.55% |
| 3 | 5.80% | 6.55% | 5.55% |
| 4 | 5.30% | 5.55% | 5.55% |

DRAFT

| Table 1. Salary Increase Assumptions | | | |
|---|---|---|---|
| Service | KERS Nonhazardous | KERS Hazardous | SPRS |
| 5 | 4.80% | 5.05% | 5.55% |
| 6 | 4.55% | 4.55% | 5.55% |
| 7 | 4.30% | 4.05% | 4.55% |
| 8 | 4.05% | 4.05% | 4.55% |
| 9 | 3.80% | 3.55% | 3.55% |
| 10 | 3.80% | 3.55% | 3.55% |
| 11 | 3.30% | 3.55% | 3.55% |
| 12 | 3.30% | 3.55% | 3.55% |
| 13 | 3.30% | 3.55% | 3.55% |
| 14 | 3.30% | 3.55% | 3.55% |
| 15 | 3.30% | 3.55% | 3.55% |
| 16+ | 3.30% | 3.55% | 3.55% |

7. **Payroll Growth Assumption:** For purposes of determining the amortization cost to finance the unfunded actuarial accrued liability, the active member payroll (or amortization payments for the KERS Nonhazardous plan) is assumed to increase at a rate of 0.00% per annum. This assumption was adopted in 2017.

8. **Retiree Cost of Living Adjustments (COLA):** SB2 (2013) only allows the Cost of Living Adjustments (COLAs) to be awarded on a biennial basis if the State Legislature so authorizes and either (i) the system is over 100% funded or (ii) the Legislature appropriates sufficient funds to pay the increased liability for the COLA.

9. **Health Care Cost Trend Rate:** The costs for retiree health care are assumed to increase according to the assumptions provided in Table 2.

DRAFT

| Table 2: Health Care Cost Trend Rate (See footnotes 1-2) | | | |
|---|---|---|---|
| Year | Non-Medicare Plans [1] | Medicare Plan [1] | Dollar Contribution [2] |
| 2028 | 7.75% | 12.00% | 1.50% |
| 2029 | 7.50% | 8.00% | 1.50% |
| 2030 | 7.25% | 8.00% | 1.50% |
| 2031 | 7.00% | 7.50% | 1.50% |
| 2032 | 6.75% | 7.00% | 1.50% |
| 2033 | 6.50% | 6.50% | 1.50% |
| 2034 | 6.25% | 6.00% | 1.50% |
| 2035 | 6.00% | 5.50% | 1.50% |
| 2036 | 5.75% | 5.00% | 1.50% |
| 2037 | 5.50% | 4.50% | 1.50% |
| 2038 | 5.25% | 4.25% | 1.50% |
| 2039 | 5.00% | 4.25% | 1.50% |
| 2040 | 4.75% | 4.25% | 1.50% |
| 2041 | 4.50% | 4.25% | 1.50% |
| 2042+ | 4.25% | 4.25% | 1.50% |

(1) *All increases are assumed to occur on January 1. The 2027 premiums were known at the time of the June 30, 2026, 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.

## Table 3a: Retirement Rate Assumptions KERS (See footnotes 1 - 3)

| | Nonhazardous | | | | | Hazardous | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Normal Retirement | | Early Retirement [1] | | | Members participating before 9/1/2008 [2] | | Members participating between 9/1/2008 and 1/1/2014 [3] | Members participating after 1/1/2014 [3] |
| Age | Male | Female | Male | Female | Service | Age 55-61 | Age 62+ | | |
| Under 45 | 20.00% | 33.00% | —% | —% | 5 | 10.00% | 35.00% | —% | —% |
| 45 | 21.00% | 33.00% | —% | —% | 6 | 10.00% | 35.00% | —% | —% |
| 46 | 22.00% | 33.00% | —% | —% | 7 | 10.00% | 35.00% | —% | —% |
| 47 | 23.00% | 33.00% | —% | —% | 8 | 10.00% | 35.00% | —% | —% |
| 48 | 24.00% | 33.00% | —% | —% | 9 | 10.00% | 35.00% | —% | —% |
| 49 | 25.00% | 33.00% | —% | —% | 10 | 10.00% | 35.00% | —% | —% |
| 50 | 26.00% | 33.00% | —% | —% | 11 | 10.00% | 35.00% | —% | —% |
| 51 | 27.00% | 33.00% | —% | —% | 12 | 10.00% | 35.00% | —% | —% |
| 52 | 28.00% | 33.00% | —% | —% | 13 | 10.00% | 35.00% | —% | —% |
| 53 | 29.00% | 33.00% | —% | —% | 14 | 10.00% | 35.00% | —% | —% |
| 54 | 30.00% | 33.00% | —% | —% | 15 | 10.00% | 35.00% | —% | —% |
| 55 | 30.00% | 33.00% | 5.00% | 5.00% | 16 | 10.00% | 35.00% | —% | —% |
| 56 | 30.00% | 33.00% | 5.00% | 5.00% | 17 | 10.00% | 35.00% | —% | —% |
| 57 | 30.00% | 33.00% | 5.00% | 5.00% | 18 | 10.00% | 35.00% | —% | —% |
| 58 | 30.00% | 33.00% | 5.00% | 5.00% | 19 | 10.00% | 35.00% | —% | —% |
| 59 | 30.00% | 33.00% | 5.00% | 5.00% | 20 | 50.00% | 50.00% | —% | —% |
| 60 | 30.00% | 33.00% | 5.00% | 8.00% | 21 | 32.00% | 32.00% | —% | —% |
| 61 | 30.00% | 33.00% | 8.00% | 9.00% | 22 | 32.00% | 32.00% | —% | —% |
| 62 | 35.00% | 35.00% | 15.00% | 20.00% | 23 | 32.00% | 32.00% | —% | —% |
| 63 | 30.00% | 33.00% | 15.00% | 18.00% | 24 | 32.00% | 32.00% | —% | —% |
| 64 | 30.00% | 33.00% | 15.00% | 16.00% | 25 | 32.00% | 32.00% | 25.60% | 16.00% |
| 65 | 30.00% | 33.00% | —% | —% | 26 | 32.00% | 32.00% | 25.60% | 16.00% |
| 66 | 30.00% | 33.00% | —% | —% | 27 | 32.00% | 32.00% | 25.60% | 16.00% |
| 67 | 30.00% | 33.00% | —% | —% | 28 | 32.00% | 32.00% | 25.60% | 16.00% |
| 68 | 30.00% | 33.00% | —% | —% | 29 | 32.00% | 32.00% | 25.60% | 16.00% |
| 69 | 30.00% | 33.00% | —% | —% | 30+ | 32.00% | 32.00% | 25.60% | 100.00% |
| 70 | 30.00% | 33.00% | —% | —% | | —% | —% | —% | —% |
| 71 | 30.00% | 33.00% | —% | —% | | —% | —% | —% | —% |
| 72 | 30.00% | 33.00% | —% | —% | | —% | —% | —% | —% |
| 73 | 30.00% | 33.00% | —% | —% | | —% | —% | —% | —% |
| 74 | 30.00% | 33.00% | —% | —% | | —% | —% | —% | —% |
| 75 | 100.00% | 100.00% | —% | —% | | —% | —% | —% | —% |

DRAFT

(1) *The annual rate of retirement is 12% for male members and 14% for female members with 25-26 years of service.*

(2) *The annual rate of retirement is 100% at age 65.*

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

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

(5) *Hazardous System: For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 65 to reflect the different retiree health insurance benefit.*

## Table 3b: Retirement Rate Assumptions SPRS (See footnotes 1 - 2)

| | Hazardous | | |
|---|---|---|---|
| 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] |
| 20 | 22.00% | —% | —% |
| 21 | 22.00% | —% | —% |
| 22 | 22.00% | —% | —% |
| 23 | 28.00% | —% | —% |
| 24 | 28.00% | —% | —% |
| 25 | 28.00% | 17.60% | 16.00% |
| 26 | 28.00% | 17.60% | 16.00% |
| 27 | 28.00% | 17.60% | 16.00% |
| 28 | 44.00% | 22.40% | 16.00% |

| Table 3b: Retirement Rate Assumptions SPRS (See footnotes 1 - 2) | | | |
|---|---|---|---|
| | Hazardous | | |
| 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) |
| 29 | 44.00% | 22.40% | 16.00% |
| 30 | 44.00% | 22.40% | 100.00% |
| 31 | 58.00% | 22.40% | —% |
| 32 | 58.00% | 22.40% | —% |
| 33 | 58.00% | 35.20% | —% |
| 34 | 58.00% | 35.20% | —% |
| 35 | 58.00% | 35.20% | —% |
| 36 | 58.00% | 46.40% | —% |
| 37 | 58.00% | 46.40% | —% |
| 38 | 58.00% | 46.40% | —% |
| 39 | 58.00% | 46.40% | —% |
| 40+ | 58.00% | 46.40% | —% |

*(1) The annual rate of service retirement is100% at age 55.*
*(2) The annual rate of service retirement is 100% at age 60.*
*For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 55 to reflect the different retiree health insurance benefit.*

## 11. Mortality Assumptions:

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

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

Table 4a provides the life expectancy for a non-disabled retiree in future years based on the assumption with full generational projection.

DRAFT

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

These mortality assumptions were adopted in 2023. Table 4b provides sample annual rates of mortality in the base year of each table (2023 for the retired member mortality rates and 2010 for the active member and disabled member mortality rates).

| Table 4a: Life Expectancy for an Age 65 Retiree in Years | | | | | |
|---|---|---|---|---|---|
| | Year of Retirement | | | | |
| Gender | 2025 | 2030 | 2035 | 2040 | 2045 |
| Male | 19.8 | 20.2 | 20.6 | 21.0 | 21.3 |
| Female | 22.4 | 22.7 | 23.1 | 23.4 | 23.7 |

| Table 4b: Sample Annual Rate of Mortality | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Member Mortality | | Active Member Mortality | | | | | |
| | Nonhazardous | | Hazardous | | Retired Member Mortality | | Disabled Member Mortality | |
| Age | Males | Females | Males | Females | Males | Females | Males | Females |
| 20 | 0.04% | 0.01% | 0.04% | 0.02% | 0.03% | 0.01% | 0.62% | 0.35% |
| 22 | 0.03% | 0.01% | 0.04% | 0.02% | 0.03% | 0.01% | 0.53% | 0.29% |
| 32 | 0.04% | 0.02% | 0.04% | 0.03% | 0.04% | 0.02% | 0.59% | 0.46% |
| 42 | 0.08% | 0.04% | 0.07% | 0.06% | 0.07% | 0.04% | 1.14% | 1.13% |
| 52 | 0.18% | 0.10% | 0.14% | 0.10% | 0.32% | 0.21% | 2.73% | 2.38% |
| 62 | 0.37% | 0.22% | 0.32% | 0.19% | 0.94% | 0.55% | 4.02% | 3.08% |
| 72 | 0.84% | 0.60% | 0.98% | 0.60% | 2.38% | 1.48% | 6.52% | 4.86% |

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

**Table 5: Selected Rates of Termination Prior to Retirement**

| KERS Nonhazrdous | | KERS Hazardous | | SPRS |
|---|---|---|---|---|
| Year of Service | | | Year of Service | |
| 1 | 22.00% | 32.50% | 1 | 15.00% |
| 2 | 18.10% | 25.58% | 2 | 5.30% |
| 3 | 14.73% | 19.66% | 3 | 4.14% |
| 4 | 12.77% | 16.19% | 4 | 3.47% |
| 5 | 11.37% | 13.73% | 5 | 2.98% |
| 6 | 10.29% | 11.82% | 6 | 2.61% |
| 7 | 9.41% | 10.26% | 7 | 2.30% |
| 8 | 8.66% | 8.93% | 8 | 2.05% |
| 9 | 8.01% | 7.79% | 9 | 1.83% |
| 10 | 7.44% | 6.79% | 10 | 1.63% |
| 11 | 6.93% | 5.89% | 11 | 1.45% |
| 12 | 6.47% | 5.07% | 12 | 1.29% |
| 13 | 6.04% | 4.33% | 13 | 1.14% |
| 14 | 5.65% | 3.64% | 14 | 1.01% |
| 15 | 5.29% | 3.00% | 15 | 0.88% |
| 16 | 4.96% | 2.42% | 16 | 0.77% |
| 17 | 4.64% | 1.86% | 17 | 0.66% |
| 18 | 4.36% | 1.34% | 18 | 0.56% |
| 19 | 4.07% | 0.86% | 19 | 0.46% |
| 20 | 3.82% | 0.39% | 20 | 0.37% |
| 21 | 3.56% | —% | 21 | —% |
| 22 | 3.32% | —% | 22 | —% |
| 23 | 3.10% | —% | 23 | —% |
| 24 | 2.88% | —% | 24 | —% |
| 25 | 2.67% | —% | 25 | —% |
| 26+ | 0.00% | —% | 26+ | —% |

DRAFT

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

**Table 6: Sample Rates of Disablement**

| | KERS Nonhazrdous | KERS Nonhazrdous | SPRS |
|---|---|---|---|
| Nearest Age | Probability | Probability | Probability |
| 20 | 0.03% | 0.05% | 0.05% |
| 30 | 0.05% | 0.08% | 0.09% |
| 40 | 0.11% | 0.18% | 0.20% |
| 50 | 0.31% | 0.50% | 0.56% |
| 60 | 0.80% | 1.32% | 1.46% |

**14. Assumption Changes Since Prior Valuation:** In conjunction with the review of the healthcare per capita claims cost, the assumed increase in future healthcare costs, or trend assumption, is reviewed on an annual basis. The trend assumption was increased during the select period as a result of this review.

# Summary of Actuarial Valuation Results

| Summary of Actuarial Valuation Results | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| **Recommended Contribution Rate (FYE 2027)** | | | |
| Pension Fund Contribution | 6.53% | 17.10% | 51.79% |
| Insurance Fund Contribution | 1.00% | —% | 1.21% |
| Actuarially Determined Employer Contributions Rate[1], payable as a percentage of payroll | 7.53% | 17.10% | 53.00% |
| Amortization Cost to be Allocated, if applicable | $852,281,004 | N/A | N/A |
| **Funded Status as of Valuation Date As of June 30, 2026 (in Whole $)** | | | |
| **Pension Fund** | | | |
| Actuarial Liability | $16,992,889,882 | $1,546,489,952 | $1,158,069,399 |
| Actuarial Value of Assets | 5,543,231,053 | 1,168,419,546 | 769,786,278 |
| Unfunded Liability on Actuarial Value of Assets | 11,449,658,829 | 378,070,406 | 388,283,121 |
| Funding Ratio on Actuarial Value of Assets | 32.62% | 75.55% | 66.47% |
| Fair Value of Assets | 6,053,679,731 | 1,291,213,944 | 845,306,709 |
| Unfunded Liability on Fair Value of Assets | $10,939,210,151 | $255,276,008 | $312,762,690 |
| Funding Ratio on Fair Value of Assets | 35.62% | 83.49% | 72.99% |
| **Insurance Fund** | | | |
| Actuarial Liability | $2,543,751,332 | $427,733,073 | $279,581,813 |
| Actuarial Value of Assets | 1,918,414,082 | 740,577,494 | 284,184,889 |
| Unfunded Liability on Actuarial Value of Assets | 625,337,250 | (312,844,421) | (4,603,076) |
| Funding Ratio on Actuarial Value of Assets | 75.42% | 173.14% | 101.65% |
| Fair Value of Assets | 2,112,140,535 | 811,875,945 | 312,082,258 |
| Unfunded Liability on Fair Value of Assets | $431,610,797 | ($384,142,872) | ($32,500,445) |
| Funding Ratio on Fair Value of Assets | 83.03% | 189.81% | 111.62% |
| **Member Data (See Footnotes)** | | | |
| Number of Active Members | 33,360 | 4,519 | 865 |
| Total Annual Payroll (Active Members)[2] | $2,128,990,167 | $292,674,538 | $72,711,979 |
| Average Annual Pay (Active Members) | $63,819 | $64,765 | $84,060 |
| Number of Retired Members & Beneficiaries | 48,735 | 5,175 | 1,746 |
| Average Annual Retirement Allowance | $20,347 | $15,805 | $38,815 |
| Number of Vested Inactive Members | 29,614 | 2,339 | 336 |
| Number of Active Members Due to Refund | 30,606 | 7,400 | 472 |

(1) *For the KERS Nonhazardous fund, contribution rate includes the normal cost portion of the contribution requirement only. Amortization cost will be allocated to employers as a dollar amount.*

(2) *Annual payroll included in the Summary of Actuarial Valuation Results is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ended June 30, 2026.*

DRAFT

# Recommended Employer Contribution Rates

## KERS Plans

The contribution rates for KERS Nonhazardous and KERS Hazardous shown in the tables below are the full funding rates presented by the actuary for 2017 through 2026 annual valuations. However, actual employer contributions were less than the recommended rates for years 2009 through 2014. SB 2 (2013 Legislative Regular Session) required full funding starting in fiscal year 2015. HB 265 from the 2018 legislative session reduced the employer contribution rate for KERS quasi-governmental agencies to the fiscal year 2018 rate for fiscal year 2019, which was 49.47%. The 2019 Special Legislative Session HB 1 sets the employer contribution rate at 49.47%, retroactive to July 1, 2019, for fiscal year 2020 for KERS quasi-governmental agencies. House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Fund. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability.

The ten-year schedule of actuarially determined and actual contributions are provided in the required supplementary information within the Financial Section.

**Recommended Employer Contribution Rates**
**As of June 30**

**KERS Nonhazardous Employers**

| Valuation Date | Applicable Fiscal Year | Pension Fund Normal Cost | Pension Fund: Payment on Unfunded Liability | Pension Fund Contribution | Insurance Fund Contribution | Recommended Employer Contribution |
|---|---|---|---|---|---|---|
| 2017 | 2018-2019 | 8.17% | 62.86% | 71.03% | 12.40% | 83.43% |
| 2018 | 2019-2020 | 7.98% | 66.56% | 74.54% | 10.65% | 85.19% |
| 2019 | 2020-2021 | 7.99% | 65.29% | 73.28% | 11.15% | 84.43% |

| Valuation Date | Applicable Fiscal Year | Pension Fund Normal Cost | Insurance Fund: Normal Cost | Normal Cost Contribution | Amortization Cost to be Allocated |
|---|---|---|---|---|---|
| 2020 | 2021-2022 | 7.90% | 2.20% | 10.10% | $1,039,849,248 |
| 2021 | 2022-2023 | 7.82% | 2.15% | 9.97% | $994,421,476 |
| 2022 | 2023-2024 | 7.74% | 1.86% | 9.60% | $905,892,818 |
| 2023 | 2024-2025 | 6.99% | 1.45% | 8.44% | $856,561,041 |
| 2024 | 2025-2026 | 6.85% | 1.14% | 7.99% | $865,810,060 |
| 2025 | 2026-2027 | 6.65% | 1.11% | 7.76% | $868,158,252 |
| 2026 | 2027-2028 | 6.53% | 1.00% | 7.53% | $852,281,004 |

**KERS Hazardous Employers**

| Valuation Date | Applicable Fiscal Year | Pension Fund Normal Cost | Pension Fund: Payment on Unfunded Liability | Pension Fund Contribution | Insurance Fund Contribution | Recommended Employer Contribution |
|---|---|---|---|---|---|---|
| 2017 | 2018-2019 | 9.67% | 24.72% | 34.39% | 2.46% | 36.85% |
| 2018 | 2019-2020 | 9.24% | 25.18% | 34.42% | —% | 34.42% |
| 2019 | 2020-2021 | 9.21% | 26.79% | 36.00% | —% | 36.00% |
| 2020 | 2021-2022 | 8.84% | 24.59% | 33.43% | —% | 33.43% |
| 2021 | 2022-2023 | 8.78% | 23.04% | 31.82% | —% | 31.82% |
| 2022 | 2023-2024 | 8.60% | 21.52% | 30.12% | —% | 30.12% |
| 2023 | 2024-2025 | 7.71% | 16.03% | 23.74% | —% | 23.74% |
| 2024 | 2025-2026 | 7.57% | 13.11% | 20.68% | —% | 20.68% |
| 2025 | 2026-2027 | 7.48% | 11.35% | 18.83% | —% | 18.83% |
| 2026 | 2027-2028 | 7.34% | 9.76% | 17.10% | —% | 17.10% |

*The contribution rates for KERS Non-Hazardous and KERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2017 through 2026 annual valuations. HB 265 (passed during the 2018 legislative session), HB 1 (passed during the 2019 special legislative session), and HB 352 (passed during the 2020 legislative session) reduced the FYE 2019-2021 employer contribution rate to 49.47% for Regional Mental Health/Mental Retardation Boards, Local and District Health Departments, State Universities, Community Colleges and any other agencies eligible to voluntarily cease participating in the KERS non-hazardous fund. HB 8 (passed during the 2021 legislative session) changed how employer contributions are allocated and collected amongst employers in the KERS non-hazardous fund effective for FYE2022. The normal cost is collected as a percentage of covered payroll and the amortization cost is allocated to employers as a dollar amount based on their accrued liability as of June 30, 2019. Amortization cost shown above reflects the amortization required as of the valuation date and does not reflect any adjustment for the cessation of any employers after the valuation date.*

DRAFT

## SPRS Plans

The contribution rates for SPRS shown in the below tables are the full funding rates presented by the actuary in the 2017 through 2026 annual valuations. However, the actual employer contribution rates have been less than those shown below. As a result of HB1 passed in 2008 the statute called for an employer contribution rate at an increasing percentage of the full funding rates. SB2 (2013 Regular Legislative Session) eliminated this phase-in beginning with the June 30, 2013, actuarial valuation.

## Recommended Employer Contribution Rates

As of June 30

SPRS Employers

| Valuation Date | Applicable Fiscal Year | Pension Fund Normal Cost | Pension Fund: Payment on Unfunded Liability | Pension Fund Contribution | Insurance Fund Contribution | Recommended Employer Contribution |
|---|---|---|---|---|---|---|
| 2017 | 2018-2019 | 16.21% | 102.84% | 119.05% | 27.23% | 146.28% |
| 2018 | 2019-2020 | 15.81% | 104.73% | 120.54% | 19.50% | 140.04% |
| 2019 | 2020-2021 | 19.39% | 104.40% | 123.79% | 19.69% | 143.48% |
| 2020 | 2021-2022 | 19.04% | 108.95% | 127.99% | 18.07% | 146.06% |
| 2021 | 2022-2023 | 18.60% | 66.72% | 85.32% | 14.11% | 99.43% |
| 2022 | 2023-2024 | 19.49% | 65.90% | 85.39% | 3.68% | 89.07% |
| 2023 | 2024-2025 | 19.41% | 46.38% | 65.79% | 2.31% | 68.10% |
| 2024 | 2025-2026 | 19.76% | 38.15% | 57.91% | 1.46% | 59.37% |
| 2025 | 2026-2027 | 19.60% | 32.24% | 51.84% | 2.49% | 54.33% |
| 2026 | 2027-2028 | 19.27% | 32.52% | 51.79% | 1.21% | 53.00% |

*The contribution rates for SPRS shown in the above tables are the full funding rates presented by the actuary in the 2017 through 2026 annual valuations.*

# Summary of Actuarial Unfunded Liabilities

## Summary of Actuarial Unfunded Liabilities

As of June 30 ($ in Thousands)

KERS Nonhazardous Pension Plan

DRAFT

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $15,591,641 | $2,123,623 | $13,468,018 | 13.62% | $1,602,396 | 835.52% |
| 2018 | 15,675,232 | 2,019,278 | 13,655,954 | 12.88% | 1,509,955 | 900.94% |
| 2019 | 16,466,427 | 2,206,280 | 14,260,147 | 13.40% | 1,485,854 | 950.50% |
| 2020 | 16,348,962 | 2,323,298 | 14,025,663 | 14.21% | 1,476,156 | 959.56% |
| 2021 | 16,321,373 | 2,735,876 | 13,585,497 | 16.76% | 1,441,337 | 923.93% |
| 2022 | 16,576,631 | 3,065,263 | 13,511,368 | 18.49% | 1,432,960 | 925.87% |
| 2023 | 16,304,277 | 3,552,471 | 12,751,806 | 21.79% | 1,648,318 | 747.35% |
| 2024 | 16,647,893 | 4,122,269 | 12,525,624 | 24.76% | 1,912,421 | 630.07% |
| 2025 | 16,839,319 | 4,810,420 | 12,028,899 | 28.57% | 2,081,792 | 556.61% |
| 2026 | $16,992,890 | 5,543,231 | $11,449,659 | 32.62% | $2,226,064 | 485.23% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

KERS Nonhazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $2,683,496 | $823,918 | $1,859,578 | 30.70% | $1,593,097 | 159.18% |
| 2018 | 2,435,506 | 887,121 | 1,548,385 | 36.42% | 1,573,898 | 150.64% |
| 2019 | 2,733,065 | 991,427 | 1,741,639 | 36.28% | 1,515,953 | 146.63% |
| 2020 | 2,564,788 | 1,095,959 | 1,468,829 | 42.73% | 1,482,431 | 171.27% |
| 2021 | 2,574,112 | 1,291,472 | 1,282,640 | 50.17% | 1,452,345 | 156.94% |
| 2022 | 1,782,386 | 1,409,553 | 372,833 | 79.08% | 1,437,132 | 153.93% |
| 2023 | 1,877,109 | 1,532,895 | 344,214 | 81.66% | 1,653,492 | 47.45% |
| 2024 | 2,094,743 | 1,712,043 | 382,700 | 81.73% | 1,923,825 | 37.58% |
| 2025 | 2,475,126 | 1,817,923 | 657,204 | 73.45% | 2,087,763 | 40.98% |
| 2026 | $2,543,751 | $1,918,414 | $625,337 | 75.42% | $2,223,349 | 43.70% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

## Summary of Actuarial Unfunded Liabilities

As of June 30 ($ in Thousands)

### KERS Hazardous Pension Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $1,121,420 | $607,159 | $514,261 | 54.14% | $178,511 | 278.47% |
| 2018 | 1,151,923 | 639,262 | 512,661 | 55.50% | 152,936 | 330.29% |
| 2019 | 1,226,195 | 671,647 | 554,548 | 54.77% | 160,600 | 340.16% |
| 2020 | 1,283,770 | 709,587 | 574,183 | 55.27% | 171,840 | 326.28% |
| 2021 | 1,295,243 | 782,496 | 512,747 | 60.41% | 172,725 | 258.00% |
| 2022 | 1,316,825 | 832,436 | 484,389 | 63.22% | 188,648 | 269.03% |
| 2023 | 1,363,037 | 891,460 | 471,577 | 65.40% | 223,922 | 188.90% |
| 2024 | 1,442,619 | 985,075 | 457,544 | 68.28% | 279,218 | 133.86% |
| 2025 | 1,488,008 | 1,076,412 | 411,596 | 72.34% | 288,682 | 117.29% |
| 2026 | $1,546,490 | $1,168,420 | $378,070 | 75.55% | $318,070 | 71.28% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

### KERS Hazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $419,440 | $493,458 | ($74,019) | 117.65% | $171,087 | 3.53% |
| 2018 | 393,481 | 511,441 | (117,961) | 129.98% | 190,317 | (17.43%) |
| 2019 | 426,705 | 525,315 | (98,610) | 123.11% | 151,448 | (17.73%) |
| 2020 | 427,977 | 539,251 | (111,275) | 126.00% | 182,209 | 23.47% |
| 2021 | 424,456 | 575,025 | (150,569) | 135.47% | 172,725 | (6.67%) |
| 2022 | 347,044 | 597,701 | (250,657) | 172.23% | 188,648 | 4.04% |
| 2023 | 363,512 | 619,519 | (256,007) | 170.43% | 223,922 | (92.89%) |
| 2024 | 379,568 | 652,349 | (272,781) | 171.87% | 279,218 | (84.21%) |
| 2025 | 420,392 | 699,650 | (279,258) | 166.43% | 288,682 | (87.72%) |
| 2026 | $427,733 | $740,577 | ($312,844) | 173.14% | $318,070 | (96.96%) |

*Note: (1) Based on derived compensation using the provided employer contribution information. For 2021-2026, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2021-FYE2026.*

DRAFT

### SPRS Pension Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net Pension Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $967,145 | $261,320 | $705,824 | 27.02% | $54,065 | 1271.68% |
| 2018 | 989,528 | 268,259 | 721,269 | 27.11% | 50,346 | 1394.45% |
| 2019 | 1,045,318 | 282,162 | 763,156 | 26.99% | 49,515 | 1512.34% |
| 2020 | 1,053,157 | 296,126 | 757,031 | 28.12% | 49,019 | 1540.81% |
| 2021 | 1,053,260 | 323,250 | 730,009 | 30.69% | 47,873 | 1461.11% |
| 2022 | 1,067,447 | 559,973 | 507,474 | 52.46% | 48,061 | 1052.94% |
| 2023 | 1,091,795 | 589,848 | 501,947 | 54.03% | 65,693 | 682.42% |
| 2024 | 1,112,310 | 631,186 | 481,125 | 56.75% | 71,964 | 625.09% |
| 2025 | 1,130,392 | 699,539 | 430,853 | 61.88% | 75,855 | 503.87% |
| 2026 | $1,158,069 | $769,786 | $388,283 | 66.47% | $74,615 | 389.26% |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

## Summary of Actuarial Unfunded Liabilities

As of June 30 ($ in Thousands)

SPRS Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets Actuarial | Unfunded Actuarial Liabilities Actuarial | Funding Level Actuarial | Covered Payroll [1] | Net OPEB Liability as a Percentage of Covered Payroll |
|---|---|---|---|---|---|---|
| 2017 | $276,641 | $180,464 | $96,178 | 65.23% | $48,873 | 274.99% |
| 2018 | 262,088 | 187,535 | 74,553 | 71.55% | 50,064 | 220.05% |
| 2019 | 276,809 | 197,395 | 79,415 | 71.31% | 48,780 | 228.26% |
| 2020 | 276,143 | 207,018 | 69,126 | 74.97% | 48,231 | 287.37% |
| 2021 | 272,406 | 223,251 | 49,154 | 81.96% | 47,155 | 249.35% |
| 2022 | 232,798 | 234,239 | (1,441) | 100.62% | 48,600 | 247.35% |
| 2023 | 244,058 | 245,172 | (1,114) | 100.46% | 65,830 | 23.30% |
| 2024 | 251,178 | 263,369 | (12,191) | 104.85% | 71,992 | 5.06% |
| 2025 | 273,393 | 276,806 | (3,413) | 101.25% | 80,447 | 9.70% |
| 2026 | $279,582 | $284,185 | ($4,603) | 101.65% | $77,564 | (5.36%) |

*Note: (1) Based on derived compensation using the provided employer contribution information.*

# Solvency Test

DRAFT

## Solvency Test

As of June 30 ($ in Thousands)

KERS Nonhazardous Pension Plan

| | Actuarial Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 2017 | $934,559 | $11,608,346 | $3,048,736 | $2,123,623 | 100.00% | 10.20% | 0.00% |
| 2018 | 892,033 | 11,929,018 | 2,854,180 | 2,019,278 | 100.00% | 9.40% | 0.00% |
| 2019 | 881,020 | 12,513,230 | 3,072,176 | 2,206,280 | 100.00% | 10.60% | 0.00% |
| 2020 | 869,196 | 12,467,523 | 3,012,243 | 2,323,298 | 100.00% | 11.70% | 0.00% |
| 2021 | 877,142 | 12,425,951 | 3,018,279 | 2,735,876 | 100.00% | 15.00% | 0.00% |
| 2022 | 859,591 | 12,700,595 | 3,016,444 | 3,065,263 | 100.00% | 17.40% | 0.00% |
| 2023 | 889,146 | 12,013,685 | 3,401,447 | 3,552,471 | 100.00% | 22.20% | 0.00% |
| 2024 | 935,186 | 11,876,221 | 3,836,485 | 4,122,268 | 100.00% | 26.80% | 0.00% |
| 2025 | 988,817 | 11,779,178 | 4,071,324 | 4,810,420 | 100.00% | 32.40% | —% |
| 2026 | $1,041,421 | $11,710,396 | $4,241,073 | $5,543,231 | 100.00% | 38.40% | —% |

KERS Nonhazardous Insurance Plan

| | Actuarial Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 2017 | $— | $1,575,294 | $1,108,202 | $823,918 | 100.00% | 52.30% | —% |
| 2018 | — | 1,475,954 | 959,552 | 887,121 | 100.00% | 60.10% | —% |
| 2019 | — | 1,686,605 | 1,046,461 | 991,427 | 100.00% | 58.80% | —% |
| 2020 | — | 1,589,742 | 975,045 | 1,095,959 | 100.00% | 68.90% | —% |
| 2021 | — | 1,609,775 | 964,337 | 1,291,472 | 100.00% | 80.20% | —% |
| 2022 | — | 967,051 | 815,335 | 1,409,553 | 100.00% | 100.00% | 54.30% |
| 2023 | — | 1,040,344 | 836,765 | 1,532,895 | 100.00% | 100.00% | 58.90% |
| 2024 | — | 1,189,231 | 905,513 | 1,712,043 | 100.00% | 100.00% | 57.70% |

## Solvency Test

As of June 30 ($ in Thousands)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2025 | — | 1,453,635 | 1,021,491 | 1,817,923 | 100.00% | 100.00% | 35.70% |
| 2026 | $— | $1,515,254 | $1,028,497 | $1,918,414 | 100.00% | 100.00% | 39.20% |

### KERS Hazardous Pension Plan

| | Actuarial Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 2017 | $93,350 | $746,350 | $281,720 | $607,159 | 100.00% | 68.80% | —% |
| 2018 | 89,106 | 810,311 | 252,506 | 639,262 | 100.00% | 67.90% | —% |
| 2019 | 86,663 | 879,818 | 259,713 | 671,647 | 100.00% | 66.50% | —% |
| 2020 | 95,528 | 898,128 | 290,114 | 709,587 | 100.00% | 68.40% | —% |
| 2021 | 97,559 | 916,431 | 281,254 | 782,496 | 100.00% | 74.70% | —% |
| 2022 | 94,538 | 946,328 | 275,959 | 832,436 | 100.00% | 78.00% | —% |
| 2023 | 103,310 | 929,321 | 330,406 | 891,460 | 100.00% | 84.80% | —% |
| 2024 | 116,828 | 943,102 | 382,689 | 985,075 | 100.00% | 92.10% | —% |
| 2025 | 128,210 | 969,992 | 389,806 | 1,076,412 | 100.00% | 97.80% | —% |
| 2026 | $139,726 | $1,004,170 | $402,593 | $1,168,420 | 100.00% | 100.00% | 6.10% |

### KERS Hazardous Insurance Plan

| | Actuarial Liabilities | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 2017 | $— | $243,816 | $175,623 | $493,458 | 100.00% | 100.00% | 100.00% |
| 2018 | — | 248,775 | 144,706 | 511,441 | 100.00% | 100.00% | 100.00% |
| 2019 | — | 282,070 | 144,635 | 525,315 | 100.00% | 100.00% | 100.00% |
| 2020 | — | 281,924 | 146,053 | 539,251 | 100.00% | 100.00% | 100.00% |
| 2021 | — | 288,015 | 136,441 | 575,025 | 100.00% | 100.00% | 100.00% |
| 2022 | — | 232,585 | 114,459 | 597,701 | 100.00% | 100.00% | 100.00% |
| 2023 | — | 250,189 | 113,323 | 619,519 | 100.00% | 100.00% | 100.00% |
| 2024 | — | 263,737 | 115,831 | 652,349 | 100.00% | 100.00% | 100.00% |
| 2025 | — | 299,480 | 120,912 | 699,650 | 100.00% | 100.00% | 100.00% |
| 2026 | $— | $307,101 | $120,632 | $740,577 | 100.00% | 100.00% | 100.00% |

DRAFT

### SPRS Pension Plan

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
| | | | | | (1) | (2) | (3) |
| 2017 | $44,798 | $773,982 | $148,365 | $261,320 | 100.00% | 28.00% | —% |
| 2018 | 43,835 | 800,788 | 144,905 | 268,259 | 100.00% | 28.00% | —% |
| 2019 | 41,948 | 848,396 | 154,974 | 282,162 | 100.00% | 28.30% | —% |
| 2020 | 40,831 | 863,579 | 148,747 | 296,126 | 100.00% | 29.60% | —% |
| 2021 | 42,035 | 860,801 | 150,423 | 323,250 | 100.00% | 32.70% | —% |
| 2022 | 42,027 | 870,200 | 155,220 | 559,973 | 100.00% | 59.50% | —% |
| 2023 | 47,394 | 825,683 | 218,717 | 589,848 | 100.00% | 65.70% | —% |
| 2024 | 52,957 | 808,935 | 250,418 | 631,186 | 100.00% | 71.50% | —% |
| 2025 | 56,226 | 815,954 | 258,211 | 699,539 | 100.00% | 78.80% | —% |
| 2026 | $52,250 | $876,868 | $228,951 | $769,786 | 100.00% | 81.80% | —% |

## Solvency Test

As of June 30 ($ in Thousands)

SPRS Insurance Plan

| Valuation Date | (1) Active Member Contributions | (2) Retired Members & Beneficiaries | (3) Active Members (Employer Portion) | Actuarial Value of Assets | % of Actuarial Liabilities Covered by Actuarial Assets | | |
|---|---|---|---|---|---|---|---|
| | | | | | (1) | (2) | (3) |
| 2017 | $— | $186,390 | $90,251 | $180,464 | 100.00% | 96.80% | —% |
| 2018 | — | 183,151 | 78,937 | 187,535 | 100.00% | 100.00% | 5.60% |
| 2019 | — | 199,959 | 76,850 | 197,395 | 100.00% | 98.70% | —% |
| 2020 | — | 207,638 | 68,506 | 207,018 | 100.00% | 99.70% | —% |
| 2021 | — | 206,707 | 65,699 | 223,251 | 100.00% | 100.00% | 25.20% |
| 2022 | — | 172,664 | 60,134 | 234,239 | 100.00% | 100.00% | 100.00% |
| 2023 | — | 176,587 | 67,471 | 245,172 | 100.00% | 100.00% | 100.00% |
| 2024 | — | 179,898 | 71,280 | 263,369 | 100.00% | 100.00% | 100.00% |
| 2025 | — | 198,250 | 75,143 | 276,806 | 100.00% | 100.00% | 100.00% |
| 2026 | $— | $222,184 | $57,398 | $284,185 | 100.00% | 100.00% | 100.00% |

# Member Valuation

## Summary of Active Member Valuation Data

As of June 30 ($ in Thousands)

KERS Nonhazardous Schedule of Active Member Valuation Data

| Valuation Date | Number of Employers | Total Active Members | Annual Covered Payroll [1] | Annual Average Pay | % Increase in Average Pay | Average Age | Average Years of Service Credit |
|---|---|---|---|---|---|---|---|
| 2017 | 342 | 37,234 | $1,531,535 | $41 | 1.62% | 45.4 | 10.9 |
| 2018 | 338 | 35,139 | 1,471,477 | 42 | 1.81% | 45.2 | 10.8 |
| 2019 | 331 | 33,696 | 1,437,647 | 43 | 1.88% | 45.4 | 11.0 |
| 2020 | 313 | 31,703 | 1,387,761 | 44 | 2.60% | 45.7 | 11.2 |
| 2021 | 321 | 30,186 | 1,349,330 | 45 | 2.12% | 46.0 | 11.6 |
| 2022 | 319 | 29,551 | 1,355,267 | 46 | 2.60% | 46.0 | 11.4 |
| 2023 | 320 | 31,383 | 1,615,868 | 51 | 12.27% | 45.7 | 10.9 |
| 2024 | 320 | 32,455 | 1,861,522 | 57 | 11.40% | 45.5 | 10.7 |
| 2025 | 321 | 33,356 | 2,023,843 | 61 | 5.78% | 45.4 | 10.6 |
| 2026 | 316 | 33,360 | $2,128,990 | $64 | 5.18% | 45.6 | 10.7 |

KERS Hazardous Schedule of Active Member Valuation Data

| Valuation Date | Number of Employers | Total Active Members | Annual Covered Payroll [1] | Annual Average Pay | % Increase in Average Pay | Average Age | Average Years of Service Credit |
|---|---|---|---|---|---|---|---|
| 2017 | 18 | 4,047 | $162,418 | $40 | 7.67% | 40.3 | 7.6 |
| 2018 | 18 | 3,929 | 158,213 | 40 | 0.34% | 39.8 | 7.3 |
| 2019 | 18 | 3,705 | 150,446 | 41 | 0.84% | 39.8 | 7.3 |
| 2020 | 19 | 4,094 | 170,826 | 42 | 2.76% | 39.8 | 7.3 |
| 2021 | 19 | 3,827 | 162,836 | 43 | 1.97% | 40.1 | 7.7 |
| 2022 | 19 | 3,617 | 165,637 | 46 | 7.63% | 40.0 | 7.6 |
| 2023 | 19 | 3,886 | 211,602 | 54 | 18.91% | 39.7 | 7.2 |
| 2024 | 19 | 4,154 | 259,606 | 62 | 14.77% | 39.9 | 7.1 |
| 2025 | 20 | 4,228 | 266,387 | 63 | 0.82% | 40.4 | 7.2 |
| 2026 | 20 | 4,519 | $292,675 | $65 | 2.79% | 40.1 | 6.9 |

SPRS Schedule of Active Member Valuation Data

| Valuation Date | Number of Employers | Total Active Members | Annual Covered Payroll [1] | Annual Average Pay | % Increase in Average Pay | Average Age | Average Years of Service Credit |
|---|---|---|---|---|---|---|---|
| 2017 | 1 | 903 | $48,598 | $54 | 7.28% | 37.5 | 10.6 |
| 2018 | 1 | 886 | 48,808 | 55 | 2.36% | 37.3 | 10.5 |
| 2019 | 1 | 883 | 47,752 | 54 | (1.83%) | 36.7 | 10.0 |
| 2020 | 1 | 798 | 46,145 | 58 | 6.93% | 37.5 | 10.7 |

DRAFT

## Summary of Active Member Valuation Data

As of June 30 ($ in Thousands)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 2021 | 1 | 775 | 45,338 | 59 | 1.17% | 37.7 | 11.1 |
| 2022 | 1 | 844 | 47,885 | 57 | (3.02%) | 36.5 | 10.1 |
| 2023 | 1 | 868 | 65,913 | 76 | 33.84% | 36.9 | 10.5 |
| 2024 | 1 | 872 | 73,295 | 84 | 10.69% | 37.4 | 11.1 |
| 2025 | 1 | 863 | 74,405 | 86 | 2.57% | 37.7 | 11.4 |
| 2026 | 1 | 865 | $72,712 | $84 | (2.50%) | 36.3 | 10.2 |

(1) *Annual payroll included in the Schedule of Active Member Valuation Data is based upon the annualized monthly payroll for active members as of the valuation date. The annual payroll recorded in the financial section is based upon the sum of the monthly payroll for active members recorded for each month of fiscal year ended June 30, 2026.*

## Summary of Retired Member Valuation Data

As of June 30 ($ in Thousands)

### KERS 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 |
|---|---|---|---|---|---|---|---|---|
| 2017 | 2,181 | 1,269 | 44,916 | $35,150 | $48,778 | $921,302 | (1.46%) | $21 |
| 2018 | 2,853 | 1,243 | 46,526 | 50,360 | 18,711 | 952,951 | 3.44% | 20 |
| 2019 | 2,226 | 1,342 | 47,410 | 36,115 | 20,359 | 968,706 | 1.65% | 20 |
| 2020 | 1,806 | 1,883 | 47,333 | 29,576 | 30,319 | 967,963 | (0.08%) | 20 |
| 2021 | 2,026 | 1,659 | 47,700 | 32,264 | 27,794 | 972,434 | 0.46% | 20 |
| 2022 | 2,471 | 1,976 | 48,195 | 42,661 | 33,726 | 981,369 | 0.92% | 20 |
| 2023 | 2,115 | 1,901 | 48,409 | 35,508 | 32,596 | 984,280 | 0.30% | 20 |
| 2024 | 2,031 | 1,966 | 48,474 | 34,573 | 34,595 | 984,257 | —% | 20 |
| 2025 | 1,997 | 1,877 | 48,594 | 35,426 | 32,541 | 987,142 | 0.29% | 20 |
| 2026 | 2,117 | 1,976 | 48,735 | $38,820 | $34,346 | $991,617 | 0.45% | $20 |

DRAFT

### KERS 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 |
|---|---|---|---|---|---|---|---|---|
| 2017 | 206 | 79 | 4,093 | $2,771 | $2,609 | $59,162 | 0.27% | $14 |
| 2018 | 321 | 44 | 4,370 | 5,394 | 507 | 64,050 | 8.26% | 15 |
| 2019 | 227 | 60 | 4,537 | 4,242 | 769 | 67,523 | 5.42% | 15 |
| 2020 | 214 | 123 | 4,628 | 3,102 | 1,543 | 69,081 | 2.31% | 15 |
| 2021 | 263 | 165 | 4,726 | 3,681 | 1,959 | 70,803 | 2.49% | 15 |
| 2022 | 300 | 176 | 4,850 | 4,978 | 2,093 | 73,689 | 4.08% | 15 |
| 2023 | 210 | 173 | 4,887 | 3,101 | 1,924 | 74,867 | 1.60% | 15 |
| 2024 | 207 | 160 | 4,934 | 3,281 | 1,911 | 76,237 | 1.83% | 16 |
| 2025 | 276 | 167 | 5,043 | 4,350 | 1,912 | 78,675 | 3.20% | 16 |
| 2026 | 304 | 172 | 5,175 | $5,221 | $2,107 | $81,789 | 3.96% | $16 |

| Summary of Retired Member Valuation Data<br>As of June 30 ($ in Thousands)<br>SPRS 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 |
| 2017 | 30 | 9 | 1,536 | $1,046 | $443 | $57,253 | 1.06% | $37 |
| 2018 | 81 | 17 | 1,600 | 2,837 | 464 | 59,626 | 4.14% | 37 |
| 2019 | 74 | 27 | 1,647 | 2,735 | 957 | 61,404 | 2.98% | 37 |
| 2020 | 61 | 39 | 1,669 | 2,411 | 1,382 | 62,432 | 1.68% | 37 |
| 2021 | 55 | 51 | 1,673 | 1,967 | 1,699 | 62,700 | 0.43% | 37 |
| 2022 | 76 | 47 | 1,702 | 2,948 | 1,868 | 63,780 | 1.72% | 37 |
| 2023 | 43 | 48 | 1,697 | 1,308 | 1,793 | 63,294 | (0.76%) | 37 |
| 2024 | 41 | 62 | 1,676 | 1,399 | 2,070 | 62,623 | (1.06%) | 37 |
| 2025 | 71 | 54 | 1,693 | 2,881 | 1,976 | 63,528 | 1.45% | 38 |
| 2026 | 116 | 63 | 1,746 | $6,130 | $1,886 | $67,771 | 6.68% | $39 |

*1The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section. Headcounts and hazardous benefits for members receiving benefits in both the nonhazardous and hazardous fund have been included in the hazardous funds' summaries above. Additional $25,736,000 in KERS nonhazardous annual benefits not included in summary above for June 30, 2026.*

# Summary of Benefit Provisions KERS, and SPRS Plans

## Plan Funding

State statute requires active members to contribute 5% for nonhazardous and 8% for hazardous of creditable compensation. For members participating on or after September 1, 2008, an additional 1% of creditable compensation is required. This additional amount is credited to the Insurance Fund and is non-refundable to the member. Employers contribute at the rate determined by the Board to be necessary for the actuarial soundness of the systems, as required by KRS 61.565. KERS and SPRS rates are subject to state budget approval.

DRAFT

## 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 |

## Retirement Eligibility for Hazardous Employees

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

## Benefit Formula for Nonhazardous

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

| | | | |
|---|---|---|---|
| Average of the five highest years of compensation | KERS 1.97% if: | Member does not have 13 months of service credit for 1/1/1998-1/1/1999. | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |
| | KERS 2.00% if: | Member has 13 months of service credit from 1/1/1998-1/1/1999. | |
| | KERS 2.20% if: | Member has 20 or more years of service, including 13 months from 1/1/1998-1/1/1999 and retires by 1/1/2009. | |

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

## Benefit Formula for Nonhazardous

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

| Final Compensation | Benefit Factor | | Years of Service |
|---|---|---|---|
| Average of the last five complete years of compensation | KERS increasing percent based on service at retirement up to 30 years* plus 2.00% for each year of service over 30 years | | 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 complete years of compensation | KERS 2.49% if: | Member begins participating before 9/1/2008 | Includes earned service, purchased service, prior service, and sick leave service (if the member's employer participates in an approved sick leave program). |
| | SPRS 2.50% if: | | |

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

## Benefit Formula for Hazardous

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

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

DRAFT

| Benefit Formula<br>Tier 3: Members whose participation began on or after 1/1/2014<br>Accumulated Account Balance / Actuarial Factor = Monthly Life Annuity | | | | | |
|---|---|---|---|---|---|
| | Member Contributions | Employer Pay Credit | Base Annual Interest | Upside Sharing Interest (FY 2026) | Actuarial Factor |
| KERS Nonhazardous | 5.00% | 4.00% | 4.00% | 5.79% | See www.kyret.ky.gov for most recent Actuarial Factors |
| KERS Hazardous | 8.00% | 7.50% | 4.00% | 6.69% | |
| SPRS | 8.00% | 7.50% | 4.00% | 6.17% | |

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

## Post-retirement Death Benefits

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

## Disability Benefits

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

Members participating on or after 8/1/2004 but before 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. Nonhazardous benefits are computed as the higher of 20% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service. Hazardous benefits are computed as the higher of 25% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service.

DRAFT

Members participating on or after 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. The benefit to the member is the higher of 20% or 25% of the member's monthly final rate of pay for nonhazardous and hazardous, respectively or the Annuity amount using the factor at the member's normal retirement age.

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

* Service requirements may be waived if line of duty or duty related.

## Pre-Retirement Death Benefits

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

## Cost Of Living Adjustment (COLA)

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

## Insurance Benefits

For members participating prior to July 1, 2003, the 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.

The monthly health insurance contribution will be $10 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 non-hazardous service a member attains over 27 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.

## Refunds

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

## Interest On Accounts

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

## Benefit Changes Since The Prior Valuation

There have been no benefit changes since the prior valuation.

DRAFT

# Plan Statistics

### Definitions

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

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

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

A single member may have multiple accounts. For these tables, persons who participate in two or more of the KRS plans; SPRS, KERS Hazardous or KERS Nonhazardous, will appear in each plan in which they have service credit.

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

**KERS Nonhazardous Membership As of June 30**

| Fiscal Year | Active | Inactive | Retired | Total |
|---|---|---|---|---|
| 2017 | 38,128 | 49,693 | 47,317 | 135,138 |
| 2018 | 36,160 | 50,772 | 48,985 | 135,917 |
| 2019 | 34,700 | 51,944 | 49,886 | 136,530 |
| 2020 | 32,688 | 54,234 | 50,518 | 137,440 |
| 2021 | 31,066 | 55,437 | 51,783 | 138,286 |
| 2022 | 30,293 | 56,636 | 52,429 | 139,358 |
| 2023 | 32,093 | 57,247 | 52,524 | 141,864 |
| 2024 | 33,135 | 58,154 | 52,686 | 143,975 |
| 2025 | 34,093 | 59,166 | 52,763 | 146,022 |
| 2026 | 34,163 | 59,742 | 53,011 | 146,916 |

DRAFT

**KERS Hazardous Membership As of June 30**

| Fiscal Year | Active | Inactive | Retired | Total |
|---|---|---|---|---|
| 2017 | 4,660 | 5,453 | 4,120 | 14,233 |
| 2018 | 4,551 | 5,889 | 4,397 | 14,837 |
| 2019 | 4,402 | 6,414 | 4,563 | 15,379 |
| 2020 | 4,667 | 7,263 | 4,696 | 16,626 |
| 2021 | 4,412 | 8,022 | 4,890 | 17,324 |
| 2022 | 4,295 | 8,568 | 5,013 | 17,876 |
| 2023 | 4,581 | 9,031 | 5,048 | 18,660 |
| 2024 | 4,910 | 9,454 | 5,084 | 19,448 |
| 2025 | 4,954 | 9,835 | 5,212 | 20,001 |
| 2026 | 5,268 | 10,117 | 5,345 | 20,730 |

**SPRS Membership As of June 30**

| Fiscal Year | Active | Inactive | Retired | Total |
|---|---|---|---|---|
| 2017 | 934 | 453 | 1,557 | 2,944 |
| 2018 | 917 | 470 | 1,623 | 3,010 |
| 2019 | 932 | 511 | 1,666 | 3,109 |
| 2020 | 798 | 592 | 1,698 | 3,088 |
| 2021 | 775 | 638 | 1,734 | 3,147 |
| 2022 | 844 | 670 | 1,748 | 3,262 |
| 2023 | 868 | 718 | 1,749 | 3,335 |
| 2024 | 872 | 749 | 1,736 | 3,357 |
| 2025 | 863 | 781 | 1,753 | 3,397 |
| 2026 | 865 | 808 | 1,814 | 3,487 |

| KRS Membership As of June 30 | | | | |
|---|---|---|---|---|
| **Fiscal Year** | **Active** | **Inactive** | **Retired** | **Total** |
| 2017 | 43,722 | 55,599 | 52,994 | 152,315 |
| 2018 | 41,628 | 57,131 | 55,005 | 153,764 |
| 2019 | 40,034 | 58,869 | 56,115 | 155,018 |
| 2020 | 38,153 | 62,089 | 56,912 | 157,154 |
| 2021 | 36,253 | 64,097 | 58,407 | 158,757 |
| 2022 | 35,432 | 65,874 | 59,190 | 160,496 |
| 2023 | 37,542 | 66,996 | 59,321 | 163,859 |
| 2024 | 38,917 | 68,357 | 59,506 | 166,780 |
| 2025 | 39,910 | 69,782 | 59,728 | 169,420 |
| 2026 | 40,296 | 70,667 | 60,170 | 171,133 |

# Participating Employers

| Principal Participating Employers in KERS As of June 30, 2026 | | | |
|---|---|---|---|
| **Fiscal Year** | **Rank** | **Covered Employees** | **% of Total System** |
| DEPARTMENT FOR COMMUNITY BASED SERVICES | 1 | 4,876 | 12.86% |
| DEPARTMENT OF CORRECTIONS | 2 | 3,761 | 9.92% |
| DEPARTMENT OF HIGHWAYS | 3 | 3,655 | 9.64% |
| JUDICIAL DEPARTMENT ADMINISTRATIVE OFFICE OF THE COURTS | 4 | 1,454 | 3.84% |
| DEPARTMENT OF JUVENILE JUSTICE | 5 | 1,104 | 2.91% |
| UNIFIED PROSECUTORIAL SYSTEM | 6 | 980 | 2.59% |
| KENTUCKY STATE POLICE | 7 | 939 | 2.48% |
| DEPARTMENT OF VETERANS AFFAIRS | 8 | 748 | 1.97% |
| DEPARTMENT OF REVENUE | 9 | 724 | 1.91% |
| DEPARTMENT OF PARKS | 10 | 658 | 1.74% |
| ALL OTHERS | | 19,010 | 50.14% |
| **Total** | | **37,909** | **100.00%** |

DRAFT

| Schedule of Participating Employers in KERS As of June 30, 2026 | | |
|---|---|---|
| **Agency Classification** | **Number of Agencies** | **Covered Employees** |
| County Attorneys | 56 | 279 |
| Health Departments | 60 | 2,219 |
| Master Commissioner | 30 | 51 |
| Non-P1 State Agencies | 31 | 648 |
| Other Retirement Systems | 1 | 15 |
| P1 State Agencies | 126 | 30,503 |
| Regional Mental Health Units | 10 | 2,939 |
| Universities | 7 | 1,255 |
| **Total** | **321** | **37,909** |
| **Total Employees By Tier Levels** | | |
| **Tier 1** | | **10,662** |
| **Tier 2** | | **4,921** |
| **Tier 3** | | **22,326** |

| Schedule of Participating Employers in SPRS As of June 30, 2026 | | |
|---|---|---|
| **Agency Classification** | **Number of Agencies** | **Covered Employees** |
| Kentucky State Police - Uniformed Police Officers | 1 | 865 |
| **Total Employees By Tier Levels** | | |
| **Tier 1** | | **199** |
| **Tier 2** | | **180** |
| **Tier 3** | | **486** |

# Member Monthly Benefit

| Average Monthly Benefit by Length of Service in KRS As of June 30, 2026 (in Whole $) | | | | | | |
|---|---|---|---|---|---|---|
| | KERS Nonhazardous | | KERS Hazardous | | SPRS | |
| Fiscal Year | Number of Accounts | Average Monthly Benefit | Number of Accounts | Average Monthly Benefit | Number of Accounts | Average Monthly Benefit |
| Under 5 years | 7,496 | $231 | 1,096 | $234 | 168 | $745 |
| 5 or more but less than 10 | 6,230 | 448 | 899 | 590 | 61 | 907 |
| 10 or more but less than 15 | 5,802 | 743 | 822 | 1,050 | 78 | 1,564 |
| 15 or more but less than 20 | 5,180 | 1,112 | 788 | 1,607 | 132 | 2,222 |
| 20 or more but less than 25 | 5,527 | 1,475 | 1,450 | 2,138 | 591 | 2,931 |
| 25 or more but less than 30 | 13,886 | 2,328 | 219 | 3,075 | 515 | 3,984 |
| 30 or more but less than 35 | 6,520 | 3,266 | 63 | 3,797 | 212 | 4,902 |
| 35 or more | 2,370 | 4,609 | 8 | 5,049 | 57 | 6,347 |
| **Total** | **53,011** | **$1,646** | **5,345** | **$1,304** | **1,814** | **$3,187** |

*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 - KERS<br>As of June 30 ($ in Thousands) | | | | | | |
|---|---|---|---|---|---|---|
| | Nonhazardous | | | Hazardous | | |
| Fiscal Year | Pension | Insurance | Total | Pension | Insurance | Total |
| 2017 | $2,092,781 | $781,406 | $2,874,187 | $605,921 | $484,442 | $1,090,363 |
| 2018 | 2,048,890 | 846,762 | 2,895,652 | 651,173 | 513,384 | 1,164,557 |
| 2019 | 2,286,625 | 942,136 | 3,228,761 | 687,877 | 527,108 | 1,214,985 |
| 2020 | 2,362,231 | 1,006,498 | 3,368,729 | 697,366 | 514,740 | 1,212,106 |
| 2021 | 3,085,014 | 1,353,123 | 4,438,137 | 874,928 | 624,889 | 1,499,817 |
| 2022 | 3,076,743 | 1,301,522 | 4,378,265 | 819,237 | 579,902 | 1,399,139 |
| 2023 | 3,607,206 | 1,465,489 | 5,072,695 | 902,567 | 616,322 | 1,518,889 |
| 2024 | 4,297,571 | 1,692,094 | 5,989,665 | 1,029,921 | 667,917 | 1,697,838 |
| 2025 | 5,143,284 | 1,833,872 | 6,977,156 | 1,148,670 | 724,103 | 1,872,773 |
| 2026 | $6,145,524 | $2,020,297 | $8,165,821 | $1,303,865 | $799,224 | $2,103,089 |

DRAFT

| Fiduciary Net Position - SPRS<br>As of June 30 ($ in Thousands) | | | |
|---|---|---|---|
| Fiscal Year | Pension | Insurance | Total |
| 2017 | $256,383 | $178,191 | $434,574 |
| 2018 | 268,425 | 189,994 | 458,419 |
| 2019 | 287,242 | 200,128 | 487,370 |
| 2020 | 295,044 | 200,245 | 495,289 |
| 2021 | 357,660 | 246,004 | 603,664 |
| 2022 | 552,926 | 230,015 | 782,941 |
| 2023 | 592,826 | 246,797 | 839,623 |
| 2024 | 653,216 | 272,091 | 925,307 |
| 2025 | 742,853 | 289,472 | 1,032,325 |
| 2026 | $847,056 | $310,333 | $1,157,389 |

## Fiduciary Net Position - KRS

**As of June 30 ($ in Thousands)**

| Fiscal Year | Pension | Insurance | Total |
|---|---|---|---|
| 2017 | $2,955,085 | $1,444,039 | $4,399,124 |
| 2018 | 2,968,488 | 1,550,140 | 4,518,628 |
| 2019 | 3,261,744 | 1,669,372 | 4,931,116 |
| 2020 | 3,354,641 | 1,721,483 | 5,076,124 |
| 2021 | 4,317,602 | 2,224,016 | 6,541,618 |
| 2022 | 4,448,906 | 2,111,439 | 6,560,345 |
| 2023 | 5,102,599 | 2,328,608 | 7,431,207 |
| 2024 | 5,980,708 | 2,632,102 | 8,612,810 |
| 2025 | 7,034,807 | 2,847,447 | 9,882,254 |
| 2026 | $8,296,445 | $3,129,854 | $11,426,299 |

*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

# Changes in Fiduciary Net Position

| Changes in Fiduciary Net Position - KERS Nonhazardous Pension Plan<br>As of June 30 ($ in Thousands) | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Additions** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| Members' Contributions | $100,544 | $104,972 | $93,759 | $96,594 | $90,202 | $89,607 | $84,579 | $96,615 | $104,867 | $110,769 |
| Employers' Contributions | 644,803 | 619,988 | 948,866 | 948,578 | 1,134,180 | 141,027 | 136,445 | 156,007 | 154,394 | 165,161 |
| General Fund Appropriations | 58,193 | 67,574 | 75,858 | — | — | 912,705 | 240,000 | 240,000 | 300,000 | 300,000 |
| Health Insurance Contributions (HB1) | 5,156 | 5,786 | 5,963 | 1 | (8) | (13) | (12) | (18) | (37) | (93) |
| Actuarially Accrued Liability Contributions | — | — | — | — | — | — | 898,545 | 899,663 | 864,522 | 865,744 |
| Employer Cessation | 53,215 | 17 | 10,643 | 20 | — | 63,113 | — | — | — | — |
| Net Investment Income (Loss) | 220,985 | 147,577 | 114,918 | 53,696 | 528,439 | (165,904) | 220,258 | 356,018 | 493,287 | 642,905 |
| Northern Trust Settlement | — | 301 | 37 | — | — | — | — | — | — | — |
| Pension Spiking | 909 | 1,564 | 95 | (6) | 52 | 24 | 16 | 25 | 15 | 1 |
| **Total Additions** | **1,083,805** | **947,779** | **1,250,139** | **1,098,883** | **1,752,865** | **1,040,559** | **1,579,831** | **1,748,310** | **1,917,048** | **2,084,486** |
| **Deductions** | | | | | | | | | | |
| Benefit Payments | 948,489 | 967,374 | 988,349 | 999,813 | 1,009,501 | 1,023,375 | 1,023,704 | 1,032,124 | 1,046,018 | 1,056,094 |
| Refunds | 11,819 | 13,603 | 12,342 | 11,523 | 8,953 | 12,116 | 11,847 | 11,693 | 11,154 | 11,533 |
| Administrative Expenses | 10,974 | 10,692 | 11,712 | 11,941 | 11,627 | 13,339 | 13,817 | 14,128 | 14,163 | 14,619 |
| Capital Project Expenses | 34 | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **971,316** | **991,669** | **1,012,403** | **1,023,277** | **1,030,081** | **1,048,830** | **1,049,368** | **1,057,945** | **1,071,336** | **1,082,246** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$112,489** | **($43,890)** | **$237,736** | **$75,606** | **$722,784** | **($8,271)** | **$530,463** | **$690,366** | **$845,712** | **$1,002,240** |

DRAFT

## Changes in Fiduciary Net Position - KERS Nonhazardous Insurance Plan

**As of June 30 ($ in Thousands)**

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employers' Contributions | $133,024 | $132,364 | $173,576 | $170,479 | $153,571 | $31,611 | $35,549 | $41,362 | $30,272 | $32,239 |
| Actuarially Accrued Liability Contributions | — | — | — | — | — | 101,637 | 87,674 | 87,782 | 1,860 | 1,992 |
| Net Investment Income (Loss) | 90,915 | 61,331 | 43,202 | 10,624 | 258,595 | (85,555) | 128,052 | 166,714 | 195,070 | 239,871 |
| Retired Reemployed (HB1) | 3,765 | 4,055 | 3,996 | 4,502 | 4,705 | 5,041 | 5,885 | 7,484 | 8,591 | 10,076 |
| Member Drug Reimbursement | 1 | 5 | 3 | 2 | — | — | 4 | 4 | 4 | 1 |
| Premiums Received from Retirees | 248 | 216 | 184 | 183 | 182 | 182 | (27) | 79 | 33 | 50 |
| Humana Gain Share Payment | — | — | 3,079 | — | 17,167 | 7,321 | 4,851 | 8,440 | — | |
| Employer Cessation | 15,567 | — | 1,391 | 25 | 28,400 | 2,405 | — | — | — | — |
| Northern Trust Settlement | — | 32 | 4 | — | — | — | — | — | — | — |
| Health Insurance Contribution (HB1) | — | — | — | 6,127 | 6,326 | 6,560 | 8,370 | 10,603 | 12,262 | 13,715 |
| **Total Additions** | **243,520** | **198,003** | **225,435** | **191,942** | **468,946** | **69,202** | **270,358** | **322,467** | **248,092** | **297,944** |
| **Deductions** | | | | | | | | | | |
| Healthcare Premiums | 127,648 | 130,069 | 127,221 | 125,006 | 119,897 | 118,451 | 103,952 | 93,751 | 103,784 | 109,521 |
| Administrative Expenses | 861 | 760 | 875 | 847 | 815 | 821 | 771 | 727 | 684 | 554 |
| Self Funded Healthcare Costs | 1,920 | 1,819 | 1,962 | 1,724 | 1,609 | 1,525 | 1,668 | 1,378 | 1,843 | 1,440 |
| Excise Tax | 3 | 3 | 3 | 3 | — | 6 | — | 7 | 3 | 4 |
| **Total Deductions** | **130,432** | **132,651** | **130,061** | **127,580** | **122,321** | **120,803** | **106,391** | **95,863** | **106,313** | **111,519** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$113,088** | **$65,352** | **$95,374** | **$64,362** | **$346,625** | **($51,601)** | **$163,967** | **$226,604** | **$141,780** | **$186,425** |

## Changes in Fiduciary Net Position - KERS Hazardous Pension Plan

**As of June 30 ($ in Thousands)**

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Members' Contributions | $17,523 | $17,891 | $17,118 | $19,769 | $19,961 | $20,588 | $17,459 | $21,568 | $22,128 | $24,115 |
| Employers' Contributions | 37,630 | 32,790 | 55,229 | 59,096 | 62,182 | 59,052 | 72,778 | 89,898 | 70,768 | 78,569 |
| General Fund Appropriations | 15,000 | 10,000 | — | — | — | — | — | — | — | — |
| Health Insurance Contributions (HB1) | 811 | 909 | 934 | 4 | 3 | (5) | (7) | (8) | (32) | (59) |
| Net Investment Income (Loss) | 70,993 | 51,848 | 36,704 | 6,805 | 174,922 | (51,841) | 77,261 | 102,139 | 121,344 | 155,091 |
| Actuarially Accrued Liability Contributions (AALC) | — | — | — | — | — | — | — | — | — | — |
| Northern Trust Settlement | — | 33 | 4 | — | — | — | — | — | — | — |
| Pension Spiking | 344 | 871 | 29 | 19 | 18 | 3 | 29 | 1 | — | — |
| **Total Additions** | **142,301** | **114,342** | **110,018** | **85,693** | **257,086** | **27,797** | **167,520** | **213,598** | **214,208** | **257,716** |
| **Deductions** | | | | | | | | | | |
| Benefit Payments | 61,231 | 65,616 | 69,527 | 71,861 | 73,889 | 77,047 | 78,636 | 80,528 | 87,620 | 92,087 |
| Refunds | 2,106 | 2,501 | 2,684 | 3,168 | 4,380 | 4,976 | 4,041 | 4,133 | 6,212 | 8,701 |
| Administrative Expenses | 919 | 975 | 1,103 | 1,176 | 1,255 | 1,465 | 1,513 | 1,583 | 1,627 | 1,733 |
| Capital Project Expenses | 4 | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **64,260** | **69,092** | **73,314** | **76,205** | **79,524** | **83,488** | **84,190** | **86,244** | **95,459** | **102,521** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$78,041** | **$45,250** | **$36,704** | **$9,488** | **$177,562** | **($55,691)** | **$83,330** | **$127,355** | **$118,748** | **$155,195** |

DRAFT

## Changes in Fiduciary Net Position - KERS Hazardous Insurance Plan

As of June 30 ($ in Thousands)

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employers' Contributions | $4,688 | $4,302 | $3,725 | $4,482 | $23 | $1 | $37 | $45 | $3 | $25 |
| Net Investment Income (Loss) | 59,188 | 42,567 | 28,049 | 638 | 126,475 | (27,406) | 52,991 | 67,435 | 73,613 | 92,806 |
| Retired Reemployed (HB1) | 932 | 986 | 1,245 | 1,294 | 1,276 | 1,280 | 1,452 | 1,865 | 2,156 | 2,376 |
| Actuarially Accrued Liability Contributions (AALC) | — | — | — | — | — | — | — | — | — | — |
| Member Drug Reimbursement | — | — | — | 1 | — | 1 | — | — | — | — |
| Premiums Received from Retirees | (51) | (50) | (19) | (5) | (11) | (54) | (69) | (24) | (53) | (35) |
| Humana Gain Share | — | — | 213 | — | 1,253 | 548 | 368 | 651 | — | — |
| Northern Trust Settlement | — | 18 | 2 | — | — | — | — | — | — | — |
| Health Insurance Contributions (HB1) | — | — | — | 1,100 | 1,164 | 1,232 | 1,592 | 2,094 | 2,229 | 2,536 |
| **Total Additions** | **64,757** | **47,823** | **33,215** | **7,510** | **130,180** | **(24,398)** | **56,371** | **72,066** | **77,947** | **97,708** |
| **Deductions** | | | | | | | | | | |
| Health Insurance Premiums | 17,562 | 18,697 | 19,280 | 19,630 | 19,800 | 20,355 | 19,748 | 20,260 | 21,575 | 22,364 |
| Administrative Expenses | 105 | 104 | 117 | 123 | 118 | 125 | 123 | 117 | 116 | 104 |
| Self-Funded Healthcare Costs | 45 | 79 | 94 | 125 | 112 | 109 | 80 | 94 | 70 | 119 |
| Excise Tax Insurance | — | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **17,712** | **18,880** | **19,491** | **19,878** | **20,030** | **20,589** | **19,951** | **20,472** | **21,760** | **22,587** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$47,045** | **$28,943** | **$13,724** | **($12,368)** | **$110,150** | **($44,987)** | **$36,420** | **$51,594** | **$56,188** | **$75,121** |

DRAFT

## Changes in Fiduciary Net Position - SPRS Pension Plan

As of June 30 ($ in Thousands)

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Members' Contributions | $5,349 | $5,522 | $5,062 | $4,767 | $4,752 | $4,773 | $5,250 | $5,703 | $6,017 | $5,960 |
| Employers' Contributions | 38,028 | 36,486 | 58,947 | 58,358 | 59,262 | 62,341 | 58,121 | 61,998 | 52,975 | 56,252 |
| General Fund Appropriations | 25,000 | 10,000 | 1,086 | 1,086 | 384 | 215,000 | — | — | 25,000 | 25,000 |
| Health Insurance Contributions (HB1) | 131 | 155 | 176 | — | — | (26) | (8) | (12) | (11) | (12) |
| Net Investment Income (Loss) | 26,795 | 18,487 | 14,863 | 6,359 | 61,966 | (22,148) | 40,801 | 57,058 | 72,006 | 90,165 |
| Northern Trust Settlement | — | 21 | 3 | — | — | — | — | — | — | — |
| Pension Spiking | 210 | 392 | 15 | 9 | 4 | — | — | — | — | — |
| **Total Additions** | **95,513** | **71,063** | **80,152** | **70,579** | **126,368** | **259,940** | **104,164** | **124,747** | **155,987** | **177,365** |
| **Deductions** | | | | | | | | | | |
| Benefit Payments | 56,935 | 58,805 | 60,948 | 62,423 | 63,249 | 64,121 | 63,805 | 63,823 | 65,696 | 72,105 |
| Refunds | 26 | 22 | 162 | 88 | 273 | 280 | 166 | 220 | 346 | 732 |
| Administrative Expenses | 181 | 194 | 225 | 266 | 230 | 273 | 293 | 314 | 308 | 325 |
| Capital Project Expenses | 1 | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **57,143** | **59,021** | **61,335** | **62,777** | **63,752** | **64,674** | **64,264** | **64,357** | **66,349** | **73,162** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$38,370** | **$12,042** | **$18,817** | **$7,802** | **$62,616** | **$195,266** | **$39,900** | **$60,390** | **$89,637** | **$104,203** |

## Changes in Fiduciary Net Position - SPRS Insurance Plan

As of June 30 ($ in Thousands)

| Additions | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| Employers' Contributions | $9,222 | $9,397 | $13,282 | $13,133 | $9,284 | $8,782 | $9,289 | $10,158 | $1,858 | $1,792 |
| Net Investment Income (Loss) | 21,570 | 16,420 | 10,766 | 1,108 | 50,051 | (10,787) | 21,426 | 26,836 | 29,780 | 36,426 |
| Retired Reemployed (HB1) | — | — | 6 | — | — | — | — | 5 | 30 | 31 |
| Member Drug Reimbursement | — | — | — | — | — | — | — | — | — | — |
| Premiums Received from Retirees | (55) | (41) | (13) | (12) | (14) | (27) | (131) | (13) | (31) | (34) |
| Humana Gain Share | — | — | 144 | — | 811 | 342 | 224 | 390 | — | — |
| Northern Trust Settlement | — | 8 | 1 | — | — | — | — | — | — | — |
| Health Insurance contributions (HB1) | — | — | — | 196 | 209 | 256 | 356 | 408 | 449 | 492 |
| **Total Additions** | **30,737** | **25,784** | **24,186** | **14,425** | **60,341** | **(1,434)** | **31,164** | **37,784** | **32,086** | **38,707** |
| **Deductions** | | | | | | | | | | |
| Health Insurance Premiums | 13,405 | 13,881 | 13,942 | 14,215 | 14,487 | 14,461 | 14,290 | 12,412 | 14,614 | 17,741 |
| Administrative Expenses | 66 | 62 | 69 | 71 | 71 | 73 | 74 | 71 | 71 | 77 |
| Self-Funded Healthcare Costs | 24 | 38 | 40 | 22 | 25 | 21 | 18 | 7 | 21 | 28 |
| Excise Tax Insurance | — | — | — | — | — | — | — | — | — | — |
| **Total Deductions** | **13,495** | **13,981** | **14,051** | **14,308** | **14,583** | **14,555** | **14,382** | **12,490** | **14,707** | **17,846** |
| **Net Increase (Decrease) in Fiduciary Net Position** | **$17,242** | **$11,803** | **$10,135** | **$117** | **$45,758** | **($15,989)** | **$16,782** | **$25,294** | **$17,380** | **$20,861** |

DRAFT

# Schedule of Benefit Expenses

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

**Schedule of Benefit Expenses - KERS Nonhazardous**
**As of June 30 (in whole $)**

| | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|---|---|---|---|---|
| **Fiscal Year 2017** | | | | |
| Average Benefit | $992 | $1,883 | $1,013 | $924 |
| Number of Accounts | 7,628 | 35,890 | 2,772 | 1,028 |
| Total Monthly Benefits | $7,565,780 | $67,591,003 | $2,807,938 | $950,318 |
| % of Total Monthly Benefits | 9.59% | 85.65% | 3.56% | 1.20% |
| **Fiscal Year 2018** | | | | |
| Average Benefit | $998 | $1,879 | $1,019 | $940 |
| Number of Accounts | 8,070 | 37,141 | 2,767 | 1,007 |
| Total Monthly Benefits | $8,049,794 | $69,780,011 | $2,818,593 | $946,466 |
| % of Total Monthly Benefits | 9.87% | 85.52% | 3.45% | 1.16% |
| **Fiscal Year 2019** | | | | |
| Average Benefit | $993 | $1,876 | $1,029 | $933 |
| Number of Accounts | 8,387 | 37,751 | 2,751 | 997 |
| Total Monthly Benefits | $8,328,706 | $70,826,696 | $2,831,527 | $930,110 |
| % of Total Monthly Benefits | 10.04% | 85.42% | 3.41% | 1.12% |
| **Fiscal Year 2020** | | | | |
| Average Benefit | $984 | $1,872 | $1,031 | $937 |
| Number of Accounts | 8,622 | 38,233 | 2,676 | 987 |
| Total Monthly Benefits | $8,483,484 | $71,585,386 | $2,759,983 | $924,459 |
| % of Total Monthly Benefits | 10.13% | 85.47% | 3.30% | 1.10% |
| **Fiscal Year 2021** | | | | |
| Average Benefit | $984 | $1,864 | $1,036 | $949 |
| Number of Accounts | 9,046 | 39,020 | 2,698 | 1,019 |
| Total Monthly Benefits | $8,897,420 | $72,724,923 | $2,796,355 | $966,951 |
| % of Total Monthly Benefits | 10.42% | 85.17% | 3.27% | 1.13% |
| **Fiscal Year 2022** | | | | |
| Average Benefit | $987 | $1,860 | $1,031 | $966 |
| Number of Accounts | 9,279 | 39,508 | 2,609 | 1,033 |
| Total Monthly Benefits | $9,155,941 | $73,489,369 | $2,690,544 | $997,608 |
| % of Total Monthly Benefits | 10.61% | 85.12% | 3.12% | 1.16% |
| **Fiscal Year 2023** | | | | |
| Average Benefit | $982 | $1,861 | $1,034 | $956 |
| Number of Accounts | 9,464 | 39,505 | 2,531 | 1,024 |
| Total Monthly Benefits | $9,291,103 | $73,531,803 | $2,615,997 | $979,166 |
| % of Total Monthly Benefits | 10.75% | 85.09% | 3.03% | 1.13% |
| **Fiscal Year 2024** | | | | |
| Average Benefit | $981 | $1,862 | $1,027 | $990 |
| Number of Accounts | 9,704 | 39,488 | 2,456 | 1,038 |
| Total Monthly Benefits | $9,519,101 | $73,544,350 | $2,523,189 | $1,027,961 |
| % of Total Monthly Benefits | 10.99% | 84.91% | 2.91% | 1.19% |
| **Fiscal Year 2025** | | | | |
| Average Benefit | $984 | $1,862 | $1,024 | $1,013 |
| Number of Accounts | 9,867 | 39,477 | 2,390 | 1,029 |
| Total Monthly Benefits | $9,709,907 | $73,510,591 | $2,447,373 | $1,041,903 |
| % of Total Monthly Benefits | 11.20% | 84.78% | 2.82% | 1.20% |
| **Fiscal Year 2026** | | | | |
| Average Benefit | $993 | $1,866 | $1,027 | $1,032 |

DRAFT

## Schedule of Benefit Expenses - KERS Nonhazardous

**As of June 30 (in whole $)**

| | | | | |
|---|---|---|---|---|
| Number of Accounts | 10,138 | 39,526 | 2,320 | 1,027 |
| Total Monthly Benefits | $10,066,594 | $73,772,871 | $2,381,704 | $1,059,893 |
| % of Total Monthly Benefits | 11.53% | 84.52% | 2.73% | 1.21% |

## Schedule of Benefit Expenses - KERS Hazardous

**As of June 30 (in whole $)**

| | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|---|---|---|---|---|
| **Fiscal Year 2017** | | | | |
| Average Benefit | $993 | $1,541 | $662 | $721 |
| Number of Accounts | 2,101 | 1,719 | 205 | 96 |
| Total Monthly Benefits | $2,086,732 | $2,648,685 | $135,625 | $69,255 |
| % of Total Monthly Benefits | 42.24% | 53.61% | 2.75% | 1.40% |
| **Fiscal Year 2018** | | | | |
| Average Benefit | $1,002 | $1,551 | $684 | $737 |
| Number of Accounts | 2,215 | 1,877 | 205 | 100 |
| Total Monthly Benefits | $2,218,520 | $2,911,409 | $140,174 | $73,704 |
| % of Total Monthly Benefits | 41.52% | 54.48% | 2.62% | 1.38% |
| **Fiscal Year 2019** | | | | |
| Average Benefit | $1,020 | $1,561 | $708 | $744 |
| Number of Accounts | 2,269 | 1,987 | 208 | 99 |
| Total Monthly Benefits | $2,315,435 | $3,101,783 | $147,342 | $73,702 |
| % of Total Monthly Benefits | 41.07% | 55.01% | 2.61% | 1.31% |
| **Fiscal Year 2020** | | | | |
| Average Benefit | $1,017 | $1,561 | $701 | $739 |
| Number of Accounts | 2,334 | 2,061 | 207 | 94 |
| Total Monthly Benefits | $2,374,412 | $3,216,376 | $145,112 | $69,433 |
| % of Total Monthly Benefits | 40.90% | 55.40% | 2.50% | 1.20% |
| **Fiscal Year 2021** | | | | |
| Average Benefit | $1,021 | $1,551 | $701 | $751 |
| Number of Accounts | 2,414 | 2,164 | 215 | 97 |
| Total Monthly Benefits | $2,464,831 | $3,355,473 | $150,742 | $72,837 |
| % of Total Monthly Benefits | 40.78% | 55.52% | 2.49% | 1.21% |
| **Fiscal Year 2022** | | | | |
| Average Benefit | $1,032 | $1,560 | $711 | $786 |
| Number of Accounts | 2,434 | 2,267 | 216 | 96 |
| Total Monthly Benefits | $2,512,089 | $3,536,881 | $153,476 | $75,437 |
| % of Total Monthly Benefits | 40.01% | 56.34% | 2.44% | 1.20% |
| **Fiscal Year 2023** | | | | |
| Average Benefit | $1,040 | $1,565 | $703 | $843 |
| Number of Accounts | 2,441 | 2,296 | 213 | 98 |
| Total Monthly Benefits | $2,538,237 | $3,592,494 | $149,801 | $82,626 |
| % of Total Monthly Benefits | 39.89% | 56.46% | 2.35% | 1.30% |
| **Fiscal Year 2024** | | | | |
| Average Benefit | $1,049 | $1,579 | $708 | $863 |
| Number of Accounts | 2,444 | 2,327 | 214 | 99 |
| Total Monthly Benefits | $2,562,636 | $3,673,571 | $151,555 | $85,417 |
| % of Total Monthly Benefits | 39.59% | 56.75% | 2.34% | 1.32% |
| **Fiscal Year 2025** | | | | |
| Average Benefit | $1,058 | $1,585 | $712 | $814 |
| Number of Accounts | 2,469 | 2,422 | 219 | 102 |
| Total Monthly Benefits | $2,612,441 | $3,838,246 | $155,971 | $83,038 |
| % of Total Monthly Benefits | 39.05% | 57.38% | 2.33% | 1.24% |
| **Fiscal Year 2026** | | | | |
| Average Benefit | $1,075 | $1,610 | $702 | $833 |
| Number of Accounts | 2,512 | 2,499 | 229 | 105 |

DRAFT

## Schedule of Benefit Expenses - KERS Hazardous

**As of June 30 (in whole $)**

| | | | | |
|---|---|---|---|---|
| Total Monthly Benefits | $2,699,194 | $4,023,008 | $160,672 | $87,450 |
| % of Total Monthly Benefits | 38.72% | 57.72% | 2.31% | 1.25% |

## Schedule of Benefit Expenses - SPRS

**As of June 30 (in whole $)**

| | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|---|---|---|---|---|
| **Fiscal Year 2017** | | | | |
| Average Benefit | $3,611 | $3,135 | $1,278 | $2,008 |
| Number of Accounts | 149 | 1,303 | 82 | 25 |
| Total Monthly Benefits | $538,032 | $4,084,771 | $104,788 | $50,196 |
| % of Total Monthly Benefits | 11.26% | 85.50% | 2.19% | 1.05% |
| **Fiscal Year 2018** | | | | |
| Average Benefit | $3,642 | $3,128 | $1,289 | $2,082 |
| Number of Accounts | 153 | 1,361 | 83 | 26 |
| Total Monthly Benefits | $557,249 | $4,257,579 | $107,019 | $54,127 |
| % of Total Monthly Benefits | 11.20% | 85.56% | 2.15% | 1.09% |
| **Fiscal Year 2019** | | | | |
| Average Benefit | $3,607 | $3,138 | $1,298 | $2,082 |
| Number of Accounts | 156 | 1,401 | 83 | 26 |
| Total Monthly Benefits | $562,630 | $4,395,857 | $107,737 | $54,127 |
| % of Total Monthly Benefits | 10.99% | 85.85% | 2.10% | 1.06% |
| **Fiscal Year 2020** | | | | |
| Average Benefit | $3,628 | $3,154 | $1,339 | $2,137 |
| Number of Accounts | 152 | 1,440 | 80 | 26 |
| Total Monthly Benefits | $551,470 | $4,541,490 | $107,148 | $55,558 |
| % of Total Monthly Benefits | 10.49% | 86.41% | 2.04% | 1.06% |
| **Fiscal Year 2021** | | | | |
| Average Benefit | $3,542 | $3,160 | $1,287 | $2,137 |
| Number of Accounts | 156 | 1,468 | 84 | 26 |
| Total Monthly Benefits | $552,551 | $4,638,826 | $108,101 | $55,558 |
| % of Total Monthly Benefits | 10.32% | 86.63% | 2.02% | 1.04% |
| **Fiscal Year 2022** | | | | |
| Average Benefit | $3,565 | $3,163 | $1,275 | $2,077 |
| Number of Accounts | 159 | 1,481 | 83 | 25 |
| Total Monthly Benefits | $566,764 | $4,683,959 | $105,787 | $51,931 |
| % of Total Monthly Benefits | 10.48% | 86.60% | 1.96% | 0.96% |
| **Fiscal Year 2023** | | | | |
| Average Benefit | $3,550 | $3,146 | $1,294 | $2,077 |
| Number of Accounts | 155 | 1,486 | 83 | 25 |
| Total Monthly Benefits | $550,304 | $4,674,802 | $107,386 | $51,931 |
| % of Total Monthly Benefits | 10.22% | 86.82% | 1.99% | 0.97% |
| **Fiscal Year 2024** | | | | |
| Average Benefit | $3,511 | $3,145 | $1,286 | $2,172 |
| Number of Accounts | 155 | 1,481 | 76 | 24 |
| Total Monthly Benefits | $544,210 | $4,658,414 | $97,752 | $52,129 |
| % of Total Monthly Benefits | 10.17% | 87.03% | 1.83% | 0.97% |
| **Fiscal Year 2025** | | | | |
| Average Benefit | $3,398 | $3,157 | $1,256 | $2,218 |
| Number of Accounts | 164 | 1,493 | 72 | 24 |
| Total Monthly Benefits | $557,280 | $4,713,293 | $90,403 | $53,234 |
| % of Total Monthly Benefits | 10.29% | 87.05% | 1.67% | 0.98% |
| **Fiscal Year 2026** | | | | |
| Average Benefit | $3,485 | $3,252 | $1,306 | $2,503 |
| Number of Accounts | 182 | 1,534 | 73 | 25 |

DRAFT

| Schedule of Benefit Expenses - SPRS<br>As of June 30 (in whole $) | | | | |
|---|---|---|---|---|
| Total Monthly Benefits | $634,185 | $4,988,548 | $95,310 | $62,578 |
| % of Total Monthly Benefits | 10.97% | 86.30% | 1.65% | 1.08% |

# Active Refunds

| Active Refunds Report For the Period ended June 30, 2026 (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 | | | | | | |
| KERS Nonhazardous | 1 | 100 | 1,447,781 | 66 | 135,945 | 166 | 1,583,726 |
| | 2 | 75 | 468,168 | 14 | 60,208 | 89 | 528,376 |
| | 3 | 812 | 9,570,774 | 33 | 153,828 | 845 | 9,724,602 |
| | **Total** | **987** | **11,486,723** | **113** | **349,981** | **1,100** | **11,836,704** |
| KERS Hazardous | 1 | 3 | 3,219 | 0 | 0 | 3 | 3,219 |
| | 2 | 19 | 193,446 | 2 | 23,533 | 21 | 216,979 |
| | 3 | 356 | 8,403,257 | 7 | 50,435 | 363 | 8,453,692 |
| | **Total** | **378** | **8,599,922** | **9** | **73,968** | **387** | **8,673,890** |
| SPRS | 1 | — | — | — | — | — | — |
| | 2 | — | — | — | — | — | — |
| | 3 | 11 | 732,033 | — | — | 11 | 732,033 |
| | **Total** | **11** | **732,033** | — | — | **11** | **732,033** |
| **Totals** | | **1,376** | **$20,818,678** | **122** | **$423,949** | **1,498** | **$21,242,627** |

DRAFT

# Analysis of Initial Retirees

| Analysis of Initial Retirees As of June 30 (in Whole $) | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| **Fiscal Year 2017** | | | |
| Number of Accounts | 2,094 | 191 | 30 |
| Average Service Credit (months) | 208 | 146 | 241 |
| Average Final Compensation | $46,753 | $47,604 | $68,401 |
| Average Monthly Benefit | $1,339 | $1,150 | $2,935 |
| Average System Payment for Health Insurance | $558 | $872 | $1,192 |
| **Fiscal Year 2018** | | | |
| Number of Accounts | 2,682 | 328 | 68 |
| Average Service Credit (months) | 223 | 167 | 241 |
| Average Final Compensation | $48,552 | $51,219 | $71,132 |
| Average Monthly Benefit | $1,481 | $1,392 | $3,035 |
| Average System Payment for Health Insurance | $578 | $1,033 | $1,365 |
| **Fiscal Year 2019** | | | |
| Number of Accounts | 1,993 | 234 | 63 |
| Average Service Credit (months) | 204 | 174 | 254 |
| Average Final Compensation | $47,824 | $51,901 | $73,795 |
| Average Monthly Benefit | $1,355 | $1,532 | $3,341 |
| Average System Payment for Health Insurance | $569 | $1,015 | $1,391 |
| **Fiscal Year 2020** | | | |
| Number of Accounts | 1,755 | 195 | 54 |
| Average Service Credit (months) | 211 | 150 | 245 |
| Average Final Compensation | $47,069 | $51,021 | $78,468 |
| Average Monthly Benefit | $1,352 | $1,242 | $3,313 |

| Analysis of Initial Retirees As of June 30 (in Whole $) | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| Average System Payment for Health Insurance | $579 | $1,013 | $1,404 |
| **Fiscal Year 2021** | | | |
| Number of Accounts | 1,644 | 201 | 32 |
| Average Service Credit (months) | 201 | 143 | 217 |
| Average Final Compensation | $46,600 | $49,664 | $72,942 |
| Average Monthly Benefit | $1,276 | $1,248 | $2,872 |
| Average System Payment for Health Insurance | $560 | $1,019 | $1,347 |
| **Fiscal Year 2022** | | | |
| Number of Accounts | 1,910 | 221 | 46 |
| Average Service Credit (months) | 213 | 165 | 245 |
| Average Final Compensation | $48,028 | $52,575 | $76,377 |
| Average Monthly Benefit | $1,389 | $1,515 | $3,287 |
| Average System Payment for Health Insurance | $599 | $1,020 | $1,345 |
| **Fiscal Year 2023** | | | |
| Number of Accounts | 1,479 | 136 | 13 |
| Average Service Credit (months) | 190 | 146 | 186 |
| Average Final Compensation | $50,304 | $52,473 | $73,081 |
| Average Monthly Benefit | $1,332 | $1,315 | $2,737 |
| Average System Payment for Health Insurance | $640 | $1,151 | $1,208 |
| **Fiscal Year 2024** | | | |
| Number of Accounts | 1,483 | 146 | 16 |
| Average Service Credit (months) | 195 | 150 | 171 |
| Average Final Compensation | $50,548 | $57,500 | $70,651 |
| Average Monthly Benefit | $1,310 | $1,430 | $2,492 |
| Average System Payment for Health Insurance | $680 | $1,173 | $1,366 |
| **Fiscal Year 2025** | | | |
| Number of Accounts | 1,467 | 218 | 38 |
| Average Service Credit (months) | 202 | 145 | 241 |
| Average Final Compensation | $54,244 | $59,993 | $94,353 |
| Average Monthly Benefit | $1,425 | $1,453 | $3,857 |
| Average System Payment for Health Insurance | $644 | $852 | $1,625 |
| **Fiscal Year 2026** | | | |
| Number of Accounts | 1,582 | 228 | 89 |
| Average Service Credit (months) | 204 | 149 | 272 |
| Average Final Compensation | $55,765 | $68,004 | $104,645 |
| Average Monthly Benefit | $1,493 | $1,595 | $4,951 |
| Average System Payment for Health Insurance | $764 | $1,040 | $1,840 |
| *Note: This table represents all individuals who had an initial retirement date within the fiscal year.* | | | |

DRAFT

# Payment Options

| Payment Options Selected by Retired Members As of June 30, 2026 (in Whole $) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Basic | Other | Period Certain | PLSO Basic - One time payment | PLSO Surv - One time payment | Pop Up | Social Security Adjustment | Survivorship | Annuity |
| **KERS Nonhazardous** | | | | | | | | | |
| Number of Accounts | 19,755 | 22 | 6,672 | 433 | 311 | 10,096 | 3,072 | 13,347 | 47 |
| Monthly Benefits | $29,121,191 | $51,088 | $10,296,507 | $15,136,636 | $12,844,660 | $20,578,046 | $5,334,771 | $21,886,161 | $13,298 |
| **KERS Hazardous** | | | | | | | | | |
| Number of Accounts | 1,476 | 8 | 566 | 65 | 129 | 1,450 | 315 | 1,522 | 8 |
| Monthly Benefits | $1,687,618 | $12,553 | $727,960 | $2,933,877 | $5,426,760 | $2,219,970 | $399,497 | $1,919,814 | $2,913 |
| **SPRS** | | | | | | | | | |
| Number of Accounts | 205 | 1 | 137 | 8 | 58 | 781 | 164 | 526 | 0 |
| Monthly Benefits | $632,161 | $3,084 | $404,479 | $1,320,960 | $2,995,616 | $2,760,561 | $320,379 | $1,659,958 | $— |
| **KRS Total** | | | | | | | | | |
| Number of Accounts | 21,436 | 31 | 7,375 | 506 | 498 | 12,327 | 3,551 | 15,395 | 55 |
| Monthly Benefits | $31,440,970 | $66,725 | $11,428,946 | $19,391,473 | $21,267,036 | $25,558,577 | $6,054,647 | $25,465,933 | $16,211 |

*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.*

DRAFT

# Employer Contribution Rates

In KERS and SPRS, both the employee and the employer contribute a percentage of creditable compensation to KRS.

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

The actual pension and insurance employer contribution rates that were paid are shown below.

Under Kentucky Revised Statutes 61.565, KERS and SPRS employer contribution rates are determined by the KRS Board based on an annual actuarial valuation. However, KERS and SPRS employer rates are subject to approval by the Kentucky General Assembly through the adoption of the biennial Executive Branch Budget. The tables on pages 97 and 98 in the Actuarial Section, shows the KERS and SPRS employer contribution rates that were actuarial recommended rates in the annual valuation. House Bill 8 passed during the 2021 legislative session changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Plan. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the Plan an allocated share of the cost required to amortize the unfunded liability.

**Employer Contribution Rates (%) As of June 30**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|
| **KERS Nonhazardous*** | | | | | | | | | | |
| Actual Rate | 48.59% | 49.47% | 83.43% | 83.43% | 84.43% | 10.10% | 9.97% | 9.97% | 8.44% | 8.44% |
| **KERS Hazardous** | | | | | | | | | | |
| Actual Rate | 23.82% | 23.70% | 36.85% | 36.85% | 36.00% | 33.43% | 31.82% | 31.82% | 23.74% | 23.74% |
| **SPRS** | | | | | | | | | | |
| Actual Rate | 89.21% | 91.24% | 146.28% | 146.28% | 143.48% | 146.06% | 99.43% | 99.43% | 68.10% | 68.10% |

**2021 House Bill 8 changed the manner in which KERS Nonhazardous pays employer contributions. Beginning in FY22, each employer pays the normal cost, which is the rate stated above, along with an actuarial accrued liability payment that is calculated and provided by the actuary.*

DRAFT

# Insurance Contracts

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

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

**Insurance Benefits Paid to Retirees & Beneficiaries Participating in a KRS Health Insurance Plan As of June 30, 2026 (in Whole $)**

| | KERS Nonhazardous | KERS Hazardous | SPRS |
|---|---|---|---|
| Number | 30,725 | 3,102 | 1,792 |
| Average Service Credit (Months) | 312 | 266 | 318 |
| Average Monthly System Payment for Health Insurance | $366 | $795 | $1,062 |
| Average Monthly Member Payment for Health Insurance | $49 | $53 | $31 |
| Total Monthly Payment for Health Insurance | $11,987,708 | $2,141,203 | $1,531,359 |

| Insurance Contracts by Type As of June 30 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **KERS Nonhazardous** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 411 | 460 | 441 | 433 | 428 | 434 | 433 | 395 | 371 | 353 |
| KEHP Couple/Family | 663 | 696 | 700 | 666 | 633 | 612 | 553 | 473 | 418 | 398 |
| KEHP Single | 8,627 | 8,638 | 8,304 | 7,942 | 7,415 | 7,141 | 6,693 | 6,334 | 5,977 | 5,778 |
| Medicare without Prescription | 1,229 | 1,179 | 1,141 | 1,089 | 1,026 | 989 | 957 | 939 | 848 | 949 |
| Medicare with Prescription | 20,215 | 21,117 | 21,713 | 22,271 | 22,648 | 22,903 | 22,976 | 22,947 | 20,740 | 23,247 |
| **KERS Hazardous** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 88 | 96 | 103 | 112 | 104 | 116 | 118 | 108 | 102 | 118 |
| KEHP Couple/Family | 432 | 478 | 493 | 491 | 491 | 477 | 470 | 462 | 458 | 457 |
| KEHP Single | 667 | 686 | 699 | 677 | 667 | 686 | 653 | 621 | 549 | 550 |
| Medicare without Prescription | 72 | 73 | 83 | 82 | 82 | 84 | 72 | 66 | 59 | 62 |
| Medicare with Prescription | 1,401 | 1,495 | 1,584 | 1,662 | 1,693 | 1,746 | 1,796 | 1,843 | 1,658 | 1,915 |
| **SPRS** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 79 | 74 | 77 | 85 | 89 | 90 | 92 | 79 | 77 | 87 |
| KEHP Couple/Family | 420 | 426 | 454 | 459 | 448 | 454 | 434 | 415 | 422 | 448 |
| KEHP Single | 251 | 253 | 224 | 226 | 221 | 217 | 230 | 239 | 196 | 233 |
| Medicare without Prescription | 17 | 21 | 16 | 16 | 13 | 14 | 17 | 16 | 14 | 20 |
| Medicare with Prescription | 897 | 941 | 975 | 998 | 1,003 | 1,016 | 1,022 | 1,019 | 849 | 1,004 |
| **KRS Total** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** |
| KEHP Parent Plus | 578 | 630 | 621 | 630 | 621 | 640 | 643 | 582 | 550 | 558 |
| KEHP Couple/Family | 1,515 | 1,600 | 1,647 | 1,616 | 1,572 | 1,543 | 1,457 | 1,350 | 1,298 | 1,303 |
| KEHP Single | 9,545 | 9,577 | 9,227 | 8,845 | 8,303 | 8,044 | 7,576 | 7,194 | 6,722 | 6,561 |
| Medicare without Prescription | 1,318 | 1,273 | 1,240 | 1,187 | 1,121 | 1,087 | 1,046 | 1,021 | 921 | 1,031 |
| Medicare with Prescription | 22,513 | 23,553 | 24,272 | 24,931 | 25,344 | 25,665 | 25,794 | 25,809 | 23,247 | 26,166 |

DRAFT

## Acronym Glossary for Kentucky Retirement Systems

| 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 |
| Internal Revenue Service | IRS |
| Information Technology | IT |
| Judicial Form Retirement System | JFRS |
| Kentucky Administrative Regulations | KAR |
| Kentucky Employees' Health Plan | KEHP |
| Kentucky Employees Retirement Systems | KERS |
| Kentucky Public Pensions Authority | KPPA |
| Kohlberg, Kravis, Roberts | KKR |
| Management's Discussion and Analysis | MD&A |
| Net Asset Value | NAV |
| Net OPEB Liability | NOL |
| Net Pension Liability | NPL |
| Not Rated | NR |
| Other Postemployment Benefits | OPEB |
| Pacific Alternative Asset Management Company | PAAMCO |
| Perimeter Park West Incorporated | PPW |
| Qualified Domestic Relations Order | QDRO |
| Required Supplementary Information | RSI |
| Senate Bill | SB |
| Short Term Investment Funds | STIFs |
| Statement of Investment Objectives and Policies | SIOP |
| State Police Retirement System | SPRS |
| Summary Annual Financial Report | SAFR |
| Total Pension Liability | TPL |
| Teachers' Retirement System | TRS |
| Unfunded Actuarial Accrued Liability | UAAL |
| Unfunded Accrued Liability | UAL |
| Unrelated Business Income | UBI |

DRAFT

*Kentucky Retirement Systems*

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

KRS
Kentucky Retirement Systems

**KENTUCKY RETIREMENT SYSTEMS**
**1260 LOUISVILLE ROAD, FRANKFORT, KY 40601**

***KRS members are the current and former employees of state and quasi-governmental agencies and Kentucky State Police officers.***

DRAFT

KPPA
Kentucky Public Pensions Authority

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

Kentucky Public Pensions Authority

MEMORANDUM

TO: Ryan Barrow
Executive Director

FROM: Dominique McKinley
Division Director, Enterprise & Technology Services

DATE: November 10, 2026

SUBJECT: Information Security Assessment Summaries

Since 2006, KPPA has contracted with a third party to perform an annual assessment of the security of the KPPA information infrastructure. In June of 2026, Crowe performed an information security assessment that included the following activities:

- External Penetration Assessment: The objective of the External Penetration Assessment was to assess the ability of the KPPA network to resist attacks from external threats. Crowe identified KPPA systems and services that were accessible on the KPPA external network. Crowe then attempted to identify and verify vulnerabilities that could allow an attacker to gain elevated access to the KPPA network or to gain access to sensitive information. Crowe also assessed the security awareness of KPPA employees through surreptitious attempts to persuade employees to divulge information and execute malicious programs.

- Internal Penetration Assessment: The objective of the Internal Penetration Assessment was to assess the ability of the KPPA network to resist attacks from internal threats. Crowe identified KPPA systems and services that were accessible on the KPPA internal network. Crowe then attempted to identify and verify vulnerabilities that could allow an attacker to gain elevated access to the KPPA network or to gain access to sensitive information. Crowe also assessed the security awareness of KPPA employees through surreptitious attempts to persuade employees to gain access to the internal network and employee workstations.

- Microsoft 365 Security Assessment: The overall objective of the assessment was to assess the ability of KPPA's Office 365 configuration to resist attacks from the perspective of an external attacker as well as internal malicious user role or accidental exposure.

**Findings**

| Finding Criticality | Information Security Assessment |
|---|---|
| High Risk | 2 |
| Moderate Risk | 3 |
| Low Risk | 14 |
| Best Practice | 0 |
| Total Findings | **19** |

***High Risk*** – Requires immediate remedy and, if left uncorrected, exposes KPPA to significant or immediate risk of loss, asset misappropriation, data compromise or interruption, fines and penalties, or increased regulatory scrutiny.

***Moderate Risk*** – Requires timely remedy and, if left uncorrected, may expose KPPA to risk of loss or misappropriation of company assets, compromise of data, fines and penalties, or increased regulatory scrutiny. These issues should be resolved in a timely manner, but after any high priority issues.

***Low Risk*** – Should be addressed as time and resources permit. While it is not considered to represent significant or immediate risk, repeated oversights without corrective action or compensating controls could lead to increased exposure or scrutiny.

***Best Practice*** – Represents operational efficiencies or improvements for consideration by management based on industry best practices and Crowe's experiences.

**Additional Recommendations**

The annual third-party information security audit is a critical measurement of how well KPPA is protecting our resources and member data. In addition to the findings from the assessments, I recommend the following:

<u>Third Party Infrastructure Assessment</u>

- A third party information security audit should once again be approved and conducted to ensure remediation efforts were successful and to identify any new risks and vulnerabilities. The assessment should be conducted in 2026 for both an Infrastructure assessment and a code review of the main line of business application.

<u>Assessment Remediation</u>

- The Division of Enterprise & Technology Services should continue to ensure that issues identified in the Crowe assessment report, along with issues identified in previous assessment reports, are remediated and that controls remain in place when system changes occur. All recommendations

should be implemented or in the case of business needs that make implementation not feasible, the risk should be addressed through the formal security exemption process.

Personnel Related

- KPPA needs to proactively continue to make security-focused training available to all business and technical employees, as well as targeted security awareness materials related to the mission and operations of KPPA. This training will meet regulatory requirements and help ensure that our staff members protect member data and resources.

cc: John Chilton, KRS Chief Executive Officer
Ed Owens, CERS Chief Executive Officer
Erin Surratt, Deputy Executive Director
Mike Lamb, Chief Financial Officer, Office of Operations
Steve Willer, Executive Director, Office of Investments
Michael Board, Executive Director, Office of Legal Services
Lori Casey, Division Director, Human Resources
Connie Davis, Division Director, Accounting
Kristen Coffey, Chief Auditor

KENTUCKY PUBLIC PENSIONS AUTHORITY
Ryan Barrow, Executive Director
1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822

Kentucky Public Pensions Authority

December 8, 2026

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-2025-00416

Pursuant to the instructions included in the report referenced above, responses to the comments and suggestions for improvement of County Employees Retirement System's (CERS) Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2026, follow:

***Comment 101: Cover, table of contents, and formatting***

***The term "fair value" should be used in place of "market value.***

Management agrees with the recommendation. "Market value" has been replaced with "fair value" for the 2026 ACFR.

***Comments 104: Management's discussion and analysis (MD&A)***

***Discuss the main reason(s) the benefits and refunds deductions increased in 2025 from 2024.***

***In Management's Discussion and Analysis, the discussion of overall operations should explain the reasons for the changes in net position rather than focusing solely on the size of the changes (amount or percentage of change). For example, to explain an increase in tax revenue, MD&A might say, "Tax revenues for the year increased primarily due to increased property taxes revenue, which grew as a result of a 2% rate increase on all classes of property, as well as an average increase of approximately 3% in the taxable values, driven by increased local real estate market values.***

Management concurs with the recommendation. For the 2026 ACFR, the content of the MD&A discusses the main reason(s) for the increases/(decreases) in 2026 from 2025.

***Comment 117 Actuarial section***

***The actuarial section should indicate that the ten-year schedules of actuarially determined and actual contributions are reported in the required supplementary information.***

***The actual section should refer to the ten-year schedule of actuarially determined and actual contributions provided as required supplementary information.***

Management concurs with the statement. Management has included a statement in the 2026 ACFR stating that the actuarially determined and actual contribrutions are provided in the required supplementary information.

***Include item 5 below – the covered payroll – if available, and item 6 – the unfunded actuarial accrued liability or surplus as a percentage of covered payroll – if available.***

***The actuarial section should present a schedule of funding progress for each of the ten most recent years based on the actuarial methods and assumptions used for funding purposes: (1) the actuarial accrued liability; (2) the actuarial value of plan assets; (3) the unfunded actuarial liability or surplus; (4) the actuarial value of plan assets as a percentage of the actuarial accrued liability; (5) covered payroll, if available; and (6) the unfunded actuarial accrued liability or surplus as a percentage of covered payroll, if available.***

Management concurs with the recommendation. For the 2026 ACFR, the covered payroll and the unfunded actuarial accrued liability or surplus as a percentage of covered payroll have been included in the schedule.

Should you have any questions regarding our responses, or our ACFR for FYE 2025, please do not hesitate to telephone me directly at (502) 696-8733.

Sincerely,

Michael B. Lamb, CPA
Executive Director Office of Operations

Enclosure

cc: Ryan P. Barrow
Executive Director

Erin M. Surratt
Deputy Executive Director

Connie A. Davis, CIA, CGAP, CRMA
Division Director Accounting

/CERS ACFR Submission Letter - 2026

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

Kentucky Public Pensions Authority

December 8, 2026

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-2025-00416

Pursuant to the instructions included in the report referenced above, responses to the comments and suggestions for improvement of County Employees Retirement System's (CERS) Annual Comprehensive Financial Report (ACFR) for the Fiscal Year Ended June 30, 2026, follow:

***Comment 101: Cover, table of contents, and formatting***

***The term "fair value" should be used in place of "market value.***

Management agrees with the recommendation. "Market value" has been replaced with "fair value" for the 2026 ACFR.

***Comment 117 Actuarial section***

***The actuarial section should indicate that the ten-year schedules of actuarially determined and actual contributions are reported in the required supplementary information.***

***The actual section should refer to the ten-year schedule of actuarially determined and actual contributions provided as required supplementary information.***

Management concurs with the statement. Management has included a statement in the 2026 ACFR stating that the actuarially determined and actual contribrutions are provided in the required supplementary information.

***Include item 5 below – the covered payroll – if available, and item 6 – the unfunded actuarial accrued liability or surplus as a percentage of covered payroll – if available.***

***The actuarial section should present a schedule of funding progress for each of the ten most recent years based on the actuarial methods and assumptions used for funding purposes: (1) the actuarial accrued liability; (2) the actuarial value of plan assets; (3) the unfunded actuarial liability or surplus; (4) the actuarial value of plan assets as a percentage of the actuarial accrued liability; (5) covered payroll, if available; and (6) the unfunded actuarial accrued liability or surplus as a percentage of covered payroll, if available.***

Management concurs with the recommendation. For the 2026 ACFR, the covered payroll and the unfunded actuarial accrued liability or surplus as a percentage of covered payroll have been included in the schedule.

Should you have any questions regarding our responses, or our ACFR for FYE 2025, please do not hesitate to telephone me directly at (502) 696-8733.

Sincerely,

Michael B. Lamb, CPA
Executive Director Office of Operations

Enclosure

cc: Ryan P. Barrow
Executive Director

Connie A. Davis, CIA, CGAP, CRMA
Division Director Accounting

Erin M. Surratt
Deputy Executive Director

# Kentucky Public Pensions Authority

## Division of Internal Audit

To: Members of the KPPA Audit Committee

From: Kristen N. Coffey, CICA
Chief Auditor

Date: November 17, 2026

Subject: Fiscal Year 2027 Internal Audit Budget as of September 30, 2026

| Account Number | Account Name | FYE 2027 Budget | FY 2027 Actual Expenditures | Remaining Budget | Percent Remaining |
|---|---|---|---|---|---|
| 111 | Salaries | $ 375,000.00 | $ 90,959.00 | $ 284,041.00 | 75.74% |
| 121 | Employer Paid FICA | 28,687.50 | 6,538.38 | 22,149.12 | 77.21% |
| 122 | Employer Paid Retirement | 167,550.00 | 40,350.98 | 127,199.02 | 75.92% |
| 123 | Employer Paid Health Insurance | 71,000.00 | 17,321.56 | 53,678.44 | 75.60% |
| 124 | Employer Paid Life Insurance | 60.00 | 14.00 | 46.00 | 76.67% |
| 259T | Conference Expenses | 3,000.00 | - | 3,000.00 | 100.00% |
| 361T | Travel - In State | 2,000.00 | - | 2,000.00 | 100.00% |
| 362T | Travel - Out State | - | - | - | #DIV/0! |
| 381T | Dues & Subscriptions | 1,500.00 | - | 1,500.00 | 100.00% |
| 399T | Miscellaneous | - | - | - | - |
| 847T | Computer Equipment | 19,904.90 | - | 19,904.90 | 100.00% |
| | **Total** | **$ 668,702.40** | **$ 155,183.92** | **$ 513,518.48** | **76.79%** |

| Project Code | Project Name | Phase | Scheduled Start | Scheduled End | Actual Start | Actual End | Total Audit Hours | Previous FY Hours | FY 2027 Hours | Estimated Hours | Estimated Hours Variance | Percentage Variance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2026-7 | Tier 3 Opt-in Process | Closed | 1/14/2026 | 4/17/2026 | 1/14/2026 | 7/17/2026 | 519.50 | 515.50 | 4.00 | 10.00 | **19.50** | 4% |
| 2026-11 | Employer Audit Process (specific to House Bill 8) | Closed | 2/16/2026 | 5/8/2026 | 2/16/2026 | 7/14/2026 | 727.25 | 723.50 | 3.75 | 28.00 | **77.25** | **12%** |
| 2026-12 | Annual Dependent Verification Process | Closed | 5/4/2026 | 6/30/2026 | 5/4/2026 | 7/21/2026 | 105.25 | 102.25 | 3.00 | 10.00 | (94.75) | -47% |
| 2026-14 | System Build Process | Closed | 4/1/2026 | 6/30/2026 | 3/2/2026 | 7/9/2026 | 226.00 | 225.00 | 1.00 | 10.00 | (144.00) | -39% |
| 2026-15 | Manual Remittance Process | Closed | 5/1/2026 | 6/30/2026 | 6/2/2026 | 8/18/2026 | 431.75 | 279.00 | 152.75 | 221.00 | (68.25) | -14% |
| 2026-17 | Personal Use of IT Accounts and Equipment | Closed | 6/9/2026 | 9/25/2026 | 6/9/2026 | 10/12/2026 | 357.50 | 54.50 | 303.00 | 295.00 | **7.50** | 2% |
| 2026-18 | Document Imaging Process | Closed | 6/9/2026 | 8/18/2026 | 6/9/2026 | 8/18/2026 | 135.00 | 63.75 | 71.25 | 236.00 | (165.00) | -55% |
| 2026-21 | FY 2027 Risk Assessment and Audit Plan | Closed | 1/5/2026 | 6/30/2026 | 2/12/2026 | 9/9/2026 | 81.25 | 62.75 | 18.50 | 25.00 | (43.75) | -35% |
| 2027-01 | Annual Administrative Budget Process | Completion | 10/7/2026 | 1/15/2027 | 10/1/2026 | | 54.88 | 0.00 | 54.88 | 80.00 | (25.12) | -46% |
| 2027-02 | Biennium Budgetary Process | Completion | 1/4/2027 | 3/12/2027 | 10/1/2026 | | 57.87 | 0.00 | 57.87 | 75.00 | (17.13) | -30% |
| 2027-03 | Capital Call Process | Completion | 8/17/2026 | 11/20/2026 | 8/4/2026 | | 302.75 | 0.00 | 302.75 | 300.00 | **2.75** | 1% |
| 2027-04 | Proxy Voting Process | | 11/2/2026 | 2/12/2027 | | | 10.50 | 0.00 | 10.50 | 300.00 | (289.50) | -2757% |
| 2027-05 | Review of QDRO Process | Fieldwork | 7/20/2026 | 9/22/2026 | 7/20/2026 | | 568.50 | 0.00 | 568.50 | 440.00 | **128.50** | **23%** |
| 2027-06 | Timesheet Process | | 4/1/2027 | 6/15/2027 | | | 0.00 | 0.00 | 0.00 | 150.00 | (150.00) | #DIV/0! |
| 2027-07 | Posting Notices for Board and Committee Meetings | | 9/21/2026 | 12/11/2026 | | | 259.50 | 0.00 | 259.50 | 250.00 | **9.50** | 4% |
| 2027-08 | IT Batch Run Process | Planning | 8/3/2026 | 10/20/2026 | 8/3/2026 | 10/26/2026 | 199.00 | 0.00 | 199.00 | 200.00 | (1.00) | -1% |
| 2027-09 | Record Retention Process | | 12/1/2026 | 2/26/2027 | | | 0.00 | 0.00 | 0.00 | 300.00 | (300.00) | #DIV/0! |
| 2027-10 | Inventory Observation | | 2/1/2027 | 3/15/2027 | | | 0.00 | 0.00 | 0.00 | 35.00 | (35.00) | #DIV/0! |
| 2027-11 | Service Purchase Process | | 11/16/2026 | 2/15/2027 | | | 0.00 | 0.00 | 0.00 | 300.00 | (300.00) | #DIV/0! |
| 2027-12 | Member Invoicing Process | | 2/1/2027 | 4/16/2027 | | | 0.00 | 0.00 | 0.00 | 300.00 | (300.00) | #DIV/0! |
| 2027-13 | Franklin County Employer Audits | | 7/1/2026 | 6/30/2027 | | | 162.00 | 0.00 | 162.00 | 400.00 | (238.00) | -147% |
| 2027-14 | Process to Change Beneficiary | | 2/15/2027 | 4/30/2027 | | | 0.00 | 0.00 | 0.00 | 350.00 | (350.00) | #DIV/0! |
| 2027-15 | Service Averaging Process | | 3/1/2027 | 5/28/2027 | | | 4.00 | 0.00 | 4.00 | 350.00 | (346.00) | -8650% |
| 2027-16 | Pre Retirement Audit Process | Planning | 9/8/2026 | 11/30/2026 | 11/2/2026 | | 2.00 | 0.00 | 2.00 | 350.00 | (348.00) | -17400% |
| 2027-17 | Medical Review Determinations Made by Vendor | | 4/19/2027 | 6/30/2027 | | | 0.00 | 0.00 | 0.00 | 350.00 | (350.00) | #DIV/0! |
| 2027-18 | Calculating Offsets | | 4/1/2027 | 6/25/2027 | | | 0.00 | 0.00 | 0.00 | 350.00 | (350.00) | #DIV/0! |
| 2027-19 | 2022 Senate Bill 209 Implementation | | 2/1/2027 | 4/15/2027 | | | 0.00 | 0.00 | 0.00 | 300.00 | (300.00) | #DIV/0! |
| 2027-20 | SPRS Trustee Election | Fieldwork | 4/1/2026 | 6/30/2026 | 5/28/2026 | | 83.00 | 27.00 | 56.00 | 70.00 | (14.00) | **16%** |
| 2027-21 | Election Vendor RFP | | 1/4/2027 | 6/30/2027 | | | 0.00 | 0.00 | 0.00 | 100.00 | (100.00) | #DIV/0! |
| 2027-22 | Review of Office Space Utilization | Closed | 1/16/2026 | 2/13/2026 | 8/7/2026 | 9/9/2026 | 15.00 | 4.50 | 10.50 | 25.00 | (14.50) | -67% |
| 2027-23 | Annual Report on Open Audit Recommendations | | 1/4/2027 | 2/26/2027 | | | 0.25 | 0.00 | 0.25 | 25.00 | (24.75) | -9900% |
| 2027-24 | Annual Review of ACFR/SAFR FY 2027 | Closed | 9/1/2026 | 1/29/2027 | 10/14/2026 | 10/14/2026 | 1.00 | 0.00 | 1.00 | 0.00 | **1.00** | **100%** |
| 2027-25 | FY 2028 Risk Assessment and Audit Plan | | 1/4/2027 | 6/30/2026 | | | 0.00 | 0.00 | 0.00 | 75.00 | (75.00) | #DIV/0! |
| 2027-26 | 2027 Staff Performance Evaluations | | 7/1/2026 | 2/26/2027 | | | 34.00 | 0.00 | 34.00 | 200.00 | (166.00) | -488% |
| 2026-30 | **Special Projects** | | | | | | | | | | | |
| 2027-30.01 | KPPA Executive Requests | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 27.00 | 0.00 | 27.00 | 20.00 | **7.00** | **26%** |
| 2027-30.02 | CERS Requests | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 7.00 | 0.00 | 7.00 | 35.00 | (28.00) | -400% |
| 2027-30.03 | KRS Requests | | 7/1/2026 | 6/30/2027 | | | 0.00 | 0.00 | 0.00 | 5.00 | (5.00) | #DIV/0! |
| 2027-30.04 | FY 2027 Audit Project Setup | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 19.50 | 0.00 | 19.50 | 5.00 | **14.50** | **74%** |
| 2027-30.05 | Key Performance Indicators and Monthly Reports | Fieldwork | 7/1/2026 | 6/30/2027 | 8/10/2026 | | 12.50 | 0.00 | 12.50 | 20.00 | (7.50) | -60% |
| 2027-30.06 | Process Documentation and Template Updates | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 20.50 | 0.00 | 20.50 | 30.00 | (9.50) | -46% |
| 2027-30.07 | Security Access Review | | 8/3/2026 | 2/26/2027 | | | 0.00 | 0.00 | 0.00 | 2.00 | (2.00) | #DIV/0! |
| 2027-30.08 | Charter Updates | Closed | 10/1/2026 | 2/26/2027 | 10/29/2026 | 10/29/2026 | 0.75 | 0.00 | 0.75 | 1.00 | (0.25) | -33% |
| 2027-30.09 | APPFA Conference | | 7/1/2026 | 11/11/2026 | 7/1/2026 | | 39.25 | 0.00 | 39.25 | 60.00 | (20.75) | -53% |
| 2027-30.10 | Continuing Professional Education | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 48.50 | 0.00 | 48.50 | 200.00 | (151.50) | -312% |

| Project Code | Project Name | Phase | Scheduled Start | Scheduled End | Actual Start | Actual End | Total Audit Hours | Previous FY Hours | FY 2027 Hours | Estimated Hours | Estimated Hours Variance | Percentage Variance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2027-31 | **Board and Committee Meetings** | | | | | | | | | | | |
| 2027-31.1 | Audit Committee Meetings and Preparation | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 20.75 | 0.00 | 20.75 | 50.00 | (29.25) | -141% |
| 2027-31.2 | KPPA Board Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 33.75 | 0.00 | 33.75 | 30.00 | **3.75** | **11%** |
| 2027-31.3 | CERS Board and Committee Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 40.75 | 0.00 | 40.75 | 80.00 | (39.25) | -96% |
| 2027-31.4 | KRS Board and Committee Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 4.50 | 0.00 | 4.50 | 35.00 | (30.50) | -678% |
| 2027-32 | **Non-Board Meetings** | | | | | | | | | | | |
| 2027-32.1 | Internal Audit Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 90.00 | 0.00 | 90.00 | 250.00 | (160.00) | -178% |
| 2027-32.2 | KPPA Executive Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 16.50 | 0.00 | 16.50 | 20.00 | (3.50) | -21% |
| 2027-32.3 | Meetings with CEOs | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 10.50 | 0.00 | 10.50 | 50.00 | (39.50) | -376% |
| 2027-32.4 | Meetings with Other KPPA Staff | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 1.50 | 0.00 | 1.50 | 30.00 | (28.50) | -1900% |
| 2027-32.5 | Quarterly Director's Meetings | | 7/1/2026 | 6/30/2027 | | | 0.00 | 0.00 | 0.00 | 4.00 | (4.00) | #DIV/0! |
| 2027-32.6 | Quarterly All Employee Meetings | | 7/1/2026 | 6/30/2027 | | | 4.00 | 0.00 | 4.00 | 10.00 | (6.00) | -150% |
| 2027-32.7 | IT Governance | | 7/1/2026 | 6/30/2027 | | | 0.00 | 0.00 | 0.00 | 4.00 | (4.00) | #DIV/0! |
| 2027-32.8 | External Meetings | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 7.00 | 0.00 | 7.00 | 50.00 | (43.00) | -614% |
| | Administrative Hours | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 139.75 | 0.00 | 139.75 | 180.00 | (40.25) | -29% |
| | Non-Working Hours | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 426.50 | 0.00 | 426.50 | 1,000.00 | (573.50) | -134% |
| | Holiday | | 7/1/2026 | 6/30/2027 | 7/1/2026 | | 75.00 | 0.00 | 75.00 | 485.00 | (410.00) | -547% |
| | | | | | | | **5,383.25** | **2,057.75** | **3,325.50** | **9,166.00** | | |

*Budget variance takes into account the full budget for the audit, not just the FY 27 budget hours.

| **Explanation for Overages, greater than 10%** |
|---|
| **2026-11**: Audit began in FY 2025. Scope changed several times before being finalized. |
| **2027-05**: There was a need to assign a second auditor to help wrap up this audit. |
| **2027-20:** Trained two auditors how to conduct elections. |
| **2027-30.01:** Estimate based on previous year hours. There were more requests this year. |
| **2027-30.04:** Estimate based on previous year hours. There were more audits to assign this year and some changes were made to the template set-up. |
| **2027-31.2:** Estimate based on previous year hours. More time spent at meetings this year. |
| |
| |
| |
| |
| |
| |
| |
| |

| | | |
|---|---|---|
| Available Hours FY 2027 (including holidays) | 9,799.50 | |
| Available Hours Remaining in FY 2027 (including holidays) | 6,499.50 | |
| **Overtime Worked for FY 2027** | **25.50** | |
| **Average Overtime Worked in FY 2027, per employee** | **5.10** | |
| | | **Percent of Total Hours** |
| FY 2027 Project Hours Charged | 2,684.25 | 81% |
| FY 2027 Administrative Hours | 139.75 | 4% |
| FY 2027 Holidays and Time Off | 501.50 | 15% |
| **Actual Hours Charged for FY 2024** | **3,325.50** | |

KPPA

Kentucky Public Pensions Authority

# 2026-17

# Personal use of IT Accounts and Equipment

# Final Audit Report

*Lead Auditor: William Prince*

*Issue Date: 10/12/2026*

## Acronyms

The following acronyms will be used throughout the report:

1. KPPA – Kentucky Public Pensions Authority
2. CERS – County Employees Retirement System
3. KRS – Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO – Chief Executive Officer
6. CFO – Chief Financial Officer
7. KPPA Executive Management Team - KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director of Benefits, and KPPA CFO
8. DETS – KPPA Division of Enterprise and Technology Services
9. Security – KPPA DETS Information Security Branch
10. COT – Commonwealth Office of Technology
11. IT – Information Technology

## Report Contents


Overall Opinion ..... 1

Strategic Risk Addressed (Objective) ..... 1

Audit Scope ..... 1

Summary of Findings, Observations, and Opportunities for Improvement ..... 2

Commendations ..... 2

Recommendations for Future Audits ..... 2

Appendix A – Control Matrix ..... 3


## Overall Opinion

Process generally complies with relevant statutes, regulations, policies, and procedures. Internal controls are established and working effectively and efficiently.

## Strategic Risk Addressed (Objective)

Review process in place to monitor personal use of KPPA accounts and equipment. Ensure policies and controls are established to address personal use of KPPA accounts and equipment.

## Audit Scope

The Personal Use of IT Accounts and Equipment audit was conducted from June 9, 2026 to September 25, 2026. The scope of the audit was the processes by which DETS monitors KPPA employee accounts and equipment to ensure KPPA accounts are not used for personal reasons during fiscal year 2026.

**Summary of Findings, Observations, and Opportunities for Improvement**

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year. **No findings were noted during our review**.

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability. **No observations were noted during our review**.

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. **No opportunities for improvement were noted during our review**.

**Commendations**

Internal Audit would like to thank DETS, specifically the Assistant Director over Security, for their assistance with this project. All questions and requests were handled thoroughly and timely by staff.

**Recommendations for Future Audits**

No recommendations for future audits noted.

**Audit Standards**

The engagement was conducted in conformance with the Global Internal Audit Standards.

**Use of Report**

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Enterprise and Technology Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

# Appendix A – Control Matrix

| Item | Risk | Control | COSO Element and Principle | Staff Process to Mitigate Risk | Testing Procedures | Testing Results |
|---|---|---|---|---|---|---|
| **1.** | Policies/procedures/internal controls are not established, documented, effective or efficient | Procedures are reviewed and updated as needed | **Control Environment:** Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management implements control activities through policies.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Not Applicable | DETS policies and procedures are maintained by the Information Security Branch Manager and reviewed annually to ensure they are accurate and up to date. Final updates are reviewed by the Security team and all DETS managers.<br><br>COT creates guidelines and policies related to technology usage for Kentucky state agencies and employees. While KPPA is exempt from some COT jurisdiction, COT policies may still be referenced as best practices for KPPA employees. | 1. Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff.<br><br>2. Auditor reviewed COT guidelines and DETS procedures for the processes under review to determine if DETS procedures followed COT guidelines. | 1. Procedures are up-to-date.<br><br>2. DETS procedures for the processes under review follow COT guidelines. |
| **2.** | No follow-up (or untimely follow-up) occurs when an outside device is connected to KPPA equipment | Multiple DETS employees are notified if outside device is connected | **Control Environment:** Oversight body and management oversees entity's internal control system.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Not Applicable<br>**Monitoring:** Not Applicable | DETS is alerted to any outside device that is plugged into a KPPA computer. This is due to the concern and security risk posed by viruses stored on outside devices. Sometimes a KPPA printer will trigger a false alert. Once DETS receives the alert they reach out to the employee via email to remind them that no outside devices should be plugged into KPPA computers. If they were to have a repeat offender that would be escalated to the appropriate management. | Auditor reviewed all the emails related to outside device connections from fiscal year 2026 to ensure that multiple DETS staff were notified of any outside device connection and any connections had prompt follow up. | Auditor reviewed all 36 incidents of an outside device connection. In all 36 instances multiple DETS staff were notified.<br>• 19 instances - follow-up was promptly conducted with the employee.<br>• 17 instances - the alert was related to a device covered by an exemption or exception. |
| **3.** | Outside device exceptions are not reviewed at least annually | Renewal reminders and instructions are emailed to exception holders | **Control Environment:** Oversight body and management oversees entity's internal control system.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results. | DETS can grant exemptions for individuals or departments to have specific outside items such as cameras or USB (universal serial bus) devices to be used with KPPA devices. These exemptions are granted on an individual basis for each outside device and are reviewed annually to determine if they should be renewed for another year. | 1. Auditor reviewed all the outside device exceptions granted during fiscal year 2026 to ensure that they were properly approved.<br><br>2. Auditor reviewed all reminder emails sent during fiscal year 2026. | 1. Auditor reviewed nine exemption requests that were granted during fiscal year 2026 and all nine were properly approved.<br><br>2. Auditor reviewed 29 exemption renewal notices and all 29 were sent in a timely manner to the appropriate recipient. |
| **4.** | Management requests to review employee internet usage is not processed timely | DETS management monitors progress of all requests | **Control Environment:** Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management implements control activities through policies.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results. | If there are concerns about a KPPA employee misusing KPPA IT equipment or accounts, or violating security policies, the appropriate manager can complete a Computer Usage form to request a review of that employee's internet and email usage. Through this process, activity can be reviewed approximately down to the minute. This is not a common request from management and occurs once or twice a year. | Auditor reviewed the management requests for usage reviews made in fiscal year 2026 and ensured DETS staff completed the requests timely. | The only management request for usage review made in fiscal year 2026 was completed and signed by DETS in a timely manner. |

| | | | | | | |
|---|---|---|---|---|---|---|
| **5.** | Monthly usage and risk reports are not reviewed timely | Data is compared with prior months numbers | **Control Environment:** Oversight body and management oversee entity's internal control system.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Management establishes and operates monitoring activities to monitor the internal control system and evaluate the results. | DETS creates monthly reports showing a variety of metrics related to internet and email usage and security alerts. These reports are tracked and monitored to ensure abnormal usage or any increase in security events/flags are recognized and investigated. However, usage metrics can be deceiving due to background usage while offline. These reports specifically contain:<br>• The ZIX and Exchange mail inbound and blocked traffic for the month.<br>• The security events and flags that occur monthly. KPPA has a 24-7 monitoring service, Agile Blue, that tracks these events through workstation, server, and firewall logs. It will look for events like an employee being added to a security group in active directory or users being in PowerShell and send alerts based on these events.<br>• The security exemptions granted monthly. Some exemptions can be granted for up to a year at a time but must be renewed after that.<br>• The top five accounts by bandwidth usage and web browsing for the month. | Auditor reviewed monthly statistics generated by DETS during fiscal year 2026 to ensure that reports were generated in a timely manner and the data contained in the report was compared with the prior months data to catch outliers or abnormalities. | All reports were completed in a timely manner, and usage was similar when compared to previous month's data. |

KPPA

Kentucky Public Pensions Authority

# 2027-08

# IT Batch Run Process

# Final Audit Report

*Lead Auditor: Madeline Evans*

*Issue Date: 10/26/2026*

## Acronyms

The following acronyms will be used throughout the report:

1. KPPA – Kentucky Public Pensions Authority
2. CERS – County Employees Retirement System
3. KRS – Kentucky Retirement Systems
4. Board(s) – Board of Trustees
5. CEO – Chief Executive Officer
6. CFO – Chief Financial Officer
7. KPPA Executive Management Team – KPPA Executive Director, KPPA Deputy Executive Director, KPPA Executive Director of Benefits, and KPPA CFO
8. Legal Services – KPPA Office of Legal Services
9. DETS – KPPA Division of Enterprise and Technology Services
10. Accounting – KPPA Division of Accounting
11. Quality Assurance – KPPA Division of Quality Assurance
12. LOB – Line of Business
13. START – Strategic Technology Advancements for the Retirement of Tomorrow
14. KHRIS – Kentucky Human Resource Information System
15. IT – Information Technology
16. FTP – File Transfer Protocol
17. BU – Business User
18. WHD – Web Help Desk

## Report Contents


Overall Opinion ..... 1

Audit Scope ..... 2

Summary of Findings, Observations, and Opportunities for Improvement ..... 2

Commendations ..... 2

Appendix A – Audit Results ..... 3

- Observations ..... 3
- Opportunities for Improvement ..... 3

Appendix B – Control Matrix ..... 5


## Overall Opinion

Process generally complies with relevant statutes, regulations, policies, and procedures. Internal controls are established but steps could be taken to strengthen the controls or make the process more effective and/or efficient.

## Strategic Risk Addressed (Objective)

Review IT batch run process and ensure compliance with statutes/regulations/policies. Confirm controls are established to ensure batches run timely and accurately and that system generated data cannot be altered.

## Audit Scope

The IT Batch Run Process audit was conducted from August 3, 2026 to October 8, 2026. The scope of the audit was batches run in fiscal year 2026.

## Summary of Findings, Observations, and Opportunities for Improvement

A finding is defined as a breakdown, or partial breakdown of a process or major non-compliance with statutes and/or regulations. Development of a corrective action plan is recommended in the next three months with full implementation recommended within one year. **No findings were noted during the review.**

An observation is defined as a minor deviation from an otherwise well-implemented process or a minor oversight by staff. Corrective action is recommended, but timing is more flexible based on staffing needs and availability. The following Observations were noted during our review.

1. Several divisions are not included in the monthly approval email or error email group

An opportunity for improvement is an item noted during the audit that was outside of the expected test result but is not indicative of a compliance or control failure. These items represent a possible area of improvement that we wanted to bring to the attention of KPPA management and Trustees. The following Opportunities for Improvement were noted during our review.

2. Master Scheduler procedures do not reflect current practices
3. Monthly scheduling file is outdated and incomplete

Additional details related to the findings, including the corresponding recommendations can be found in Appendix A.

## Commendations

Auditor surveyed business users to assess the accuracy of the monthly scheduling file and to determine if the batches are meeting division needs. The Division of Enterprise and Technology Services Assistant Director and Service Desk staff were helpful when answering auditor questions.

## Audit Standards

The engagement was conducted in conformance with the Global Internal Audit Standards.

## Use of Report

This report is intended solely for use by the KPPA Audit Committee; the KPPA, CERS, and KRS Boards; the CERS CEO; the KRS CEO; the KPPA Executive Management Team; and the Division of Enterprise and Technology Services. This report is not intended to be, and should not be, used by anyone other than the specified parties. All final reports are subject to Open Records Requests.

# Appendix A – Audit Results

**Observations**

| **1. Several divisions are not included in the monthly approval email or error email group** | |
|---|---|
| **Recurring Issue:** | No |
| **Condition:** | Of the ten divisions surveyed, Accounting and Legal Services are not included in the monthly approval email or their respective error email groups. Additionally, Quality Assurance does not have an error email group. |
| **Criteria:** | 1. It was stated in a walkthrough meeting that approval is needed from each division to ensure the monthly schedule is correct.<br>2. Master schedule error reports states “A report, called daily master schedule errors runs each morning from the data warehouse report server that looks at the batch log from the previous evening to report on any errors in the batches that run in the master scheduled of severity 3 or above. If these errors are found, the report looks at the BATCH_LOG_NOTIFICATION table in the database to determine the email address to send the alert.” These are based on the team that owns the batch. |
| **Cause:** | 1. The business users are not aware of what needs to be reviewed for a proper approval.<br>2. The emails are only sent for level 3 errors and above which do not happen often for most batches. Only one division has ever received an email from their corresponding division email error group. |
| **Effect:** | 1. The batch schedule may be incorrect causing various processes across the agency to not be started, ended or handled properly.<br>2. Error email groups will not be updated when responsibilities change and new product owners will not be made aware of errors in batches they are assigned. |
| **Recommendations:** | DETS management should consider creating a Microsoft Teams channel and include all product owners who need to be aware of the batch schedule and errors. |
| **Management Response:** | Agree. |
| **Implementation Date:** | June 30, 2027 |

**Opportunities for Improvement**

| **2. Master Scheduler procedures do not reflect current practices** | |
|---|---|
| **Recurring Issue:** | No |
| **Condition:** | The following steps are not documented in the "Master Schedule Overview" procedures:<br>1. How business users review and approve the monthly schedule used by service desk staff .<br>2. How the year end batches are scheduled.<br>3. How some inbound and outbound files do not require a WDH ticket from the business user.<br>4. How some files do not send a notification email which requires service desk staff to use a daily check list to ensure these files are moved inbound or outbound.<br><br>A definition of error severity levels 3 and 2 is missing from the "Master Schedule Error Report" procedures. |
| **Criteria:** | 200 Kentucky Administrative Regulations 38:070 states, “(2) Each fiscal officer shall develop and document internal controls…(3) an internal control plan shall include…(f) Detailed procedures to be followed in the performance of job duties and functions, to emphasize duties that comprise the overall framework of accountability and internal controls, and to help assure the continuation of agency operations in the event of staffing changes...." |
| **Cause:** | Many batches are automated now to run daily so updating these procedures is not seen as important. |
| **Effect:** | If a new individual were to be tasked with completing the process, procedures may be completed in a manner other than the manner intended by management. |
| **Recommendation #1:** | DETS management should consider developing procedures to define how the monthly schedule should be approved by business users and how the master list of batches is maintained. The procedures should include the following:<br>1. Assign batches to divisions instead of a specific person since each division assigns the responsibility of "business user" based on the capabilities of current staff.<br>2. Specify the details business users are expected to review when they approve the schedule and how updates are made when needed.<br>3. Document when and why a batch is not needed so future business users understand why the batch is not active. |
| **Recommendation #2:** | DETS management should consider creating a chart to show all error severity levels and color with a definition for each and what action is required of the business users, business analyst, developers, and service desk staff. |
| **Management Response:** | 1. Agree<br>2. Agree<br><br>Management agrees we should go over the schedule and document what is removed. It should be noted there are many batches in START that are outdated, idle, ad hoc, etc. Business users do not see the inactive or unused batches and do not interact with them. |
| **Implementation Date:** | June 30, 2027 |

| **3. Monthly scheduling file is outdated and incomplete** | |
|---|---|
| **Recurring Issue:** | No |
| **Condition:** | Of the 150 batches available in the LOB batch log screen, 75 have outdated information or are missing from the monthly scheduling file sent for business user approval.<br>1. 31 batches either had the incorrect business user, status, service desk action, run frequency, data movement or scheduling format.<br>2. 44 batches are available to run in the batch log screen but are not in the scheduling file. |
| **Criteria:** | Monthly Schedule Overview procedures state, “The monthly schedule file is maintained by the service desk.” |
| **Cause:** | 1. Business users are not aware of what they need to review when they approve the monthly schedule.<br>2. Two divisions do not have a representative in the emails sent to approve monthly schedules. |
| **Effect:** | 1. If the assigned division is marked wrong because of old contacts, new product owners may not be clear on which batches they are assigned to approve and all other information about the batch may not be accurate.<br>2. If all batches available in LOB are not listed due to inactivity, new product owners cannot review these and ensure they are still not needed or if a batch needs to be turned on again.<br>3. If the service desk action column is outdated, new product owners may not understand what action is required of them |
| **Recommendation #1:** | DETS management should consider consolidating the monthly schedule file and the detailed list file into one excel worksheet that can be filtered by status (active or inactive), responsible division, and service desk activity. |
| **Recommendation #2** | DETS management should consider removing inactive and unneeded batches from LOB and the consolidated list. |
| **Management Response:** | Agree |
| **Implementation Date:** | June 30, 2027 |

# Appendix B – Control Matrix

No sampling was used in this audit. All 150 batches available in LOB were reviewed.

| Item | Risk | Control | COSO Element and Principle | Staff Process to Mitigate Risk | Testing Procedures | Testing Results |
|---|---|---|---|---|---|---|
| **1.** | Policies/procedures/internal controls are not established, documented, effective or efficient | Procedures are reviewed and updated as needed | **Control Environment:** Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management implements control activities through policies.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Not Applicable | Procedures regarding the process of business users reviewing the monthly batch schedule and FTP procedures are updated when needed and are maintained by IT Customer Support Analyst Senior.<br><br>There are no procedures related to how the fiscal year end batches are scheduled. | Reviewed division procedures and ensured they were established, documented, up-to-date, effective, efficient, and available to staff. | Procedures need to be updated. (**See Opportunities for Improvement item #2**) |
| **2.** | Batches may not be completed on time | Business users approve the schedule | **Control Environment:** Not Applicable<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Not Applicable | The Service Desk System Administrator Senior creates a file for each month and sends six months of files for approval around January and July. Each division reviews their assigned batches and confirms that the schedule is correct or identifies needed corrections. Each monthly file is saved to the J drive in the Monthly Computer Schedule folder which is accessible to all staff.<br>1. Daily batches require no intervention to ensure they are run on time but there are some batches that require service desk staff to move a file to or from an external party to or from LOB in order for the batch to make changes or to communicate the results of the batch.<br>2. Monthly batches are scheduled to be executed the day before the scheduled date by service desk staff by turning the daily indicator to "Y" in the batch log screen for the given batch. This ensures it is run that night with all the daily batches.<br><br>Some monthly batches are scheduled by the business users directly into the maintain batch log screen instead of being scheduled by the service desk staff.<br><br>Some monthly batches are coded to run daily but only produce results if a file is uploaded to LOB. Should these monthly batches not run on time or correctly due to an issue with the file resulting in unexpected results, the business user will log a WHD ticket to notify service desk staff of the issue.<br>1. Yearly batches not included in the year end process are scheduled by the service desk staff on the approved date.<br>2. Year-end batches are scheduled through a series of meetings to ensure dates selected do not conflict with other batches that have to be run before or after each yearly batch.<br>3. Ad-hoc batches are scheduled through the WHD ticketing system. A service desk staff member will change the daily indicator to "Y" in the batch log window of LOB which will add it to the list of batches run that night.<br><br>If a batch is not run timely, business users will log a WHD ticket to let Service Desk Staff know that a batch was not executed as expected. | 1. Confirmed each division owning batches approved the monthly schedule<br><br>2. Compared the monthly schedule, detailed batch list and fiscal year end scheduling file against the batch log to confirm the monthly file is up to date.<br><br>3. Compared the scheduled date on the monthly file against the actual run date in LOB. | 1. Of the ten divisions surveyed, Accounting and Legal Services are not included in the monthly approval email. (**See Observations item #1**)<br><br>2. Of the 150 batches available in LOB batch log screen, 75 have outdated information. (**See Opportunities for Improvement item #3**)<br><br>3. Of the 150 batches reviewed, only one was executed differently than prescribed by the Monthly Scheduling File or the Fiscal Year End Scheduling File. All other 149 batches were executed on the day it was scheduled either by the business user directly, service desk staff or the master schedule in LOB. (**See Opportunities for Improvement item #3**) |

| Item | Risk | Control | COSO Element and Principle | Staff Process to Mitigate Risk | Testing Procedures | Testing Results |
|---|---|---|---|---|---|---|
| **3.** | Incoming and outgoing information is not secure | Data is imported and exported through FTP servers | **Control Environment:** Not Applicable<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives. Management communicates necessary information externally.<br>**Monitoring:** Not Applicable | Service desk staff keep a check list of daily files that need to be uploaded to external parties or downloaded from the external parties and uploaded to LOB through FTP servers and each user requires a password to access files in transit. Some of these servers produce a receipt to document the time stamp and that the file was successfully submitted but many do not have an email notification of receipt.<br><br>The monthly schedule approved by business users is used to remind service desk staff to download or upload monthly files. If an ad-hoc batch requires inbound or outbound data, a WHD ticket is used to notify service desk staff that their assistance is needed. | Confirmed that all batches requiring data movement inbound or outbound were executed correctly. | Of the 150 batches reviewed, the 29 active batches requiring a movement of data inbound or outbound were executed correctly. The remaining 121 batches either have no data movement associated (96 batches) or are inactive (25 batches). |
| **4.** | Errors may not be reviewed and corrected | Master scheduler automatically emails error reports to Business Users and Developers | **Control Environment:** Oversight body and management oversees entity's internal control system.<br>**Risk Assessment:** Not Applicable<br>**Control Activity:** Management designs the entity's information system and control activities.<br>**Information and Communication:** Management uses quality information to achieve the organization's objectives.<br>**Monitoring:** Management remediates identified internal control deficiencies in a timely manner. | All batches send an email of errors to several distribution queues according to the group who owns the batch. Each email group includes the business user/owner of the batch and the group's assigned business analyst. Developers and service desk staff are sent a separate email with a link to errors on all batches run in the master scheduler the night before.<br><br>These emails are not often sent because they only report severity level three errors or severity level two for Employer Reporting batches which require developer involvement. If errors detected involve the execution of the batch such as the code, developers will step in to correct the problem. All other errors found in the batch log are addressed by the business user in various separate processes that have been reviewed in past audits or will be reviewed in future audits.<br><br>Errors corrected by developers can be seen by reviewing the batch log report and finding that the batch in question was run again without issue.<br><br>Fiscal year end batches are reviewed for errors by the various business users involved in that process. | Obtained emails showing that error emails were sent to the appropriate people. | Of the ten divisions surveyed, Accounting and Legal Services, and Quality Assurance did not have an error email group.<br>(**See Observations item #1**) |
| **5.** | Batches may not be needed by business users | Business users communicate needed updates or the need for a new batch | **Control Environment:** Oversight body and management establish an organizational structure, assigns responsibility, and delegates authority to achieve the entity's objectives.<br>**Risk Assessment:** Management considers the potential for fraud when identifying, analyzing and responding to risks.<br>**Control Activity:** Management designs control activities to achieve objectives and respond to risks.<br>**Information and Communication:** Not Applicable<br>**Monitoring:** Not Applicable | New batches are created as needed by business users requesting a batch through the build process. In that process, the business user, business analyst, and developer will discuss what is needed, how often the batch should run and if it is dependent on the results of other existing batches to determine the run order. The new batch and existing batches can be adjusted through the build process.<br><br>Old batches not needed anymore are marked as inactive on the monthly scheduling file at the direction of business users. | Surveyed business users to confirm the monthly file details are up to date with current practices and to ensure that they are still meeting the needs of the assigned division. | All ten divisions surveyed who are assigned batches report that no updates to the batches are needed however the survey results revealed several concerning themes:<br>1. There is inconsistency in how approval of the monthly file is shown.<br>2. There is inconsistency in how access to directly schedule batches is determined.<br>3. There is inconsistency in who should be on the monthly approval email.<br>(**See Opportunities for Improvement item #2**) |