

# County Employees Retirement System

GASB No. 74 Accounting Valuation Report  
As of June 30, 2025





December 1, 2025

Board of Trustees  
County Employees Retirement Systems  
Perimeter Park West  
1260 Louisville Road  
Frankfort, KY 40601

**Re: GASB No. 74 Reporting – Actuarial Information – County Employees Retirement System**

Dear Members of the Board:

This report provided herein contains certain information for the **County Employees Retirement System (CERS)** in connection with the Governmental Accounting Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other than Pension Plans” for the fiscal year ending June 30, 2025. A separate report will be provided 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”.

The liability calculations presented in this report were performed for the purpose of satisfying the requirements of GASB No. 74 and are not applicable for other purposes, such as determining the plan’s funding requirements. The plan’s liability for other purposes may produce significantly different results. This report may be provided to parties other than the Board of Trustees of the County Employees Retirement Systems only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2024. The total OPEB liability was rolled-forward from the valuation date to the plan’s fiscal year ending June 30, 2025, using generally accepted actuarial principles. GASB No. 74 requires the disclosure of a 10-year history of certain information in the Required Supplementary Information within the annual financial report. The exhibits provided in this report include the applicable information for historical years that were calculated in accordance with this accounting standard. Information disclosed for years prior to June 30, 2017 were prepared by the prior actuary.

**Actuarial Assumptions**

The discount rate used to calculate the total OPEB liability increased from 5.99% to 6.26% for the non-hazardous plan and from 6.02% to 6.24% for the hazardous plan (see further discussion on the calculation of the single discount rate later in this letter). The assumed increase in future health care costs, or trend assumption, was reviewed during the June 30, 2024 valuation process and was updated to better reflect the plan’s anticipated long-term healthcare cost increases. In general, the updated assumption is assuming higher future increases in pre-Medicare and Medicare healthcare costs.

The Total OPEB Liability as of June 30, 2025 is determined using these updated assumptions. It is our opinion that these procedures for determining the information contained in these reports are reasonable, appropriate, and comply with applicable requirements under GASB No. 74.

### **Plan Provisions**

Senate Bill 10 passed during the 2025 legislative session and increased the insurance benefit for members who began participation on or after July 1, 2003 to \$40 a month for non-hazardous CERS service and \$50 a month for hazardous CERS service, effective January 1, 2026. These increases are only payable when a member is not eligible for Medicare benefits and only if they have met certain service thresholds at retirement. Additionally, this legislation increases the insurance member contribution rate for hazardous members from 1% of pay to 2% of pay, effective July 1, 2026, and extended the required member contribution to CERS members hired on or after July 1, 2003 but prior to September 1, 2008 for both funds.

There have been no other plan provision changes that would materially impact the total OPEB liability since June 30, 2024.

### **Implicit Employer Subsidy for Non-Medicare Retirees**

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

### **Single Discount Rate**

Single discount rates of 6.26% for the non-hazardous plan and 6.24% for the hazardous plan were used to measure the total OPEB liability for the fiscal year ending June 30, 2025. They are based on the expected rate of return on OPEB plan investments of 6.50% and a municipal bond rate of 5.20%, as reported in Bond Buyer's "20-Bond GO Index" as of June 30, 2025.

Based on the stated assumptions and the projection of cash flows as of each fiscal year ending, 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.



#### **401(h) Subaccount**

Based on guidance issued by GASB in connection with GASB Statement No. 74, the member contributions to a 401(h) subaccount are considered OPEB assets. As a result, the reported fiduciary net position includes these 401(h) assets. Additionally, these member contributions and associated investment income and administrative expenses are included in the reconciliation of the fiduciary net position.

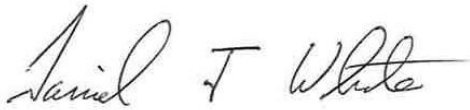
#### **Additional Disclosures**

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

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, 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,

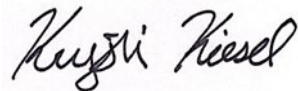
#### **Gabriel Roeder Smith & Company**



Daniel J. White, FSA, EA, MAAA  
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Consultant and Actuary



Krysti Kiesel, ASA, EA, MAAA  
Consultant and Actuary



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## SECTION 1

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## EXHIBIT 1a

### Schedule of the Employers' Net OPEB Liability – CERS Non-Hazardous Plan

(\$ 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 Employee Payroll <sup>1</sup>	Net OPEB Liability as a Percentage of Covered Employee Payroll
(1)		(2)	(3)	(4) = (2) - (3)	(5) = (3) / (2)	(6)	(7) = (4) / (6)
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%

Note:

<sup>1</sup> Based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025.



## EXHIBIT 1b

### Schedule of the Employers' Net OPEB Liability – CERS Hazardous Plan

(\$ 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 Employee Payroll <sup>1</sup>	Net OPEB Liability as a Percentage of Covered Employee Payroll
(1)		(2)	(3)	(4) = (2) - (3)	(5) = (3) / (2)	(6)	(7) = (4) / (6)
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%

Note:

<sup>1</sup> Based on derived compensation using the provided employer contribution information.





## EXHIBIT 2

### Development of Single Discount Rate

	CERS <u>Non-Hazardous</u>	CERS <u>Hazardous</u>
Single Discount Rate	6.26%	6.24%
Long-Term Expected Rate of Return	6.50%	6.50%
Long-Term Municipal Bond Rate <sup>1</sup>	5.20%	5.20%

Notes:

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

## EXHIBIT 3a

### Schedule of the Employers' Net OPEB Liability – CERS Non-Hazardous Plan (\$ in thousands)

Change in the Net OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>									
Service Cost	\$ 97,272	\$ 96,276	\$ 98,045	\$ 138,225	\$ 132,407	\$ 131,289	\$ 119,011	\$ 122,244	\$ 85,468
Interest on the total OPEB liability	206,056	188,558	283,330	263,390	262,128	236,126	240,352	242,048	240,854
Benefit Changes	147,169	0	5,153	74,108	3,359	0	0	4,306	0
Difference between actual and expected experience	307,824	122,626	(2,134,260)	(68,111)	(340,831)	505,843	(404,301)	(240,568)	(6,641)
Assumption Changes	3,297	27,673	120,132	(323,247)	282,975	60,225	268,842	(4,876)	520,286
Benefit Payments <sup>1,2</sup>	(188,582)	(161,144)	(165,590)	(192,118)	(175,096)	(188,640)	(162,044)	(156,426)	(140,120)
<b>Net Change in Total OPEB Liability</b>	<b>573,036</b>	<b>273,989</b>	<b>(1,793,190)</b>	<b>(107,753)</b>	<b>164,942</b>	<b>744,843</b>	<b>61,860</b>	<b>(33,272)</b>	<b>699,847</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 3,534,297</b>	<b>\$ 3,260,308</b>	<b>\$ 5,053,498</b>	<b>\$ 5,161,251</b>	<b>\$ 4,996,309</b>	<b>\$ 4,251,466</b>	<b>\$ 4,189,606</b>	<b>\$ 4,222,878</b>	<b>\$ 3,523,031</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 4,107,333</b>	<b>\$ 3,534,297</b>	<b>\$ 3,260,308</b>	<b>\$ 5,053,498</b>	<b>\$ 5,161,251</b>	<b>\$ 4,996,309</b>	<b>\$ 4,251,466</b>	<b>\$ 4,189,606</b>	<b>\$ 4,222,878</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer <sup>2</sup>	\$ 59,407	\$ 57,187	\$ 151,052	\$ 187,204	\$ 186,509	\$ 179,521	\$ 168,905	\$ 145,809	\$ 133,326
Contributions - Member	22,706	20,651	17,751	15,925	13,613	12,964	11,801	10,825	9,158
Benefit Payments <sup>1,2</sup>	(188,582)	(161,144)	(165,590)	(192,118)	(175,096)	(188,640)	(162,044)	(156,426)	(140,120)
OPEB Plan Net Investment Income	411,393	393,138	316,115	(176,895)	641,084	9,160	137,591	202,068	264,782
OPEB Plan Administrative Expense	(910)	(930)	(937)	(933)	(922)	(903)	(877)	(761)	(789)
Other	0	0	0	0	0	0	9 <sup>4</sup>	75 <sup>4</sup>	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>304,014</b>	<b>308,902</b>	<b>318,391</b>	<b>(166,817)</b>	<b>665,188</b>	<b>12,102</b>	<b>155,385</b>	<b>201,590</b>	<b>266,357</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 3,707,277</b>	<b>\$ 3,398,375</b>	<b>\$ 3,079,984</b>	<b>\$ 3,246,801</b>	<b>\$ 2,581,613</b>	<b>\$ 2,569,511</b>	<b>\$ 2,414,126</b>	<b>\$ 2,212,536</b>	<b>\$ 1,946,179</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 4,011,291</b>	<b>\$ 3,707,277</b>	<b>\$ 3,398,375</b>	<b>\$ 3,079,984</b>	<b>\$ 3,246,801</b>	<b>\$ 2,581,613</b>	<b>\$ 2,569,511</b>	<b>\$ 2,414,126</b>	<b>\$ 2,212,536</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>96,042</b>	<b>(172,980)</b>	<b>(138,067)</b>	<b>1,973,514</b>	<b>1,914,450</b>	<b>2,414,696</b>	<b>1,681,955</b>	<b>1,775,480</b>	<b>2,010,342</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	97.66%	104.89%	104.23%	60.95%	62.91%	51.67%	60.44%	57.62%	52.39%
<b>Covered Employee Payroll<sup>3</sup></b>	<b>\$ 3,416,871</b>	<b>\$ 3,259,999</b>	<b>\$ 2,982,960</b>	<b>\$ 2,843,218</b>	<b>\$ 2,619,695</b>	<b>\$ 2,620,585</b>	<b>\$ 2,577,378</b>	<b>\$ 2,570,156</b>	<b>\$ 2,480,130</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	2.81%	-5.31%	-4.63%	69.41%	73.08%	92.14%	65.26%	69.08%	81.06%

Notes:

<sup>1</sup> Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).

<sup>2</sup> Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$46,564,996 for fiscal year 2025.

<sup>3</sup> Based on derived compensation using the provided employer contribution information. For 2024 and 2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2024 and FYE2025.

<sup>4</sup> Northern Trust Settlement



## EXHIBIT 3b

### Schedule of the Employers' Net OPEB Liability – CERS Hazardous Plan (\$ in thousands)

Change in the Net OPEB Liability	2025	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB liability</b>									
Service Cost	\$ 34,957	\$ 32,335	\$ 36,330	\$ 52,265	\$ 48,413	\$ 47,443	\$ 32,623	\$ 33,948	\$ 20,493
Interest on the total OPEB liability	109,616	102,922	130,614	120,640	116,710	115,998	116,768	118,009	113,166
Benefit Changes	120,779	0	0	44,909	1,146	0	0	484	0
Difference between actual and expected experience	74,372	32,646	(646,006)	(7,814)	(47,937)	38,156	(103,317)	(100,348)	(2,470)
Assumption Changes	36,919	28,802	(31,947)	(176,969)	159,106	46,925	116,618	(2,500)	391,061
Benefit Payments <sup>1,2</sup>	(105,619)	(94,051)	(92,433)	(94,957)	(86,277)	(83,874)	(76,059)	(71,325)	(63,656)
<b>Net Change in Total OPEB Liability</b>	<b>271,024</b>	<b>102,654</b>	<b>(603,442)</b>	<b>(61,926)</b>	<b>191,161</b>	<b>164,648</b>	<b>86,633</b>	<b>(21,732)</b>	<b>458,594</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 1,873,669</b>	<b>\$ 1,771,015</b>	<b>\$ 2,374,457</b>	<b>\$ 2,436,383</b>	<b>\$ 2,245,222</b>	<b>\$ 2,080,574</b>	<b>\$ 1,993,941</b>	<b>\$ 2,015,673</b>	<b>\$ 1,557,079</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 2,144,693</b>	<b>\$ 1,873,669</b>	<b>\$ 1,771,015</b>	<b>\$ 2,374,457</b>	<b>\$ 2,436,383</b>	<b>\$ 2,245,222</b>	<b>\$ 2,080,574</b>	<b>\$ 1,993,941</b>	<b>\$ 2,015,673</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer <sup>2</sup>	\$ 20,179	\$ 21,945	\$ 49,547	\$ 66,320	\$ 63,509	\$ 59,662	\$ 60,445	\$ 51,615	\$ 44,325
Contributions - Member	5,706	4,979	4,258	3,654	3,098	2,762	2,458	2,173	1,708
Benefit Payments <sup>1,2</sup>	(105,619)	(94,051)	(92,433)	(94,957)	(86,277)	(83,874)	(76,059)	(71,325)	(63,656)
OPEB Plan Net Investment Income	189,921	185,823	150,671	(79,668)	326,905	2,315	73,317	109,854	143,892
OPEB Plan Administrative Expense	(524)	(522)	(522)	(502)	(528)	(462)	(434)	(376)	(381)
Other	0	0	0	0	0	0	5 <sup>4</sup>	40 <sup>4</sup>	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>109,663</b>	<b>118,174</b>	<b>111,521</b>	<b>(105,153)</b>	<b>306,707</b>	<b>(19,597)</b>	<b>59,732</b>	<b>91,981</b>	<b>125,888</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 1,752,366</b>	<b>\$ 1,634,192</b>	<b>\$ 1,522,671</b>	<b>\$ 1,627,824</b>	<b>\$ 1,321,117</b>	<b>\$ 1,340,714</b>	<b>\$ 1,280,982</b>	<b>\$ 1,189,001</b>	<b>\$ 1,063,113</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,862,029</b>	<b>\$ 1,752,366</b>	<b>\$ 1,634,192</b>	<b>\$ 1,522,671</b>	<b>\$ 1,627,824</b>	<b>\$ 1,321,117</b>	<b>\$ 1,340,714</b>	<b>\$ 1,280,982</b>	<b>\$ 1,189,001</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>282,664</b>	<b>121,303</b>	<b>136,823</b>	<b>851,786</b>	<b>808,559</b>	<b>924,105</b>	<b>739,860</b>	<b>712,959</b>	<b>826,672</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	86.82%	93.53%	92.27%	64.13%	66.81%	58.84%	64.44%	64.24%	58.99%
<b>Covered Employee Payroll<sup>3</sup></b>	<b>\$ 836,505</b>	<b>\$ 796,792</b>	<b>\$ 719,666</b>	<b>\$ 668,667</b>	<b>\$ 613,985</b>	<b>\$ 596,001</b>	<b>\$ 583,632</b>	<b>\$ 588,526</b>	<b>\$ 542,710</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	33.79%	15.22%	19.01%	127.39%	131.69%	155.05%	126.77%	121.14%	152.32%

Notes:

<sup>1</sup> Benefit payments are offset by insurance premiums received from retirees, Medicare Drug Reimbursements, and Humana Gain Share Payments (in applicable years).

<sup>2</sup> Employer contributions and benefit payments include expected benefits due to the implicit subsidy for members under age 65, equal to \$228,646 for fiscal year 2025.

<sup>3</sup> Based on derived compensation using the provided employer contribution information.

<sup>4</sup> Northern Trust Settlement



## EXHIBIT 4a

### Schedule of Employers' Contributions – CERS Non-Hazardous Plan (\$ in thousands)

Fiscal Year Ending <sup>1</sup>	Actuarially Determined Contribution <sup>2</sup>	Total Employer Contributions <sup>3</sup>	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>4</sup>	Actual Contributions as a Percentage of Covered Payroll
2025	\$ -	\$ 12,842	\$ (12,842)	\$ 3,416,871	0.38%
2024	-	10,143	(10,143)	3,259,999	0.31%
2023	101,122	106,044	(4,922)	2,982,960	3.55%
2022	118,551	123,366	(4,815)	2,843,218	4.34%
2021	142,249	129,903	12,346	2,619,695	4.96%
2020	124,740	129,268	(4,528)	2,620,585	4.93%
2019	160,055	139,655	20,400	2,577,378	5.42%
2018	120,797	124,619	(3,822)	2,570,156	4.85%
2017	122,270	120,712	1,558	2,480,130	4.87%
2016	110,987	111,836	(849)	2,352,762	4.75%

Notes:

<sup>1</sup> Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.

<sup>2</sup> Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023 actuarial valuation.

<sup>3</sup> Employer contributions do not include the expected implicit subsidy included in exhibit 3.

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



## EXHIBIT 4b

### Schedule of Employers' Contributions – CERS Hazardous Plan (\$ in thousands)

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

Notes:

<sup>1</sup> Data for years prior to 2018 is based on contribution data provided in the 2017 ACFR, based on calculations provided by the prior actuary.

<sup>2</sup> Actuarially determined contribution for fiscal year ending 2025 is based on the contribution rate calculated with the June 30, 2023 actuarial valuation.

<sup>3</sup> Employer contributions do not include the expected implicit subsidy included in exhibit 3.

<sup>4</sup> Based on derived compensation using the provided employer contribution information.



## Notes to Schedule of Employers' Contributions for FYE 2025

The actuarially determined contributions effective for fiscal year ending 2025 that are documented in the schedule on the previous 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 contributions are below:

Item	CERS Non-Hazardous	CERS Hazardous
Determine by the Actuarial Valuation as of:	June 30, 2023	June 30, 2023
Actuarial Cost Method:	Entry Age Normal	Entry Age Normal
Asset Valuation Method:	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Amortization Method:	Level Percent of Pay	Level Percent of Pay
Amortization Period:	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>	30-year closed period at June 30, 2019 <i>Gains/losses incurring after 2019 will be amortized over separate closed 20-year amortization bases</i>
Payroll Growth Rate:	2.00%	2.00%
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Salary Increases:	3.30% to 10.30%, varies by service	3.55% to 19.05%, varies by service
Mortality:	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.	System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
Healthcare Trend Rates:		
Pre-65	Initial trend starting at 6.80% at January 1, 2025, 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.



## EXHIBIT 5a

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate CERS Non-Hazardous Plan (\$ in thousands)

Table 1. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1.00% Decrease, 5.26%	Current Discount Rate, 6.26%	1.00% Increase, 7.26%
\$ 576,285	\$ 96,042	\$ (308,154)

Table 2. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
\$ (221,954)	\$ 96,042	\$ 468,302

## EXHIBIT 5b

### Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate CERS Hazardous Plan (\$ in thousands)

Table 1. Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

1.00% Decrease, 5.24%	Current Discount Rate, 6.24%	1.00% Increase, 7.24%
\$ 533,325	\$ 282,664	\$ 72,787

Table 2. Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

1.00% Decrease	Current Healthcare Cost Trend Rate	1.00% Increase
\$ 104,456	\$ 282,664	\$ 493,797



## APPENDIX 1

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# Appendix 1

## Development of Baseline Claims Cost

For non-Medicare retirees, the initial per capita costs were developed using retiree claims experience for calendar years 2022 through 2024. The claims were projected on an incurred claim basis, adjusted for prescription drug rebates, and loaded for administrative expense. The per capita costs shown in the table below also include HRA contributions for retirees on the CDHP plans. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees. The fully-insured premiums paid to 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.

For Medicare retirees, the initial per capita costs were estimated based on the plan premiums effective January 1, 2025, and are used for both current and future retirees. An inherent assumption in this methodology is that the projected future retirees will have a similar distribution by plan type as the current retirees.

Age graded and sex distinct premiums are utilized by this valuation. These costs are appropriate for the unique age and sex distribution currently existing. Over the future years covered by this valuation, the age and sex distribution will most likely change. Therefore, our process "distributes" the average premium over all age/sex combinations and assigns a unique premium for each combination. The age/sex specific costs more accurately reflect the health care utilization and cost at that age.

2025 MONTHLY COSTS FOR THOSE NOT ELIGIBLE FOR MEDICARE		
AGE	MALE	FEMALE
40	\$ 444.22	\$ 721.81
50	720.06	887.05
60	1,223.77	1,205.00
64	1,488.14	1,404.41

2025 MONTHLY COSTS FOR THOSE ELIGIBLE FOR MEDICARE		
AGE	MALE	FEMALE
65	\$ 121.05	\$ 114.17
75	141.62	138.19
85	149.75	151.51

Blake Orth is a Member of the American Academy of Actuaries (MAAA) and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.



Blake Orth, FSA, EA, MAAA

