

# Kentucky Employees Retirement System

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





December 3, 2025

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

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

Dear Members of the Board:

This report provided herein contains certain information for the **Kentucky Employees Retirement System (KERS)** 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 Kentucky 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 6.00% to 6.25% for the non-hazardous plan and from 5.99% to 6.20% 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**

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

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

The fully-insured premiums paid for the Kentucky Employees' Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 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 6.25% for the non-hazardous plan and 6.20% 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,

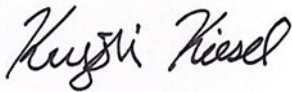
#### Gabriel Roeder Smith & Company



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# Table of Contents

			Page
	<b>COVER LETTER</b>		
<b>SECTION 1</b>	<b>SUPPORTING EXHIBITS</b>		
	EXHIBIT 1	— SCHEDULE OF EMPLOYERS' NET OPEB LIABILITY	2
	EXHIBIT 2	— DEVELOPMENT OF THE SINGLE DISCOUNT RATE	4
	EXHIBIT 3	— SCHEDULE OF CHANGES IN EMPLOYERS' NET OPEB LIABILITY	5
	EXHIBIT 4	— SCHEDULE OF EMPLOYERS' CONTRIBUTIONS	7
	EXHIBIT 5	— SENSITIVITY OF THE NET OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE AND HEALTHCARE TREND RATE	10
<b>APPENDIX 1</b>	<b>DEVELOPMENT OF BASELINE CLAIMS COST</b>		



## SECTION 1

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## EXHIBIT 1a

### Schedule of the Employers' Net OPEB Liability – KERS 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	\$ 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%

Note:

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



## EXHIBIT 1b

### Schedule of the Employers' Net OPEB Liability – KERS 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	\$ 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%

Note:

<sup>1</sup> Based on derived compensation using the provided employer contribution information. For 2021-2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2021-FYE2025.





## EXHIBIT 2

### Development of Single Discount Rate

	<b>KERS</b> <b><u>Non-Hazardous</u></b>	<b>KERS</b> <b><u>Hazardous</u></b>
Single Discount Rate	6.25%	6.20%
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 – KERS 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	\$ 45,357	\$ 44,779	\$ 43,199	\$ 62,548	\$ 58,831	\$ 59,600	\$ 61,345	\$ 66,360	\$ 46,992
Interest on the total OPEB liability	145,355	134,251	200,910	190,531	191,624	179,811	186,820	191,178	192,911
Benefit Changes	0	0	3,209	21,884	1,382	0	0	1,865	0
Difference between actual and expected experience	199,764	80,456	(1,440,201)	(37,249)	(231,631)	288,235	(302,189)	(191,147)	(3,921)
Assumption Changes	24,457	26,413	61,925	(206,907)	220,184	13,767	158,004	(11,235)	414,835
Benefit Payments <sup>1,2</sup>	(132,378)	(114,465)	(128,228)	(153,081)	(141,143)	(159,841)	(148,112)	(148,236)	(139,601)
<b>Net Change in Total OPEB Liability</b>	<b>282,555</b>	<b>171,434</b>	<b>(1,259,186)</b>	<b>(122,274)</b>	<b>99,247</b>	<b>381,572</b>	<b>(44,132)</b>	<b>(91,215)</b>	<b>511,216</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 2,488,778</b>	<b>\$ 2,317,344</b>	<b>\$ 3,576,530</b>	<b>\$ 3,698,804</b>	<b>\$ 3,599,557</b>	<b>\$ 3,217,985</b>	<b>\$ 3,262,117</b>	<b>\$ 3,353,332</b>	<b>\$ 2,842,116</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 2,771,333</b>	<b>\$ 2,488,778</b>	<b>\$ 2,317,344</b>	<b>\$ 3,576,530</b>	<b>\$ 3,698,804</b>	<b>\$ 3,599,557</b>	<b>\$ 3,217,985</b>	<b>\$ 3,262,117</b>	<b>\$ 3,353,332</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer <sup>2</sup>	\$ 67,507	\$ 164,480	\$ 156,543	\$ 181,294	\$ 223,661	\$ 208,300	\$ 201,155	\$ 152,985	\$ 162,636
Contributions - Member	12,225	10,585	8,358	6,547	6,318	6,128	5,963	5,786	5,156
Benefit Payments <sup>1,2</sup>	(132,378)	(114,465)	(128,228)	(153,081)	(141,143)	(159,841)	(148,112)	(148,236)	(139,601)
OPEB Plan Net Investment Income	203,332	173,104	132,431	(88,998)	270,811	11,820	45,749	64,028	94,239
OPEB Plan Administrative Expense	(683)	(727)	(771)	(820)	(819)	(847)	(875)	(760)	(861)
Other	0	0	0	0	0	0	4 <sup>4</sup>	32 <sup>4</sup>	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>150,003</b>	<b>232,977</b>	<b>168,333</b>	<b>(55,058)</b>	<b>358,828</b>	<b>65,560</b>	<b>103,884</b>	<b>73,835</b>	<b>121,569</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 1,765,729</b>	<b>\$ 1,532,752</b>	<b>\$ 1,364,419</b>	<b>\$ 1,419,477</b>	<b>\$ 1,060,649</b>	<b>\$ 995,089</b>	<b>\$ 891,205</b>	<b>\$ 817,370</b>	<b>\$ 695,801</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 1,915,732</b>	<b>\$ 1,765,729</b>	<b>\$ 1,532,752</b>	<b>\$ 1,364,419</b>	<b>\$ 1,419,477</b>	<b>\$ 1,060,649</b>	<b>\$ 995,089</b>	<b>\$ 891,205</b>	<b>\$ 817,370</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>855,601</b>	<b>723,049</b>	<b>784,592</b>	<b>2,212,111</b>	<b>2,279,327</b>	<b>2,538,908</b>	<b>2,222,896</b>	<b>2,370,912</b>	<b>2,535,962</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	69.13%	70.95%	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.37%
<b>Covered Employee Payroll<sup>3</sup></b>	<b>\$ 2,087,763</b>	<b>\$ 1,923,825</b>	<b>\$ 1,653,492</b>	<b>\$ 1,437,132</b>	<b>\$ 1,452,345</b>	<b>\$ 1,482,431</b>	<b>\$ 1,515,953</b>	<b>\$ 1,573,898</b>	<b>\$ 1,593,097</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	40.98%	37.58%	47.45%	153.93%	156.94%	171.27%	146.63%	150.64%	159.18%

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 \$26,784,765 for fiscal year 2025.

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

<sup>4</sup> Northern Trust Settlement



## EXHIBIT 3b

### Schedule of the Employers' Net OPEB Liability – KERS 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	\$ 8,926	\$ 8,128	\$ 9,435	\$ 14,474	\$ 13,633	\$ 11,548	\$ 12,337	\$ 12,893	\$ 8,002
Interest on the total OPEB liability	25,848	24,181	32,737	30,599	29,254	28,101	27,990	28,500	27,591
Benefit Changes	0	0	0	10,289	48	0	0	167	0
Difference between actual and expected experience	19,215	7,970	(198,459)	(12,515)	(6,402)	27,668	(30,947)	(31,240)	(1,029)
Assumption Changes	7,837	5,719	(1,820)	(46,406)	42,022	11,428	31,687	(581)	89,401
Benefit Payments <sup>1,2</sup>	(22,581)	(20,542)	(20,321)	(22,804)	(20,927)	(21,425)	(19,767)	(18,704)	(16,618)
<b>Net Change in Total OPEB Liability</b>	<b>39,245</b>	<b>25,456</b>	<b>(178,428)</b>	<b>(26,363)</b>	<b>57,628</b>	<b>57,320</b>	<b>21,300</b>	<b>(8,965)</b>	<b>107,347</b>
<b>Total OPEB Liability - Beginning</b>	<b>\$ 442,817</b>	<b>\$ 417,361</b>	<b>\$ 595,789</b>	<b>\$ 622,152</b>	<b>\$ 564,524</b>	<b>\$ 507,204</b>	<b>\$ 485,904</b>	<b>\$ 494,869</b>	<b>\$ 387,522</b>
<b>Total OPEB Liability - Ending (a)</b>	<b>\$ 482,062</b>	<b>\$ 442,817</b>	<b>\$ 417,361</b>	<b>\$ 595,789</b>	<b>\$ 622,152</b>	<b>\$ 564,524</b>	<b>\$ 507,204</b>	<b>\$ 485,904</b>	<b>\$ 494,869</b>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer <sup>2</sup>	\$ 3,041	\$ 2,725	\$ 2,282	\$ 4,116	\$ 3,556	\$ 7,441	\$ 5,556	\$ 5,165	\$ 4,579
Contributions - Member	2,197	2,086	1,584	1,227	1,167	1,105	934	909	811
Benefit Payments <sup>1,2</sup>	(22,581)	(20,542)	(20,321)	(22,804)	(20,927)	(21,425)	(19,767)	(18,704)	(16,618)
OPEB Plan Net Investment Income	74,804	68,440	53,772	(27,929)	128,244	704	28,373	42,950	59,614
OPEB Plan Administrative Expense	(116)	(117)	(123)	(125)	(118)	(123)	(117)	(104)	(105)
Other	0	0	0	0	0	0	2 <sup>4</sup>	18 <sup>4</sup>	0
<b>Net Change in Plan Fiduciary Net Position</b>	<b>57,345</b>	<b>52,592</b>	<b>37,194</b>	<b>(45,515)</b>	<b>111,922</b>	<b>(12,298)</b>	<b>14,981</b>	<b>30,234</b>	<b>48,281</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 677,948</b>	<b>\$ 625,356</b>	<b>\$ 588,162</b>	<b>\$ 633,677</b>	<b>\$ 521,755</b>	<b>\$ 534,053</b>	<b>\$ 519,072</b>	<b>\$ 488,838</b>	<b>\$ 440,557</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 735,293</b>	<b>\$ 677,948</b>	<b>\$ 625,356</b>	<b>\$ 588,162</b>	<b>\$ 633,677</b>	<b>\$ 521,755</b>	<b>\$ 534,053</b>	<b>\$ 519,072</b>	<b>\$ 488,838</b>
<b>Net OPEB Liability - Ending (a) - (b)</b>	<b>(253,231)</b>	<b>(235,131)</b>	<b>(207,995)</b>	<b>7,627</b>	<b>(11,525)</b>	<b>42,769</b>	<b>(26,849)</b>	<b>(33,168)</b>	<b>6,031</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</b>	152.53%	153.10%	149.84%	98.72%	101.85%	92.42%	105.29%	106.83%	98.78%
<b>Covered Employee Payroll<sup>3</sup></b>	<b>\$ 288,682</b>	<b>\$ 279,218</b>	<b>\$ 223,922</b>	<b>\$ 188,648</b>	<b>\$ 172,725</b>	<b>\$ 182,209</b>	<b>\$ 151,448</b>	<b>\$ 190,317</b>	<b>\$ 171,087</b>
<b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>	-87.72%	-84.21%	-92.89%	4.04%	-6.67%	23.47%	-17.73%	-17.43%	3.53%

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 \$882,449 for fiscal year 2025.

<sup>3</sup> Based on derived compensation using the provided employer contribution information. For 2021-2025, derived compensation based on pension contribution information, as there were no required employer contributions for the insurance fund for FYE2021-FYE2025.

<sup>4</sup> Northern Trust Settlement



## EXHIBIT 4a

### Schedule of Employers' Contributions – KERS 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	\$ 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	175,006	8,815	1,482,431	11.81%
2019	187,978	178,964	9,014	1,515,953	11.81%
2018	132,365	136,419	(4,054)	1,573,898	8.67%
2017	133,024	152,356	(19,332)	1,593,097	9.56%
2016	121,899	135,816	(13,917)	1,529,249	8.88%

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.



## EXHIBIT 4b

### Schedule of Employers' Contributions – KERS 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	\$ 0	\$ 2,159	\$ (2,159)	\$ 288,682	0.75%
2024	0	1,910	(1,910)	279,218	0.68%
2023	0	1,489	(1,489)	223,922	0.66%
2022	0	1,281	(1,281)	188,648	0.68%
2021	0	1,300	(1,300)	172,725	0.75%
2020	4,482	5,776	(1,294)	182,209	3.17%
2019	3,726	4,970	(1,244)	151,448	3.28%
2018	2,550	5,288	(2,738)	190,317	2.78%
2017	4,688	5,620	(932)	171,087	3.28%
2016	9,186	16,766	(7,580)	147,563	11.36%

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 2021-2025 derived compensation based on pension contribution information,  
as there were no required employer contributions for the insurance fund for  
FYE2021-FYE2025.



## 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	KERS Non-Hazardous	KERS 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:	0.00%	0.00%
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Salary Increases:	3.30% to 15.30%, varies by service	3.55% to 20.05%, 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 KERS Non-Hazardous Plan (\$ in thousands)

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

1.00% Decrease, 5.25%	Current Discount Rate, 6.25%	1.00% Increase, 7.25%
\$ 1,166,773	\$ 855,601	\$ 593,261

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
\$ 618,941	\$ 855,601	\$ 1,131,596

## EXHIBIT 5b

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

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

1.00% Decrease, 5.20%	Current Discount Rate, 6.20%	1.00% Increase, 7.20%
\$ (193,458)	\$ (253,231)	\$ (302,658)

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
\$ (294,209)	\$ (253,231)	\$ (204,647)



## 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

