



# KRS

Kentucky Retirement Systems (KRS)

Comprising the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS),  
each a component unit and pension trust fund of the Commonwealth of Kentucky.

# Annual Comprehensive *Financial Report*



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

# 2024

*Prepared by Kentucky Public Pensions  
Authority's Division of Accounting.*

*Available online at [kyret.ky.gov](https://kyret.ky.gov)*

Photo, front cover: Overview of Frankfort, KY, dry brush stylized.

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## **INTRODUCTION**

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# KENTUCKY PUBLIC PENSIONS AUTHORITY

**Ryan Barrow, Executive Director**

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

December 5, 2024

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 (KRS), a component unit of the Commonwealth of Kentucky, for the Fiscal Year Ended (FYE) June 30, 2024.

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.

Blue & Co. LLC has issued an unmodified (“clean”) opinion on the KRS financial statements for the FYE June 30, 2024. 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. MD&A complements this letter of transmittal and should be read in conjunction with it.

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

Prior to 2021, all three systems were governed by a single Board of Trustees. This Board, management, and staff were all referred to as the Kentucky Retirement Systems (KRS). Under this single Board of Trustees, KRS issued one ACFR, including all three systems and their related pension and insurance trust plans.

Effective April 1, 2021, the KRS Board of Trustees was modified in statute to become three boards:

1. A new nine-member Board of Trustees to oversee CERS (the CERS Board).
2. A reconstituted nine-member Board of Trustees, retaining the KRS name, to oversee KERS and SPRS (the KRS Board).
3. A new eight-member Board to oversee the professional employees who provide administrative support, investment management, and conduct other activities on behalf of the CERS and KRS Boards. These employees are part of the Kentucky Public Pensions Authority (KPPA) and the board is referred to as the KPPA Board. The KPPA Board is composed of four CERS trustees and four KRS trustees, as defined by state statute.

For these past three fiscal years, KPPA has continued to issue one ACFR including all three systems and their related pension and OPEB plans.

Beginning with FYE 2024, KPPA is producing 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. After considering this information, the Boards of Trustees for CERS and KRS have chosen to present separate ACFRs.

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

This approach aims to enhance transparency and reporting by providing information relevant to each system's members, the public and stakeholders. KPPA believes separating the financial reporting for CERS and KRS, while also providing a combined high-level summary best achieves that goal.

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## **From the Desk of Ryan Barrow** **KPPA Executive Director**

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### **Ratings Boost**

In September, Moody's Ratings upgraded Kentucky's credit rating to Aa2 from Aa3. Several factors directly influence credit ratings on state and local municipal debt, with the health of public pension systems being a significant consideration. This has improved in Kentucky in recent years due to the boards adopting actuarial assumptions that more accurately reflect the systems' conditions, the General Assembly's commitment to fully funding pension contributions and allocating additional money to pay down the unfunded liabilities of KERS Nonhazardous and SPRS, and strong investment returns.

All three major ratings agencies covering Kentucky, specifically Moody's, Standard & Poor's, and Fitch Ratings have taken note of the progress. Alongside positive economic developments across the state, a historically high rainy-day fund and improvements in public pension funding prompted all three agencies to recently raise their rating on the state's debt. In May of last year, Fitch Ratings upgraded Kentucky's credit rating to AA from AA-. In June 2023, S&P Global Ratings upgraded Kentucky's credit rating to A+ from A.

Higher credit ratings not only offer an independent assessment of the Commonwealth's financial situation, but they also lower the cost of capital, allowing the state to allocate its resources more effectively.

### **KPPA Strategic Plan**

The strategic planning process has entered an exciting new phase. Small groups of KPPA employees and management have begun meeting to discuss specific business areas, how those areas are working now, and how they could be enhanced.

In March 2023, KPPA selected Provaliant Retirement LLC to help develop the agency's first strategic plan since 2009. In June 2024, KPPA published a strategic plan summary that identified four key areas of focus: organizational excellence, customer service delivery, infrastructure and key resources, and governance. A summary of the plan is on our website, [kyret.ky.gov](https://kyret.ky.gov).

Building on those four key focus areas, KPPA has established small committees examining specific business practices. To date, KPPA has committees addressing quality assurance, process documentation, member presentations and surveys. Each committee will work for several months to compare current practices with industry standards, make recommendations for enhancements and implement the approved changes.

The strategic planning and enhancement process are expected to be completed by 2028.

### **An Eye to the Future**

By 2049, our actuarial target is to achieve a fully funded pension system, a crucial milestone that reflects our timeline to meeting financial commitments. While we acknowledge that there is still much work ahead to reach this objective, we are making significant strides on our journey. Through diligent financial management and collaborative efforts among stakeholders, we are steadily improving our funding status. Each step we take brings us closer to ensuring the long-term stability and security of the pension system for current and future recipients.

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**From the Desk of John Chilton**  
**KRS Chief Executive Officer**

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The effects of additional funding from the Kentucky General Assembly continued to benefit the KERS Nonhazardous and SPRS pension plans in FY 2024. The past two biennial budgets passed by the Legislature included \$1.13 billion in additional allocations to pay down the unfunded liabilities of those two pensions. In the most recent session, legislators approved House Bill 1, which allocates an additional \$100 million for the KERS Nonhazardous pension plan (\$50 million each in FYs 2025 and 2026) and an additional \$50 million for the SPRS pension plan (\$25 million each in FYs 2025 and 2026).

Another bill, House Bill 6, allocates an additional \$250 million each in FYs 2025 and 2026 to pay down the KERS Nonhazardous pension's unfunded liability.

This is all over and above the money allocated to fund the full actuarially recommended contributions for all KERS and SPRS pension plans.

The attention paid by the General Assembly to the KERS Nonhazardous and SPRS pension plans is greatly appreciated and is paying dividends. The funded ratio for the KERS Nonhazardous pension plan increased to 24.8% at the end of FY 2024, up from 21.8% at the end of FY 2023. The pension plan reached a funded ratio low of 12.9% in FY 2018.

The SPRS pension plan, meanwhile, reached a funded level of 56.7% as of FYE 2024, up from 54.0% at the end of the last fiscal year and up substantially from the low of 27.0% at the end of FY 2017.

All pension plans are on track to be fully funded by 2049.

KPPA began posting quarterly proxy voting reports to its website in FY 2024. These reports show how investment managers voted on corporate governance proposals on behalf of the systems operated by KPPA. These reports can be found on the Proxy Voting Reports page in the Investments section of KPPA's website [kyret.ky.gov](https://kyret.ky.gov).

The KRS board continued this past fiscal year to monitor ongoing litigation in anticipation of resolving several longstanding cases.

And the KRS Investment Committee worked with the KPPA Office of Investments to monitor the KERS and SPRS investment portfolios. As always, the goal is to maximize investment returns while minimizing risk. The KRS pension and insurance portfolios returned an average of 10.6%, besting the median return of an index of large public pension funds. The median return for the Wilshire Trust Universe Comparison Service (TUCS) peer group of public pension funds with more than \$1 billion in assets was 10.5% for FY 2024. This is the second consecutive year that KRS pension and insurance portfolio returns have neared or exceeded 10%.

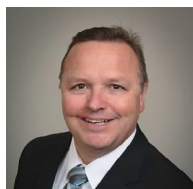
### **Acknowledgments**

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

Respectfully submitted,



Ryan Barrow  
KPPA Executive Director



Michael B. Lamb, CPA  
KPPA Chief Financial Officer

# GOVERNANCE

As of December 5, 2024

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

## KRS BOARD OF TRUSTEES

Lynn Hampton, Chair  
C. Prewitt Lane, Vice Chair

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

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



KPPA Board Member

Lynn Hampton  
Chair  
Term ends June 17, 2026



KPPA Board Member

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



John E. Chilton  
Chief Executive  
Officer

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

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



KPPA VICE-CHAIR

Keith Peercy  
Term ends March 31, 2027  
Elected by SPRS



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



David Adkins  
Term ends March 31, 2026  
Elected by KERS

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

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



Pamela F. Thompson  
Term ends June 17, 2027



Ramsey Bova  
Term ends June 17, 2026



Mary G. Eaves  
Term ends June 21, 2027



KPPA Board Member

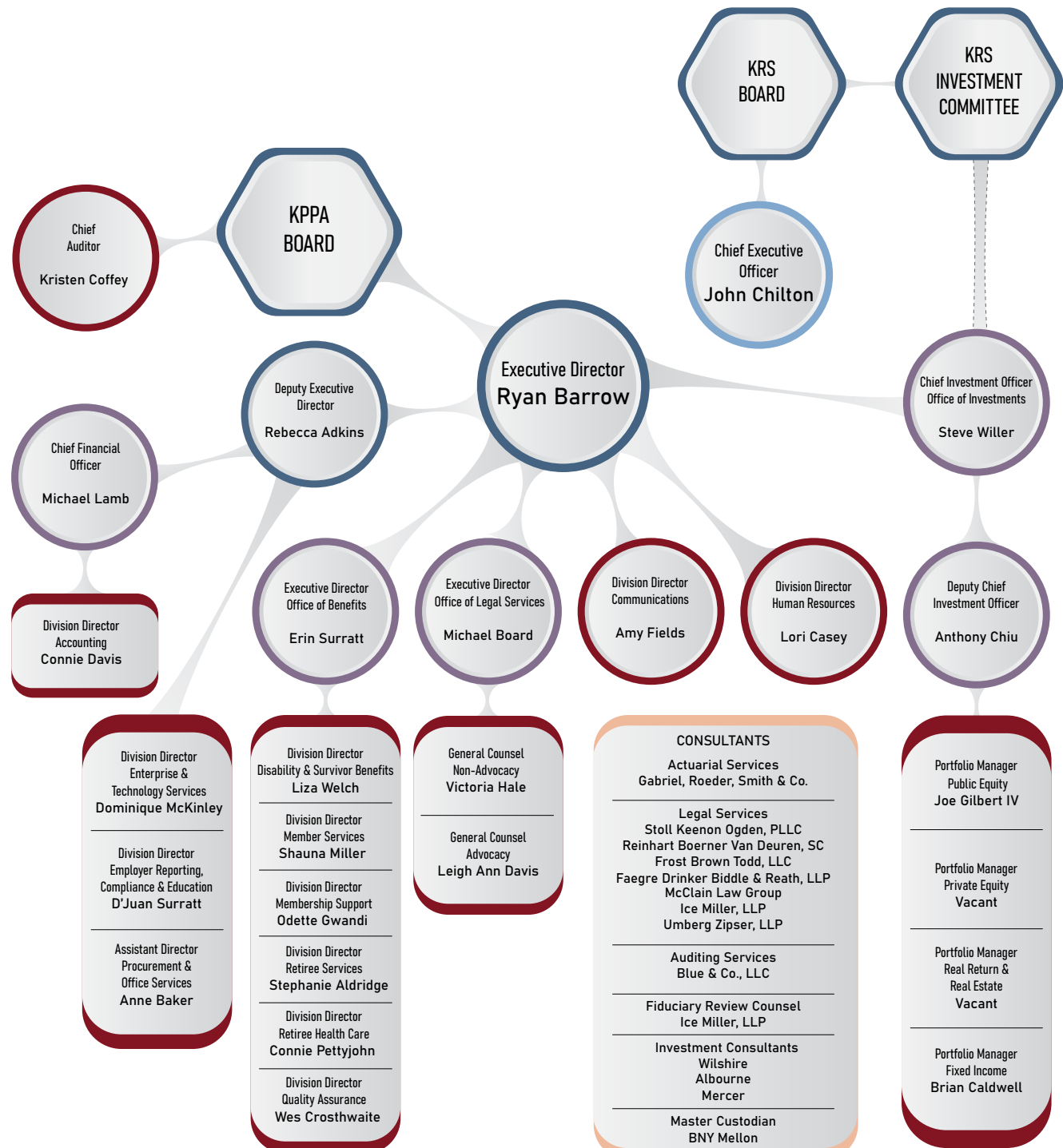
William Summers V  
Term ends June 17, 2026



# AGENCY STRUCTURE

As of December 5, 2024

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.

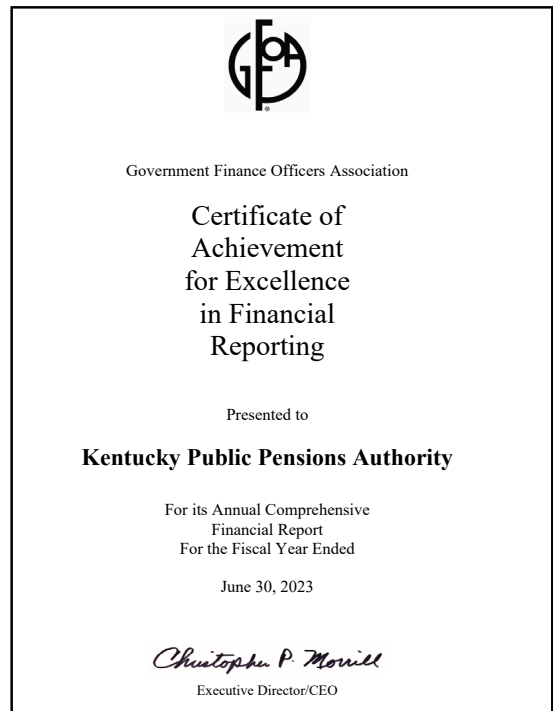


Refer to the Investments Section for additional information regarding Investment Advisors (pages 99-100) and Schedules of Fees and Expenses (pages 101-103).

# Professional Awards

## CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

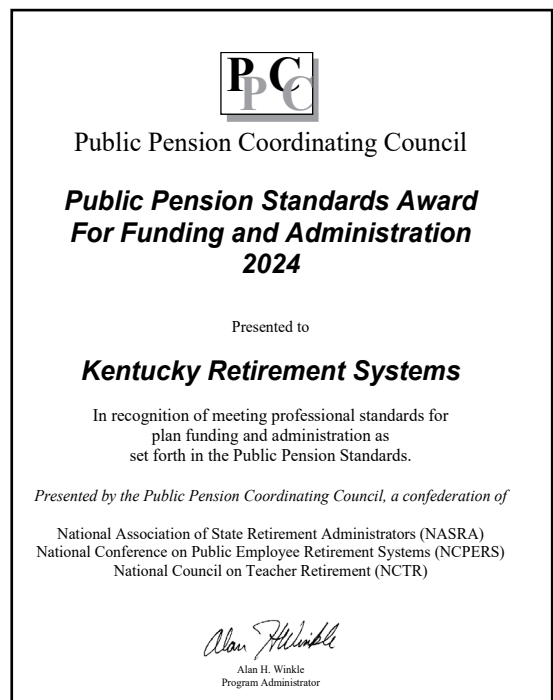
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Kentucky Public Pensions Authority\* for its Annual Comprehensive Financial Report for the Fiscal Year ended June 30, 2023. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports and is valid for a period of one year. This is the 25<sup>th</sup> award earned by Kentucky Public Pensions Authority (formerly the Kentucky Retirement Systems). In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized document. The report must satisfy both generally accepted accounting principles and applicable legal requirements. We believe our 2024 report will continue to meet the Certificate of Achievement Program's requirements, and we will be submitting it to the GFOA for their consideration.



## PUBLIC PENSIONS STANDARDS AWARD FOR FUNDING AND ADMINISTRATION

The Public Pension Coordinating Council awarded the Public Pensions Standards Award for Funding and Administration to the Kentucky Retirement Systems (KRS) for 2024. This is the second award earned by KRS.

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



*\*Beginning with Fiscal Year 2024, two separate financial statement audits will be conducted for the County Employees Retirement System and Kentucky Retirement Systems. As a result, KPPA will issue two separate Annual Comprehensive Financial Reports on behalf of the respective Boards of Trustees. The GFOA Award is included in both ACFRs this Fiscal Year, however, the award will be based on the individual reports prospectively.*

# Pension Benefits by County

| 2024 Total Fiscal Year KRS Pension Benefits Paid by County (in whole \$) |         |             |            |         |             |            |         |              |
|--|---------|-------------|------------|---------|-------------|------------|---------|--------------|
| County   | Payees* | Total       | County     | Payees* | Total       | County     | Payees* | Total        |
| Adair  | 258     | \$5,233,757 | Grant      | 237     | \$5,065,058 | McLean     | 113     | \$2,423,622  |
| Allen  | 168     | 2,896,237   | Graves     | 370     | 7,071,404   | Meade      | 139     | 2,124,446    |
| Anderson   | 1,106   | 30,163,141  | Grayson    | 260     | 4,750,221   | Menifee    | 125     | 2,366,828    |
| Ballard  | 70      | 1,349,366   | Green      | 133     | 2,797,976   | Mercer     | 474     | 10,670,417   |
| Barren   | 454     | 8,064,330   | Greenup    | 219     | 4,026,940   | Metcalfe   | 122     | 1,820,442    |
| Bath   | 188     | 4,033,031   | Hancock    | 52      | 888,974     | Monroe     | 104     | 1,938,858    |
| Bell   | 289     | 5,822,644   | Hardin     | 864     | 16,284,864  | Montgomery | 289     | 6,023,948    |
| Boone  | 509     | 10,237,281  | Harlan     | 286     | 5,848,488   | Morgan     | 470     | 9,206,856    |
| Bourbon  | 195     | 3,907,805   | Harrison   | 179     | 3,496,959   | Muhlenberg | 346     | 6,011,078    |
| Boyd   | 273     | 5,970,819   | Hart       | 140     | 2,841,806   | Nelson     | 397     | 8,266,415    |
| Boyle  | 476     | 9,224,119   | Henderson  | 304     | 5,455,041   | Nicholas   | 89      | 1,777,954    |
| Bracken  | 93      | 1,599,099   | Henry      | 608     | 15,351,750  | Ohio       | 225     | 3,698,726    |
| Breathitt  | 286     | 5,594,827   | Hickman    | 49      | 883,194     | Oldham     | 636     | 13,332,079   |
| Breckinridge   | 189     | 3,288,729   | Hopkins    | 564     | 10,131,863  | Owen       | 361     | 9,201,676    |
| Bullitt  | 380     | 7,383,568   | Jackson    | 161     | 2,922,666   | Owsley     | 109     | 1,835,968    |
| Butler   | 132     | 2,211,789   | Jefferson  | 4,919   | 100,199,030 | Pendleton  | 127     | 2,450,351    |
| Caldwell   | 301     | 5,743,674   | Jessamine  | 474     | 10,110,208  | Perry      | 355     | 7,159,855    |
| Calloway   | 639     | 9,171,638   | Johnson    | 314     | 5,866,476   | Pike       | 457     | 9,926,423    |
| Campbell   | 556     | 10,084,760  | Kenton     | 628     | 13,287,974  | Powell     | 160     | 2,649,590    |
| Carlisle   | 51      | 979,069     | Knott      | 240     | 4,993,697   | Pulaski    | 1,360   | 26,350,846   |
| Carroll  | 150     | 2,792,547   | Knox       | 245     | 5,411,973   | Robertson  | 43      | 656,941      |
| Carter   | 386     | 7,000,689   | LaRue      | 170     | 3,463,969   | Rockcastle | 193     | 3,936,362    |
| Casey  | 150     | 2,915,479   | Laurel     | 568     | 13,513,575  | Rowan      | 594     | 11,069,094   |
| Christian  | 757     | 14,295,707  | Lawrence   | 125     | 2,377,169   | Russell    | 286     | 5,148,724    |
| Clark  | 363     | 6,779,367   | Lee        | 112     | 2,091,649   | Scott      | 651     | 16,602,997   |
| Clay   | 265     | 5,606,818   | Leslie     | 126     | 2,705,974   | Shelby     | 1,109   | 29,746,376   |
| Clinton  | 132     | 2,540,152   | Letcher    | 232     | 4,623,963   | Simpson    | 89      | 1,453,087    |
| Crittenden   | 128     | 2,387,901   | Lewis      | 111     | 1,884,334   | Spencer    | 218     | 4,685,820    |
| Cumberland   | 95      | 1,620,068   | Lincoln    | 285     | 5,114,464   | Taylor     | 244     | 4,757,587    |
| Daviess  | 800     | 14,284,924  | Livingston | 118     | 2,551,088   | Todd       | 102     | 1,740,586    |
| Edmonson   | 86      | 1,210,507   | Logan      | 212     | 4,104,082   | Trigg      | 317     | 5,569,098    |
| Elliott  | 119     | 2,065,762   | Lyon       | 240     | 5,469,850   | Trimble    | 161     | 3,049,471    |
| Estill   | 209     | 3,688,367   | Madison    | 1,477   | 25,755,941  | Union      | 94      | 1,413,899    |
| Fayette  | 2,970   | 74,815,212  | Magoffin   | 162     | 3,373,750   | Warren     | 1,518   | 26,744,981   |
| Fleming  | 228     | 5,231,966   | Marion     | 203     | 3,632,637   | Washington | 152     | 3,626,225    |
| Floyd  | 462     | 9,024,187   | Marshall   | 403     | 6,207,293   | Wayne      | 276     | 5,109,931    |
| Franklin   | 5,554   | 174,152,108 | Martin     | 72      | 1,182,866   | Webster    | 122     | 2,072,266    |
| Fulton   | 61      | 1,114,939   | Mason      | 143     | 3,016,781   | Whitley    | 532     | 10,960,475   |
| Gallatin   | 49      | 968,794     | McCracken  | 525     | 11,007,269  | Wolfe      | 189     | 4,246,861    |
| Garrard  | 215     | \$3,778,209 | McCreary   | 173     | \$2,402,326 | Woodford   | 701     | \$20,602,421 |

Pension Benefits paid to retirees and beneficiaries of Kentucky Retirement Systems have a wide ranging impact on the state's economic health. In fiscal year 2024, KRS paid over \$1.17 billion to its recipients. The majority, 92.97%, of these payments are issued to Kentucky residents. Each county in the Commonwealth received at least \$656,000 from KRS, providing a stabilizing element for all local economies.

| Total Retirement Payments For the Period ended June 30, 2024<br>(in Whole \$) |               |                |                        |
|---|---------------|----------------|------------------------|
|   | Payees        | %              | Payments               |
| Kentucky  | 50,544        | 92.97%         | 1,093,828,507          |
| Out of State  | 4,863         | 7.03%          | 82,646,494             |
| <b>Grand Total</b>  | <b>55,407</b> | <b>100.00%</b> | <b>\$1,176,475,001</b> |

\*This table represents all payees receiving a monthly payment, retirement eligible refund, or actuarial refund during the fiscal year.

# Fiduciary Net Position Highlights

| KRS Fiduciary Net Position* (\$ in Thousands) |                   |             |                    |                |           |                    |           |           |                  |                    |
|---|-------------------|-------------|--------------------|----------------|-----------|--------------------|-----------|-----------|------------------|--------------------|
| Year  | KERS Nonhazardous |             |                    | KERS Hazardous |           |                    | SPRS      |           |                  | KRS                |
|   | Pension           | Insurance   | Total              | Pension        | Insurance | Total              | Pension   | Insurance | Total            | Total              |
| 2015  | \$2,327,782       | \$665,639   | <b>\$2,993,421</b> | \$552,468      | \$439,113 | <b>\$991,581</b>   | \$247,229 | \$164,714 | <b>\$411,943</b> | <b>\$4,396,945</b> |
| 2016  | 1,980,292         | 668,318     | <b>2,648,610</b>   | 527,880        | 437,397   | <b>965,277</b>     | 218,013   | 160,949   | <b>378,962</b>   | <b>3,992,849</b>   |
| 2017  | 2,092,781         | 781,406     | <b>2,874,187</b>   | 605,921        | 484,442   | <b>1,090,363</b>   | 256,383   | 178,191   | <b>434,574</b>   | <b>4,399,124</b>   |
| 2018  | 2,048,890         | 846,762     | <b>2,895,652</b>   | 651,173        | 513,384   | <b>1,164,557</b>   | 268,425   | 189,994   | <b>458,419</b>   | <b>4,518,628</b>   |
| 2019  | 2,286,625         | 942,136     | <b>3,228,761</b>   | 687,877        | 527,108   | <b>1,214,985</b>   | 287,242   | 200,128   | <b>487,370</b>   | <b>4,931,116</b>   |
| 2020  | 2,362,231         | 1,006,498   | <b>3,368,729</b>   | 697,366        | 514,740   | <b>1,212,106</b>   | 295,044   | 200,245   | <b>495,289</b>   | <b>5,076,124</b>   |
| 2021  | 3,085,014         | 1,353,123   | <b>4,438,137</b>   | 874,928        | 624,889   | <b>1,499,817</b>   | 357,660   | 246,004   | <b>603,664</b>   | <b>6,541,618</b>   |
| 2022  | 3,076,743         | 1,301,522   | <b>4,378,265</b>   | 819,237        | 579,902   | <b>1,399,139</b>   | 552,926   | 230,015   | <b>782,941</b>   | <b>6,560,345</b>   |
| 2023  | 3,607,206         | 1,465,489   | <b>5,072,695</b>   | 902,567        | 616,322   | <b>1,518,889</b>   | 592,826   | 246,797   | <b>839,623</b>   | <b>7,431,207</b>   |
| 2024  | \$4,297,571       | \$1,692,094 | <b>\$5,989,665</b> | \$1,029,921    | \$667,917 | <b>\$1,697,838</b> | \$653,216 | \$272,091 | <b>\$925,307</b> | <b>\$8,612,810</b> |

\*The Fiduciary Net Positions are the resources accumulated and held in trust to pay benefits.



## FINANCIAL

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## REPORT OF INDEPENDENT AUDITORS

To the Members  
Kentucky Retirement Systems  
Frankfort, Kentucky

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Kentucky Retirement Systems (KRS), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise KRS's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of KRS, as of June 30, 2024, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

## REPORT OF INDEPENDENT AUDITORS (Continued)

### *Auditor's Responsibilities for the Audit of the Financial Statements*

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 21, and the defined benefit pension plan and other post-employment benefit plan supplemental schedules on pages 64 through 79, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

## REPORT OF INDEPENDENT AUDITORS (Continued)

standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The introductory, investment, actuarial and statistical sections have not been subjected to auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2024, on our consideration of KRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KRS's internal control over financial reporting and compliance.

*Blue & Co., LLC*

Lexington, Kentucky  
December 5, 2024



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

## INTRODUCTION

Management's Discussion and Analysis (MD&A) provides insight into the financial performance of KRS for the fiscal year ended June 30, 2024. It is meant to be read in the context of the accompanying Letter of Transmittal in the Introduction, the Basic Financial Statements and the Notes to those statements, the Required Supplementary Information (RSI), and additional material following this section. Together, this information provides a comprehensive picture of KRS' financial position.

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

## FINANCIAL HIGHLIGHTS AND ANALYSIS

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

| Condensed Summary of Fiduciary Net Position   |                |                |                |               |
|---|----------------|----------------|----------------|---------------|
| As of June 30                                 |                |                |                |               |
|   | KRS TOTAL      | KRS TOTAL      |                |               |
|   | 2024           | 2023           | CHANGE         | % CHANGE      |
| <b>ASSETS</b>                                 |                |                |                |               |
| Cash, Short-term Investments, and Receivables | \$615          | \$1,256        | \$(641)        | (51.04%)      |
| Investments, at fair value                    | 8,322          | 6,413          | 1,909          | 29.77%        |
| <b>TOTAL ASSETS</b>                           | <b>8,937</b>   | <b>7,669</b>   | <b>1,268</b>   | <b>16.53%</b> |
| <b>TOTAL LIABILITIES</b>                      | <b>324</b>     | <b>238</b>     | <b>86</b>      | <b>36.13%</b> |
| <b>FIDUCIARY NET POSITION</b>                 | <b>\$8,613</b> | <b>\$7,431</b> | <b>\$1,182</b> | <b>15.91%</b> |

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

| Condensed Summary of Changes in Fiduciary Net Position<br>As of June 30 |                   |                   |            |                |
|---|-------------------|-------------------|------------|----------------|
|   | KRS TOTAL<br>2024 | KRS TOTAL<br>2023 | CHANGE     | % CHANGE       |
| <b>ADDITIONS</b>  |                   |                   |            |                |
| Member Contributions  | \$137             | \$117             | \$20       | 17.09%         |
| Employer Contributions  | 369               | 320               | 49         | 15.31%         |
| Actuarially Accrued Liability Contributions (AALC)                      | 987               | 986               | 1          | 0.10%          |
| General Fund Appropriations   | 240               | 240               | -          | 0.00%          |
| Total Contributions   | 1,733             | 1,663             | 70         | 4.21%          |
| Net Investment Income (Loss)  | 776               | 541               | 235        | 43.44%         |
| Other Additions   | 10                | 5                 | 5          | 100.00%        |
| <b>TOTAL ADDITIONS</b>  | <b>2,519</b>      | <b>2,209</b>      | <b>310</b> | <b>14.03%</b>  |
| <b>DEDUCTIONS</b>   |                   |                   |            |                |
| Benefits and Refunds  | 1,192             | 1,182             | 10         | 0.85%          |
| Other Deductions  | 145               | 156               | (11)       | (7.05)%        |
| <b>TOTAL DEDUCTIONS</b>   | <b>1,337</b>      | <b>1,338</b>      | <b>(1)</b> | <b>(0.07)%</b> |
| <b>NET INCREASE (DECREASE)</b>  | <b>1,182</b>      | <b>871</b>        | <b>311</b> | <b>35.71%</b>  |
| <b>FIDUCIARY NET POSITION</b>   |                   |                   |            |                |
| BEGINNING OF THE PERIOD   | 7,431             | 6,560             | 871        | 13.28%         |
| END OF PERIOD   | \$8,613           | \$7,431           | \$1,182    | 15.91%         |

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

## Fiduciary Net Position

The Fiduciary Net Position of KRS was \$7,431 at the beginning of the fiscal year and increased by 15.91% to \$8,613 as of June 30, 2024. The \$1,182 increase is primarily attributable to the appreciation of the fair value of investments, and continued AALC payments and additional funding from the Kentucky General Assembly.

## Contributions

Total contributions reported for fiscal year 2024 were \$1,733 compared to \$1,663 in fiscal year 2023, an increase of 4.21% or \$70. This increase was driven by an increase in covered payroll for all plans, as the employer contribution rates remained constant from year to year.

## Investments

The KRS pension and insurance portfolios investment returns averaged 10.6% for the fiscal year ended June 30, 2024, compared to 8.8% for the fiscal year ended June 30, 2023. This was due to the Core Fixed Income, Specialty Credit, and Real Return portfolios significantly outpacing their benchmarks, and sizable returns in the Public Equity portfolio. See investment results beginning on page 87 of the investment section.

The fair value of investments, as of June 30, 2024, were \$8,322, an increase of \$1,909 from the prior year, and net investment income was \$776 for the current fiscal year, compared to \$541 for the prior fiscal year.

Investment returns are reported net of fees and investment expenses, including carried interest. Investment fees and expenses totaled \$65 for fiscal year 2024 compared to \$48 in the prior fiscal year.

|                        | 1-year return |             | Fair Value of Investments |                |                | Investment fees & expenses |             |             | Net Investment Income |              |              |
|------------------------|---------------|-------------|---------------------------|----------------|----------------|----------------------------|-------------|-------------|-----------------------|--------------|--------------|
|                        | 2024          | 2023        | 2024                      | 2023           | change         | 2024                       | 2023        | change      | 2024                  | 2023         | change       |
| <b>PENSION</b>         |               |             |                           |                |                |                            |             |             |                       |              |              |
| KERS Nonhazardous      | 9.5%          | 7.0%        | \$4,100                   | \$2,964        | \$1,136        | \$29                       | \$20        | \$9         | \$356                 | \$220        | \$136        |
| KERS Hazardous         | 11.1%         | 9.5%        | 1,008                     | 830            | 178            | 9                          | 7           | 2           | 102                   | 77           | 25           |
| SPRS                   | 9.6%          | 7.6%        | 635                       | 469            | 166            | 4                          | 3           | 1           | 57                    | 41           | 16           |
| <b>INSURANCE</b>       |               |             |                           |                |                |                            |             |             |                       |              |              |
| KERS Nonhazardous      | 11.1%         | 9.9%        | 1,649                     | 1,311          | 338            | 13                         | 11          | 3           | 167                   | 128          | 39           |
| KERS Hazardous         | 11.2%         | 9.3%        | 662                       | 599            | 63             | 7                          | 5           | 2           | 67                    | 53           | 14           |
| SPRS                   | 11.0%         | 9.5%        | 268                       | 240            | 28             | 3                          | 2           | 1           | 27                    | 21           | 6            |
| <b>AVERAGE / TOTAL</b> | <b>10.6%</b>  | <b>8.8%</b> | <b>\$8,322</b>            | <b>\$6,413</b> | <b>\$1,909</b> | <b>\$65</b>                | <b>\$48</b> | <b>\$18</b> | <b>\$776</b>          | <b>\$540</b> | <b>\$236</b> |

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

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, 2024. See also the investment overview beginning on page 83 of the investment section.

| Asset Class       | KERS Nonhazardous Pension & SPRS Pension Plans |         |         | KERS Hazardous Pension & all KRS Insurance Plans |         |         |
|-------------------|--|---------|---------|--|---------|---------|
|                   | Target   | Minimum | Maximum | Target   | Minimum | Maximum |
| Public Equity     | 30%  | 20%     | 40%     | 40%  | 2%      | 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%   | 0%      | 5%      | 2%   | 0%      | 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 2024 totaled \$1,192 compared to \$1,182 in fiscal year 2023, a 0.85% increase, due to the slight increase in retired membership of the systems.

## ACTUARIAL HIGHLIGHTS

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

The UAAL for KRS, from the June 30, 2024, actuarial valuation, is \$13,564 for fiscal year ended June 30, 2024, compared to \$13,813 for fiscal year ended June 30, 2023, a decrease of \$249. The UAAL for the Pension Plans decreased by \$261 due to the increase in the fair value of the assets related to favorable market conditions, an increase in covered payroll, and the \$240 in general fund appropriation during fiscal year 2024. The UAAL for the Insurance Plans increased by \$12, due to static contribution rates for fiscal year 2024.



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

| Schedule of Unfunded Actuarial Accrued Liability (UAAL)<br>As of June 30 |                   |          |           |         |                |         |           |         |         |         |           |         |
|--|-------------------|----------|-----------|---------|----------------|---------|-----------|---------|---------|---------|-----------|---------|
|  | KERS Nonhazardous |          |           |         | KERS Hazardous |         |           |         | SPRS    |         |           |         |
|  | Pension           |          | Insurance |         | Pension        |         | Insurance |         | Pension |         | Insurance |         |
|  | 2024              | 2023     | 2024      | 2023    | 2024           | 2023    | 2024      | 2023    | 2024    | 2023    | 2024      | 2023    |
| <b>Actuarial Accrued Liability (AAL)</b>                                 | \$16,648          | \$16,304 | \$2,095   | \$1,877 | \$1,443        | \$1,363 | \$380     | \$364   | \$1,112 | \$1,092 | \$251     | \$244   |
| <b>Actuarial Value of Assets</b>   | 4,122             | 3,552    | 1,712     | 1,533   | 985            | 891     | 652       | 620     | 631     | 590     | 263       | 245     |
| <b>Unfunded Actuarial Accrued Liability (UAAL)</b>                       | \$12,526          | \$12,752 | \$383     | \$344   | \$458          | \$472   | (\$272)   | (\$256) | \$481   | \$502   | (\$12)    | (\$1)   |
| <b>Funded Ratio</b>  | 24.76%            | 21.79%   | 81.72%    | 81.67%  | 68.26%         | 65.37%  | 171.58%   | 170.33% | 56.74%  | 54.03%  | 104.78%   | 100.41% |

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

# Basic Financial Statements

| Combining Statement of Fiduciary Net Position  |              |             |           |              |           |           |             |
|--|--------------|-------------|-----------|--------------|-----------|-----------|-------------|
| As of June 30, 2024 (\$ in Thousands)  |              |             |           |              |           |           |             |
|  | Pension      |             |           | Insurance    |           |           | KRS         |
|  | KERS         | KERS        | SPRS      | KERS         | KERS      | SPRS      | Total       |
| ASSETS   | Nonhazardous | Hazardous   |           | Nonhazardous | Hazardous |           | 2024        |
| CASH AND SHORT-TERM INVESTMENTS  |              |             |           |              |           |           |             |
| Cash Deposits  | \$268        | \$27        | \$29      | \$100        | \$23      | \$18      | \$465       |
| Short-term Investments   | 254,633      | 49,952      | 38,006    | 68,261       | 20,702    | 9,876     | 441,430     |
| Total Cash and Short-term Investments  | 254,901      | 49,979      | 38,035    | 68,361       | 20,725    | 9,894     | 441,895     |
| RECEIVABLES  |              |             |           |              |           |           |             |
| Accounts Receivable  | 93,357       | 4,965       | 2,498     | 14,426       | 462       | 918       | 116,626     |
| Accounts Receivable - Investments  | 30,542       | 5,671       | 4,925     | 10,444       | 3,303     | 1,492     | 56,377      |
| Total Receivables  | 123,899      | 10,636      | 7,423     | 24,870       | 3,765     | 2,410     | 173,003     |
| INVESTMENTS, AT FAIR VALUE   |              |             |           |              |           |           |             |
| Core Fixed Income  | 1,096,029    | 115,245     | 166,303   | 189,154      | 75,625    | 29,762    | 1,672,118   |
| Public Equities  | 1,347,282    | 431,605     | 205,635   | 708,372      | 284,692   | 114,446   | 3,092,032   |
| Private Equities   | 194,862      | 66,044      | 31,411    | 111,418      | 48,804    | 21,728    | 474,267     |
| Specialty Credit   | 785,092      | 229,560     | 123,774   | 375,074      | 151,347   | 61,598    | 1,726,445   |
| Derivatives  | (73)         | 9           | (9)       | 10           | (3)       | 3         | (63)        |
| Real Return  | 349,425      | 79,738      | 56,205    | 135,580      | 45,489    | 18,475    | 684,912     |
| Real Estate  | 217,911      | 58,902      | 35,155    | 95,993       | 42,344    | 16,169    | 466,474     |
| Securities Lending Collateral  | 109,246      | 26,629      | 16,923    | 33,811       | 13,516    | 5,449     | 205,574     |
| Total Investments, at Fair Value   | 4,099,774    | 1,007,732   | 635,397   | 1,649,412    | 661,814   | 267,630   | 8,321,759   |
| Total Assets   | 4,478,574    | 1,068,347   | 680,855   | 1,742,643    | 686,304   | 279,934   | 8,936,657   |
| LIABILITIES  |              |             |           |              |           |           |             |
| Accounts Payable   | 4,455        | 988         | 113       | 132          | 2         | 1         | 5,691       |
| Accounts Payable - Investments   | 67,302       | 10,809      | 10,603    | 16,606       | 4,869     | 2,393     | 112,582     |
| Securities Lending Collateral  | 109,246      | 26,629      | 16,923    | 33,811       | 13,516    | 5,449     | 205,574     |
| Total Liabilities  | 181,003      | 38,426      | 27,639    | 50,549       | 18,387    | 7,843     | 323,847     |
| Total Fiduciary Net Position   |              |             |           |              |           |           |             |
| Restricted for Benefits  | \$4,297,571  | \$1,029,921 | \$653,216 | \$1,692,094  | \$667,917 | \$272,091 | \$8,612,810 |
| See accompanying notes which are an integral part of these combining financial statements.   |              |             |           |              |           |           |             |
| Note: The displayed fair values include investable assets held by each Plan and its associated contributions, payables, equipment and intangible assets; unlike those found in the Investment Section, which include only those investable assets held by each Plan. |              |             |           |              |           |           |             |

## Combining Statement of Changes In Fiduciary Net Position

For the fiscal year ended June 30, 2024 (\$ in Thousands)

|  | Pension            |                    |                  | Insurance          |                  |                  | KRS                |
|--|--------------------|--------------------|------------------|--------------------|------------------|------------------|--------------------|
|  | KERS               | KERS               | SPRS             | KERS               | KERS             | SPRS             | Total              |
|  | Nonhazardous       | Hazardous          |                  | Nonhazardous       | Hazardous        |                  | 2024               |
| <b>ADDITIONS</b>   |                    |                    |                  |                    |                  |                  |                    |
| Member Contributions   | \$96,597           | \$21,560           | \$5,691          | \$10,682           | \$2,070          | \$395            | \$136,995          |
| Employer Contributions   | 156,032            | 89,899             | 61,998           | 48,846             | 1,910            | 10,163           | 368,848            |
| Actuarially Accrued Liability Contributions  | 899,663            | -                  | -                | 87,782             | -                | -                | 987,445            |
| General Fund Appropriations  | 240,000            | -                  | -                | -                  | -                | -                | 240,000            |
| Other Additions  | -                  | -                  | -                | 8,444              | 651              | 390              | 9,485              |
| <b>Total Contributions &amp; Other Additions</b>   | <b>1,392,292</b>   | <b>111,459</b>     | <b>67,689</b>    | <b>155,754</b>     | <b>4,631</b>     | <b>10,948</b>    | <b>1,742,773</b>   |
| <b>INVESTMENT INCOME</b>   |                    |                    |                  |                    |                  |                  |                    |
| Net Appreciation (Depreciation) in FV of Investments   | 243,618            | 76,073             | 38,386           | 123,287            | 51,737           | 20,310           | 553,411            |
| Interest/Dividends   | 137,373            | 33,477             | 21,885           | 55,349             | 21,973           | 8,932            | 278,989            |
| Securities Lending Income  | 4,235              | 1,169              | 744              | 1,583              | 551              | 242              | 8,524              |
| Less: Investment Expense   | 19,394             | 5,797              | 2,666            | 9,243              | 4,573            | 1,818            | 43,491             |
| Less: Performance Fees   | 6,006              | 1,724              | 620              | 2,860              | 1,766            | 616              | 13,592             |
| Less: Securities Lending Fees, Expenses, and Rebates   | 3,808              | 1,059              | 671              | 1,402              | 487              | 214              | 7,641              |
| <b>Net Investment Income (loss)</b>  | <b>356,018</b>     | <b>102,139</b>     | <b>57,058</b>    | <b>166,714</b>     | <b>67,435</b>    | <b>26,836</b>    | <b>776,200</b>     |
| <b>Total Additions</b>   | <b>1,748,310</b>   | <b>213,598</b>     | <b>124,747</b>   | <b>322,468</b>     | <b>72,066</b>    | <b>37,784</b>    | <b>2,518,973</b>   |
| <b>DEDUCTIONS</b>  |                    |                    |                  |                    |                  |                  |                    |
| Benefit Payments   | 1,032,124          | 80,528             | 63,823           | -                  | -                | -                | 1,176,475          |
| Refunds  | 11,693             | 4,133              | 220              | -                  | -                | -                | 16,046             |
| Administrative Expenses  | 14,128             | 1,583              | 314              | 734                | 117              | 71               | 16,947             |
| Healthcare Expenses  | -                  | -                  | -                | 95,129             | 20,354           | 12,419           | 127,902            |
| <b>Total Deductions</b>  | <b>1,057,945</b>   | <b>86,244</b>      | <b>64,357</b>    | <b>95,863</b>      | <b>20,471</b>    | <b>12,490</b>    | <b>1,337,370</b>   |
| Net Increase (Decrease) in Fiduciary Net Position Restricted for Benefits                          | 690,365            | 127,354            | 60,390           | 226,605            | 51,595           | 25,294           | 1,181,603          |
| <b>Total Fiduciary Net Position Restricted for Benefits</b>  |                    |                    |                  |                    |                  |                  |                    |
| <b>Beginning of Period</b>   | <b>3,607,206</b>   | <b>902,567</b>     | <b>592,826</b>   | <b>1,465,489</b>   | <b>616,322</b>   | <b>246,797</b>   | <b>7,431,207</b>   |
| <b>End of Period</b>   | <b>\$4,297,571</b> | <b>\$1,029,921</b> | <b>\$653,216</b> | <b>\$1,692,094</b> | <b>\$667,917</b> | <b>\$272,091</b> | <b>\$8,612,810</b> |
| <i>See accompanying notes, which are an integral part of these combining financial statements.</i> |                    |                    |                  |                    |                  |                  |                    |

# **NOTE A. Summary of Significant Accounting Policies**

## **Basis of Accounting**

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

## **Method Used to Value Investments**

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

## **Investment Unitization**

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

## **Estimates**

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

## **Capital/Intangible Assets**

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

## Accounts Receivable

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

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

## Benefits

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

## Expense Allocation

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

## Component Unit

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

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

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

## Recent Accounting Pronouncements

*GASB Statement Number 100, Accounting Changes and Error Corrections* - an amendment of *GASB Statement No. 62*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2024. KRS had no Accounting Changes or Error Corrections for fiscal year June 30, 2024.

*GASB Statement Number 101, Compensated Absences*. The requirements of the Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2024. Management is evaluating the impact of the Statement to the financial report.

*GASB Statement Number 102, Certain Risk Disclosures*. The requirements of the Statement will take effect for financial statements for fiscal years beginning after June 15, 2024. Management is evaluating the impact of the Statement to the financial report.

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

# Note B. Description & Contribution Information

## KRS - Kentucky Employees Retirement System

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

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

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

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

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

## Employer Contributions

For the fiscal year ended June 30, 2024, there were 329 participating employers in KERS, and SPRS is a single employer plan. The Commonwealth is required to contribute at an actuarially determined rates for KERS and SPRS pensions and insurance. The KRS Board recommends the rates each year following the annual actuarial valuation, but the rates are set by the legislature within the budget bill for each biennium. The contribution rates from July 1, 2023, through June 30, 2024, were set within HB 1, passed in the 2022 Regular Legislative Session, for KERS Nonhazardous, KERS Hazardous and SPRS employers.

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

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

For the fiscal year ended June 30, 2024, participating employers of KERS Nonhazardous, KERS Hazardous and SPRS contributed a percentage of each employee's creditable compensation. The actuarially determined rates set



by the KRS Board for the fiscal year is a percentage of each employee's creditable compensation. Administrative costs are financed through employer contributions and investment earnings.

## Contribution Rate Breakdown by Plan

As of June 30, 2024

| Plan                | Pension                     |                               | Insurance                   |                               | Combined Total              |                               |
|---------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
|                     | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates | Employer Contribution Rates | Actuarially Recommended Rates |
| KERS Nonhazardous * | 7.82%                       | 7.74%                         | 2.15%                       | 1.86%                         | 9.97%                       | 9.60%                         |
| KERS Hazardous      | 31.82%                      | 30.12%                        | 0.00%                       | 0.00%                         | 31.82%                      | 30.12%                        |
| SPRS                | 85.32%                      | 85.39%                        | 14.11%                      | 3.68%                         | 99.43%                      | 89.07%                        |

\* 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, 2024, the date of the most recent actuarial valuation, membership consisted of:

| Membership as of June 30, 2024 (in Whole \$) |                   |                |          |           |
|--|-------------------|----------------|----------|-----------|
| Item   | KERS Nonhazardous | KERS Hazardous | SPRS     | KRS Total |
| <b>Members</b>                               | 143,975           | 19,448         | 3,357    | 166,780   |
| <b>Active Membership</b>                     | 33,135            | 4,910          | 872      | 38,917    |
| Tier 1                                       | 11,933            | 1,075          | 310      | 13,318    |
| Tier 2                                       | 4,766             | 720            | 180      | 5,666     |
| Tier 3                                       | 16,436            | 3,115          | 382      | 19,933    |
| <b>Average Annual Salary</b>                 | \$57,357          | \$62,496       | \$84,054 | \$-       |
| <b>Average Age</b>                           | 45.5              | 39.9           | 37.4     | -         |
| <b>Retired Membership</b>                    | 52,686            | 5,084          | 1,736    | 59,506    |
| Tier 1                                       | 51,993            | 4,994          | 1,732    | 58,719    |
| Tier 2                                       | 604               | 75             | 1        | 680       |
| Tier 3                                       | 89                | 15             | 3        | 107       |
| <b>Average Annual Benefit</b>                | \$21,131          | \$16,287       | \$39,596 | \$-       |
| <b>Average Age</b>                           | 71.2              | 66.5           | 65.0     | -         |
| <b>Inactive Members</b>                      | 58,154            | 9,454          | 749      | 68,357    |
| Tier 1                                       | 32,334            | 2,282          | 269      | 34,885    |
| Tier 2                                       | 9,800             | 1,625          | 133      | 11,558    |
| Tier 3                                       | 16,020            | 5,547          | 347      | 21,914    |

### **TIER 1:**

Tier 1 plan 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 contributions and interest.

### **TIER 2:**

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

### **TIER 3:**

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

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

## **Upside Sharing Interest**

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

The chart that follows shows the interest calculated on the members' balances as of June 30, 2023, and credited to each member's account on June 30, 2024.

| (A-B) = C x 75% = D then B + D = Interest (\$ in Thousands) |                                      |                                |                              |  |                                    |  |
|---|--------------------------------------|--------------------------------|------------------------------|--|------------------------------------|--|
| Plan  | A<br>5-Year Geometric Average Return | B<br>Less Guarantee Rate of 4% | C<br>Upside Sharing Interest | D<br>Upside Sharing Interest X 75% = Upside Gain | Interest Rate Earned (4% + Upside) | Total Interest Credited to Member Accounts |
| KERS Nonhazardous   | 6.39%                                | 4.00%                          | 2.39%                        | 1.79%  | 5.79%                              | \$13,424                                   |
| KERS Hazardous  | 7.47%                                | 4.00%                          | 3.47%                        | 2.60%  | 6.60%                              | \$4,668                                    |
| SPRS  | 6.87%                                | 4.00%                          | 2.87%                        | 2.15%  | 6.15%                              | \$791                                      |

## 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, 2024, insurance premiums withheld from benefit payments for KRS's members were \$15.8 million and \$1.2 million for KERS Nonhazardous and Hazardous, respectively; and \$0.4 million for SPRS.

| Retiree Medical Insurance Coverage (by Plan Count)<br>As of June 30, 2024 |              |                   |            |                                     |                                  |  |
|---|--------------|-------------------|------------|-------------------------------------|----------------------------------|--|
|   | Single       | Couple/<br>Family | Parent     | Medicare<br>Without<br>Prescription | Medicare<br>With<br>Prescription |  |
| KERS Nonhazardous   | 6,334        | 473               | 395        | 939                                 | 22,947                           |  |
| KERS Hazardous  | 621          | 462               | 108        | 66                                  | 1,843                            |  |
| SPRS  | 239          | 415               | 79         | 16                                  | 1,019                            |  |
| <b>Total</b>  | <b>7,194</b> | <b>1,350</b>      | <b>582</b> | <b>1,021</b>                        | <b>25,809</b>                    |  |

*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<br>As of June 30, 2024 |                            |
|---|----------------------------|
| 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.

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 2024 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 determine that assets of the Systems are greater than 100% of the actuarial liabilities and legislation authorizes the use of surplus funds for the COLA; or the General Assembly fully prefunds the COLA or directs the payment of funds in the year the COLA is provided. The granting of COLAs for the KERS and SPRS membership is covered under Kentucky Revised Statutes 61.691. No COLA has been granted since July 1, 2011.

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

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

| Cash, Short-Term Investments, & Securities Lending Collateral<br>As of June 30, 2024 (\$ in Thousands) |                  |                  |
|--|------------------|------------------|
| KERS Nonhazardous  | Pension          | Insurance        |
| Cash   | \$268            | \$100            |
| Short-Term Investments   | 254,633          | 68,261           |
| Securities Lending Collateral Invested   | 109,246          | 33,811           |
| <b>Total</b>   | <b>\$364,147</b> | <b>\$102,172</b> |
| KERS Hazardous   | Pension          | Insurance        |
| Cash   | \$27             | \$23             |
| Short-Term Investments   | 49,952           | 20,702           |
| Securities Lending Collateral Invested   | 26,629           | 13,516           |
| <b>Total</b>   | <b>\$76,608</b>  | <b>\$34,241</b>  |
| SPRS   | Pension          | Insurance        |
| Cash   | \$29             | \$18             |
| Short-Term Investments   | 38,006           | 9,876            |
| Securities Lending Collateral Invested   | 16,923           | 5,449            |
| <b>Total</b>   | <b>\$54,958</b>  | <b>\$15,343</b>  |

## Note D. Investments

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Kentucky Revised Statutes 61.650 specifically state that the KRS Board shall have the full and exclusive power to invest and reinvest the funds of the Plan(s) they govern. In addition, Kentucky Revised Statutes 61.645 require three (3) members of the KRS Board to have at least ten (10) years of investment experience as defined by the statutes. The KRS Board is required to establish an Investment Committee who is specifically charged with implementing the investment policies adopted by the KRS Board and to act on behalf of the KRS Board of Trustees on all investment-related matters. The KRS Board and the Investment Committee members are required to discharge their duty to invest the funds of the Plans in accordance with the “Prudent Person 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 an Investment Policy Statement (IPS) which defines the framework for investing the assets of the Plans. The IPS is intended to provide general principles for establishing the investment goals of the Plans, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Plans. A copy of the KRS Board’s IPS can be found at [kyret.ky.gov](http://kyret.ky.gov). By statutes, the KRS Board, through adopted written policies, shall maintain ownership and control over its assets held in its unitized managed custodial account. Additionally, the Investment Committee establishes specific investment guidelines that are summarized below and are included in the Investment Management Agreement (IMA) for each investment management firm.

### Equity

#### *Public Equity*

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

#### *Private Equity*

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

### Fixed Income

#### *Core Fixed Income*

The Core Fixed Income accounts may include, but are not limited to, the following securities: U.S. government and agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; mortgages, including residential mortgage-backed securities; commercial mortgage-backed securities and whole loans; asset-backed securities; and, asset class relevant ETFs.

#### *Specialty 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 which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.



## Cash and Cash Equivalent Securities

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

Subject to the specific approval of the corresponding Investment Committee, investments may be made to create a diversified portfolio of alternative investments. Investments are made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. There may also be investments in this category that are public markets securities, such as ETFs, with similar risk/return characteristics as a short-term proxy. The purpose of the Real Return investments are to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans.

## 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 trusts' Private Equity investment fees were netted against investment activity which is the standard used within the Private Equity sector. Trusts' 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, 2024. 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.

## KERS Pension and Insurance Derivative Instruments - GASB 53

As of June 30, 2024 (\$ in Thousands)

| Derivatives (by Type)                | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value | Notional |
|--------------------------------------|---|----------------|------------|----------|
| <b>KERS Nonhazardous - Pension</b>   |   |                |            |          |
| FX Spots and Forwards                | \$48  | Investment     | \$45       | -        |
| Futures                              | 1,924   | Investment     | (118)      | 29,760   |
| Commits and Options                  | -   | Investment     | -          | -        |
| Swaps                                | -   | Investment     | -          | -        |
| <b>KERS Nonhazardous - Insurance</b> |   |                |            |          |
| FX Spots and Forwards                | \$30  | Investment     | \$28       | -        |
| Futures                              | 458   | Investment     | (18)       | 5,132    |
| Commits and Options                  | -   | Investment     | -          | -        |
| Swaps                                | -   | Investment     | -          | -        |
| <b>KERS Hazardous - Pension</b>      |   |                |            |          |
| FX Spots and Forwards                | \$24  | Investment     | \$22       | -        |
| Futures                              | 291   | Investment     | (13)       | 2,576    |
| Commits and Options                  | -   | Investment     | -          | -        |
| Swaps                                | -   | Investment     | -          | -        |
| <b>KERS Hazardous - Insurance</b>    |   |                |            |          |
| FX Spots and Forwards                | \$-   | Investment     | \$1        | -        |
| Futures                              | 198   | Investment     | (4)        | 2,679    |
| Commits and Options                  | -   | Investment     | -          | -        |
| Swaps                                | -   | Investment     | -          | -        |

## SPRS Pension and Insurance Derivative Instruments - GASB 53

As of June 30, 2024 (\$ in Thousands)

| Derivatives (by Type) | Net Appreciation (Depreciation) in Fair Value | Classification | Fair Value | Notional |
|-----------------------|---|----------------|------------|----------|
| <b>SPRS Pension</b>   |   |                |            |          |
| FX Spots and Forwards | \$10  | Investment     | \$9        | -        |
| Futures               | 323   | Investment     | (18)       | 4,453    |
| Commits and Options   | -   | Investment     | -          | -        |
| Swaps                 | -   | Investment     | -          | -        |
| <b>SPRS Insurance</b> |   |                |            |          |
| FX Spots and Forwards | \$7   | Investment     | \$6        | -        |
| Futures               | 74  | Investment     | (3)        | 701      |
| Commits and Options   | -   | Investment     | -          | -        |
| Swaps                 | -   | Investment     | -          | -        |

## Derivative Instruments Subject to Counterparty Credit Risk - GASB 53

### As of June 30, 2024

| 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 |
|---|---------------|---------------------------------|-------------------------------------|-------------------------------------|---|---------------------------------|-------------------------------------|
| Australia & New Zealand Banking Group Ltd | AA-           | 0.66%                           | 1.21%                               | 0.33%                               | 0.05%                                   | 0.14%                           | 0.27%                               |
| The Bank of America                       | A-            | 0.11%                           | 0.14%                               | 0.04%                               | 0.05%                                   | 0.02%                           | 0.02%                               |
| The Bank of New York Mellon Corp          | A             | 0.30%                           | 0.60%                               | 0.14%                               | 0.07%                                   | 0.06%                           | 0.13%                               |
| Barclays PLC                              | BBB+          | 1.04%                           | 1.91%                               | 0.50%                               | 0.10%                                   | 0.21%                           | 0.43%                               |
| Brown Brothers Harriman & Co              | NR            | 0.09%                           | 0.15%                               | 0.03%                               | 0.05%                                   | 0.01%                           | 0.02%                               |
| Canadian Imperial Bank of Commerce        | A+            | 1.45%                           | 2.65%                               | 0.70%                               | 0.12%                                   | 0.30%                           | 0.60%                               |
| Citigroup Inc                             | BBB+          | 1.04%                           | 1.89%                               | 0.51%                               | 0.08%                                   | 0.21%                           | 0.43%                               |
| The Goldman Sachs Group Inc               | BBB+          | 0.75%                           | 1.38%                               | 0.37%                               | 0.07%                                   | 0.15%                           | 0.31%                               |
| HSBS Holding PLC                          | A-            | 1.52%                           | 3.40%                               | 0.74%                               | 0.16%                                   | 0.31%                           | 0.77%                               |
| JPMorgan Chase & Co                       | A-            | 0.54%                           | 1.02%                               | 0.25%                               | 0.11%                                   | 0.11%                           | 0.22%                               |
| Morgan Stanley                            | A-            | 0.93%                           | 1.70%                               | 0.46%                               | 0.07%                                   | 0.19%                           | 0.39%                               |
| Royal Bank of Canada                      | AA-           | 1.00%                           | 1.96%                               | 0.49%                               | 0.09%                                   | 0.21%                           | 0.44%                               |
| State Street Corp                         | A             | 1.12%                           | 2.06%                               | 0.54%                               | 0.11%                                   | 0.23%                           | 0.46%                               |
| The Toronto-Dominion Bank                 | AA-           | 0.04%                           | 0.09%                               | 0.01%                               | 0.03%                                   | 0.01%                           | 0.01%                               |
| UBS Group AG                              | A-            | 0.87%                           | 2.19%                               | 0.41%                               | 0.18%                                   | 0.17%                           | 0.48%                               |
| Westpac Banking Corp                      | AA-           | 0.03%                           | 0.05%                               | 0.01%                               | 0.02%                                   | 0.00%                           | 0.01%                               |
| <b>TOTAL</b>                              |               | <b>11.49%</b>                   | <b>22.40%</b>                       | <b>5.53%</b>                        | <b>1.36%</b>                            | <b>2.33%</b>                    | <b>4.99%</b>                        |

## Custodial Credit Risk for Deposits

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

### Custodial Credit Risk for Deposits - GASB 40

#### As of June 30, 2024 (\$ in Thousands)

|                             |       |
|-----------------------------|-------|
| KERS Nonhazardous Pension   | \$982 |
| KERS Nonhazardous Insurance | 100   |
| KERS Hazardous Pension      | 26    |
| KERS Hazardous Insurance    | 24    |
| SPRS Pension                | 41    |
| SPRS Insurance              | 19    |
| Clearing                    | 246   |
| Excess Benefit              | \$-   |

*Note: All the above balances are held at JPM Chase*

## 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, 2024, 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 - GASB 40<br>As of June 30, 2024 (\$ in Thousands) |           |
|--|-----------|
| KERS   |           |
| KERS Nonhazardous Pension Foreign Currency   | \$354,933 |
| KERS Nonhazardous Insurance Foreign Currency   | 204,865   |
| KERS Hazardous Pension Foreign Currency  | 119,039   |
| KERS Hazardous Insurance Foreign Currency  | 79,907    |
| SPRS   |           |
| SPRS Pension Foreign Currency  | 59,555    |
| SPRS Insurance Foreign Currency  | \$34,375  |

## Investment Summary - GASB 40 As of June 30, 2024 (\$ in Thousands)

| Investment Summary - GASB 40<br>As of June 30, 2024 (\$ in Thousands) |                    | Pension            |           |                  | Insurance          |                  |                  |
|---|--------------------|--------------------|-----------|------------------|--------------------|------------------|------------------|
|   |                    | KERS               | KERS      | SPRS             | KERS               | KERS             | SPRS             |
|   |                    | Nonhazardous       | Hazardous |                  | Nonhazardous       | Hazardous        |                  |
| Type  | Fair Value         | Fair Value         |           |                  | Fair Value         |                  |                  |
| Core Fixed Income   | \$1,096,029        | \$115,245          |           | \$166,303        | \$189,154          | \$75,625         | \$29,762         |
| Public Equities   | 1,347,282          | 431,605            |           | 205,635          | 708,372            | 284,692          | 114,446          |
| Private Equities  | 194,862            | 66,044             |           | 31,411           | 111,418            | 48,804           | 21,728           |
| Specialty Credit  | 785,092            | 229,560            |           | 123,774          | 375,074            | 151,347          | 61,598           |
| Derivatives   | (73)               | 9                  |           | (9)              | 10                 | (3)              | 3                |
| Real Return   | 349,425            | 79,738             |           | 56,205           | 135,580            | 45,489           | 18,475           |
| Real Estate   | 217,911            | 58,902             |           | 35,155           | 95,993             | 42,344           | 16,169           |
| Short-Term Investments  | 254,633            | 49,952             |           | 38,006           | 68,261             | 20,702           | 9,876            |
| Accounts Receivable (Payable), Net                                    | (36,760)           | (5,138)            |           | (5,678)          | (6,162)            | (1,566)          | (901)            |
| <b>Total</b>  | <b>\$4,208,401</b> | <b>\$1,025,917</b> |           | <b>\$650,802</b> | <b>\$1,677,700</b> | <b>\$667,434</b> | <b>\$271,156</b> |

## Credit Risk Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The debt security portfolios are managed by the Investment Staff and by external investment management firms. All portfolio managers are required by the KRS IPS to maintain diversified portfolios. Each portfolio is also required to be in compliance with risk management 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 the system's Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration or dollar duration except when the system's Investment Committee has determined a target duration to be used for an interim basis.
- The amount invested in the debt of a single corporation shall not exceed 5% of the total fair value of KRS' assets.
- No public Fixed Income manager shall invest more than 5% of the fair value of assets held in any single issue Short-Term instrument with the exception of U.S. Government issued, guaranteed or agency obligations.

As of June 30, 2024, the portfolio had \$559.5 million in debt securities rated below BBB- which does not include not rated (NR).

| Debt Securities - GASB 40  |                    |                  |                  |                  |                  |                 |
|--|--------------------|------------------|------------------|------------------|------------------|-----------------|
| As of June 30, 2024 (\$ in Thousands)  |                    |                  |                  |                  |                  |                 |
| Type   | Pension            |                  |                  | Insurance        |                  |                 |
|  | KERS               | KERS             | SPRS             | KERS             | KERS             | SPRS            |
|  | Nonhazardous       | Hazardous        |                  | Nonhazardous     | Hazardous        |                 |
| AAA  | \$59,615           | \$7,367          | \$9,189          | \$12,282         | \$4,295          | \$2,011         |
| AA+  | 2,945              | 504              | 474              | 651              | 154              | 123             |
| AA   | 3,776              | 735              | 620              | 1,108            | 242              | 214             |
| AA-  | 5,006              | 729              | 788              | 1,126            | 331              | 200             |
| A+   | 17,622             | 1,923            | 2,680            | 3,241            | 1,253            | 503             |
| A  | 19,049             | 2,165            | 2,913            | 3,536            | 1,314            | 576             |
| A-   | 41,692             | 4,458            | 6,336            | 7,168            | 2,817            | 1,137           |
| BBB+   | 52,907             | 6,052            | 8,097            | 9,693            | 3,621            | 1,557           |
| BBB  | 38,273             | 5,233            | 5,961            | 8,884            | 2,805            | 1,419           |
| BBB-   | 46,334             | 10,425           | 7,787            | 16,803           | 3,683            | 2,467           |
| BB+  | 31,438             | 9,490            | 6,042            | 15,826           | 3,246            | 2,002           |
| BB   | 45,057             | 13,652           | 8,740            | 24,088           | 5,440            | 2,562           |
| BB-  | 45,881             | 13,780           | 8,877            | 24,407           | 5,541            | 2,569           |
| B+   | 32,362             | 9,864            | 6,103            | 18,090           | 3,970            | 1,893           |
| B  | 43,960             | 13,236           | 8,046            | 24,893           | 5,546            | 2,418           |
| B-   | 34,468             | 10,197           | 6,424            | 19,013           | 4,371            | 1,829           |
| CCC+   | 15,030             | 4,358            | 2,977            | 7,817            | 1,885            | 794             |
| CCC  | 4,165              | 1,235            | 832              | 2,209            | 514              | 238             |
| CCC-   | 827                | 235              | 167              | 438              | 109              | 44              |
| D  | 134                | 41               | 22               | 95               | 20               | 9               |
| NR   | 861,190            | 175,299          | 123,788          | 274,974          | 142,639          | 52,586          |
| <b>Total Credit Risk Debt Securities</b>   | <b>1,401,731</b>   | <b>290,978</b>   | <b>216,863</b>   | <b>476,342</b>   | <b>193,796</b>   | <b>77,151</b>   |
| Government Agencies  | 9,360              | 1,283            | 1,462            | 2,268            | 718              | 393             |
| Government Mortgage-Backed Securities  | 196,411            | 21,114           | 29,866           | 35,246           | 13,832           | 5,596           |
| Government Issued Commercial Mortgage Backed   | 2,315              | 243              | 351              | 499              | 199              | 78              |
| Government Collateralized Mortgage Obligations   | 5,222              | 934              | 846              | 1,403            | 340              | 264             |
| Government Bonds   | 266,082            | 30,253           | 40,689           | 48,470           | 18,087           | 7,878           |
| <b>Total</b>   | <b>\$1,881,121</b> | <b>\$344,805</b> | <b>\$290,077</b> | <b>\$564,228</b> | <b>\$226,972</b> | <b>\$91,360</b> |
| <p><i>Note: These ratings are based on Standard &amp; Poor's (S&amp;P) Global Ratings. Where S&amp;P ratings are unavailable, equivalent Moody's Ratings are used as proxies.</i></p> <p><i>Differences due to rounding.</i></p> <p><i>Government Agencies, Government Mortgage-Backed Securities, Government Issued Commercial Mortgage Backed and Government Bonds are highly rated securities since they are backed by the US Government.</i></p> <p><i>The NR reported indicates a rating has not been assigned.</i></p> |                    |                  |                  |                  |                  |                 |

## Concentration of Credit Risk Debt Securities

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

## Interest Rate Risk

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



Below are the fair values and modified durations for the combined fixed income securities.

### Interest Rate Risk - Modified Duration - GASB 40 As of June 30, 2024 (\$ in Thousands)

| TYPE  | Pension            |                   |                  |                   | Insurance        |                   |                  |                   |
|---|--------------------|-------------------|------------------|-------------------|------------------|-------------------|------------------|-------------------|
|   | Fair Value         | Weighted Avg      | Fair Value       | Weighted Avg      | Fair Value       | Weighted Avg      | Fair Value       | Weighted Avg      |
|   |                    | Modified Duration |                  | Modified Duration |                  | Modified Duration |                  | Modified Duration |
|   | Nonhazardous       |                   | Hazardous        |                   | Nonhazardous     |                   | Hazardous        |                   |
| KERS  |                    |                   |                  |                   |                  |                   |                  |                   |
| Asset Backed Securities                           | \$57,829           | 2.71              | \$7,819          | 2.62              | \$13,749         | 2.40              | \$4,517          | 2.51              |
| Financial Institutions                            | 113,300            | 3.96              | 22,977           | 3.06              | 40,455           | 2.99              | 10,375           | 3.54              |
| Collateralized Mortgage Obligations               | 12,346             | 4.69              | 1,982            | 3.27              | 2,898            | 3.31              | 765              | 4.69              |
| Commercial Mortgage Backed Securities             | 8,840              | 4.12              | 1,367            | 3.85              | 2,216            | 3.90              | 635              | 4.15              |
| Corporate Bonds - Industrial                      | 305,027            | 4.37              | 75,630           | 3.66              | 132,021          | 3.56              | 31,606           | 3.94              |
| Corporate Bonds - Utilities                       | 52,742             | 5.12              | 7,496            | 4.75              | 13,167           | 4.68              | 4,294            | 4.91              |
| Agencies  | 9,360              | 4.85              | 1,283            | 4.61              | 2,268            | 4.56              | 718              | 4.75              |
| Government Bonds - Sovereign Debt                 | 2,652              | 10.64             | 410              | 8.98              | 674              | 9.95              | 191              | 11.45             |
| Mortgage Back Securities Pass-through - Not CMO's | 196,411            | 6.12              | 21,114           | 6.11              | 35,246           | 6.08              | 13,832           | 6.08              |
| Local Authorities - Municipal Bonds               | 12,258             | 7.42              | 2,219            | 8.48              | 3,304            | 8.31              | 800              | 7.14              |
| Supranational - Multi-National Bonds              | 590                | 2.51              | 289              | 2.51              | 378              | 2.60              | 16               | 2.60              |
| Treasuries  | 266,082            | 6.93              | 30,253           | 6.81              | 48,470           | 6.93              | 18,087           | 7.04              |
| Unclassified                                      | 843,684            | 0.08              | 171,966          | 0.13              | 269,382          | 0.15              | 141,136          | 0.05              |
| <b>Total</b>                                      | <b>\$1,881,121</b> | <b>2.97</b>       | <b>\$344,805</b> | <b>2.32</b>       | <b>\$564,228</b> | <b>2.50</b>       | <b>\$226,972</b> | <b>1.96</b>       |

### Interest Rate Risk - Modified Duration - GASB 40 As of June 30, 2024 (\$ in Thousands)

| TYPE  | Pension          |                   | Insurance       |                   |
|---|------------------|-------------------|-----------------|-------------------|
|   | Fair Value       | Weighted Avg      | Fair Value      | Weighted Avg      |
|   |                  | Modified Duration |                 | Modified Duration |
| SPRS  |                  |                   |                 |                   |
| Asset Backed Securities                           | \$8,904          | 2.71              | \$1,901         | 2.55              |
| Financial Institutions                            | 18,725           | 3.88              | 4,743           | 3.43              |
| Collateralized Mortgage Obligations               | 1,968            | 4.49              | 533             | 2.93              |
| Commercial Mortgage Backed Securities             | 1,402            | 4.09              | 398             | 3.83              |
| Corporate Bonds - Industrial                      | 55,109           | 4.27              | 15,276          | 3.88              |
| Corporate Bonds - Utilities                       | 8,427            | 5.07              | 1,867           | 4.82              |
| Agencies  | 1,462            | 4.82              | 393             | 4.49              |
| Government Bonds - Sovereign Debt                 | 421              | 10.41             | 121             | 9.49              |
| Mortgage Back Securities Pass-through - Not CMO's | 29,866           | 6.12              | 5,596           | 6.08              |
| Local Authorities - Municipal Bonds               | 1,989            | 7.59              | 621             | 8.61              |
| Supranational - Multi-National Bonds              | 121              | 2.51              | 86              | 2.60              |
| Treasuries  | 40,689           | 6.92              | 7,877           | 6.88              |
| Unclassified                                      | 120,994          | 0.09              | 51,948          | 0.08              |
| <b>Total</b>                                      | <b>\$290,077</b> | <b>3.07</b>       | <b>\$91,360</b> | <b>2.21</b>       |

## 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 - GASB 40

As of June 30, 2024 (\$ in Thousands)

|  | Pension            |                    |                  | Insurance          |                  |                  |
|--|--------------------|--------------------|------------------|--------------------|------------------|------------------|
|  | KERS               | KERS               | SPRS             | KERS               | KERS             | SPRS             |
|  | Nonhazardous       | Hazardous          |                  | Nonhazardous       | Hazardous        |                  |
| Australian Dollar                          | \$11,788           | \$4,002            | \$2,008          | \$7,040            | \$2,460          | \$1,138          |
| Brazilian Real                             | 6,103              | 2,088              | 1,043            | 3,708              | 1,282            | 602              |
| Canadian Dollar                            | 14,075             | 4,683              | 2,375            | 8,192              | 2,984            | 1,298            |
| Czech Koruna                               | 5                  | 2                  | 1                | 4                  | 2                | 1                |
| Danish Krone                               | 13,996             | 4,598              | 2,348            | 8,312              | 3,103            | 1,301            |
| Egyptian Pound                             | 141                | 46                 | 24               | 64                 | 24               | 10               |
| Euro                                       | 108,691            | 37,343             | 18,054           | 58,201             | 26,169           | 11,205           |
| Hong Kong Dollar                           | 24,431             | 8,026              | 4,099            | 14,390             | 5,372            | 2,252            |
| Hungarian Forint                           | 1,737              | 571                | 291              | 981                | 366              | 153              |
| Indian Rupee                               | 11,488             | 3,836              | 1,942            | 6,539              | 2,364            | 1,040            |
| Indonesian Rupiah                          | 6,146              | 2,178              | 1,068            | 3,572              | 1,130            | 602              |
| Israeli Shekel                             | 1,232              | 405                | 207              | 730                | 272              | 114              |
| Japanese Yen                               | 44,722             | 14,799             | 7,528            | 26,684             | 9,826            | 4,205            |
| Malaysian Ringgit                          | 383                | 188                | 79               | 236                | 10               | 53               |
| Mexican Peso                               | 1,596              | 551                | 274              | 969                | 329              | 159              |
| New Taiwan Dollar                          | 17,081             | 5,612              | 2,866            | 9,873              | 3,687            | 1,545            |
| New Zealand Dollar                         | (708)              | (348)              | (145)            | (454)              | (20)             | (103)            |
| Norwegian Krone                            | 1,154              | 532                | 229              | 708                | 70               | 152              |
| Philippine Peso                            | 539                | 264                | 110              | 345                | 15               | 78               |
| Pound Sterling                             | 38,318             | 12,590             | 6,430            | 22,909             | 8,549            | 3,586            |
| Singapore Dollar                           | 1,084              | 242                | 156              | 681                | 400              | 76               |
| South African Rand                         | 2,046              | 672                | 343              | 1,225              | 457              | 192              |
| South Korean Won                           | 12,361             | 4,162              | 2,098            | 7,759              | 2,769            | 1,241            |
| Swedish Krona                              | 5,928              | 1,947              | 994              | 3,666              | 1,369            | 574              |
| Swiss Franc                                | 25,319             | 8,317              | 4,248            | 15,410             | 5,753            | 2,412            |
| Thai Baht                                  | 3,319              | 1,090              | 557              | 1,930              | 721              | 302              |
| Turkish Lira                               | 1,437              | 472                | 241              | 860                | 321              | 135              |
| UAE Dirham                                 | 521                | 171                | 87               | 331                | 123              | 52               |
| <b>Total Foreign Investment Securities</b> | <b>354,933</b>     | <b>119,039</b>     | <b>59,555</b>    | <b>204,865</b>     | <b>79,907</b>    | <b>34,375</b>    |
| U.S. Dollar                                | 3,853,468          | 906,878            | 591,247          | 1,472,835          | 587,527          | 236,781          |
| <b>Total Investment Securities</b>         | <b>\$4,208,401</b> | <b>\$1,025,917</b> | <b>\$650,802</b> | <b>\$1,677,700</b> | <b>\$667,434</b> | <b>\$271,156</b> |

## 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.

## Fair Value Measurements and Application (GASB 72) Pension

### As of June 30, 2024 (\$ in Thousands)

| Asset Type                        | KERS Nonhazardous |           |          | Total       | KERS Hazardous |           |          | Total       | SPRS      |           |          | Total      |
|-----------------------------------|-------------------|-----------|----------|-------------|----------------|-----------|----------|-------------|-----------|-----------|----------|------------|
|                                   | Level             |           |          | Fair Value  | Level          |           |          | Fair Value  | Level     |           |          | Fair Value |
|                                   | 1                 | 2         | 3        |             | 1              | 2         | 3        |             | 1         | 2         | 3        |            |
| Public Equity                     |                   |           |          |             |                |           |          |             |           |           |          |            |
| Emerging Markets                  | \$55,743          | \$-       | \$-      | \$55,743    | \$18,312       | \$-       | \$-      | \$18,312    | \$9,353   | \$-       | \$-      | \$9,353    |
| US Equity                         | 828,448           | -         | -        | 828,448     | 264,683        | -         | -        | 264,683     | 126,498   | -         | -        | 126,498    |
| Non-US Equity                     | 336,028           | -         | -        | 336,028     | 110,388        | -         | -        | 110,388     | 56,380    | -         | -        | 56,380     |
| Total Public Equity               | 1,220,219         | -         | -        | 1,220,219   | 393,383        | -         | -        | 393,383     | 192,231   | -         | -        | 192,231    |
| Fixed Income                      |                   |           |          |             |                |           |          |             |           |           |          |            |
| Agencies                          | -                 | 2,557     | -        | 2,557       | -              | 269       | -        | 269         | -         | 388       | -        | 388        |
| Asset-Backed                      | -                 | 48,854    | -        | 48,854      | -              | 6,877     | -        | 6,877       | -         | 7,541     | -        | 7,541      |
| Bank & Finance                    | -                 | 57,226    | 84,838   | 142,064     | -              | 7,829     | 27,120   | 34,949      | -         | 9,026     | 14,210   | 23,236     |
| Cash & Cash Equivalent            | 4,049             | (149)     | -        | 3,900       | 426            | (18)      | -        | 408         | 615       | (23)      | -        | 592        |
| Corporate                         | 359,667           | 361,956   | 248      | 721,871     | 38,218         | 80,070    | 89       | 118,377     | 54,606    | 64,477    | 44       | 119,127    |
| Healthcare                        | -                 | 18,381    | -        | 18,381      | -              | 2,931     | -        | 2,931       | -         | 2,985     | -        | 2,985      |
| Insurance                         | -                 | 4,337     | -        | 4,337       | -              | 587       | -        | 587         | -         | 684       | -        | 684        |
| Municipals                        | -                 | 10,439    | -        | 10,439      | -              | 1,619     | -        | 1,619       | -         | 1,656     | -        | 1,656      |
| Sovereign Debt                    | -                 | 13,055    | -        | 13,055      | -              | 4,203     | -        | 4,203       | -         | 2,374     | -        | 2,374      |
| US Government                     | 262,723           | 203,148   | -        | 465,871     | 28,024         | 21,824    | -        | 49,848      | 39,919    | 30,888    | -        | 70,807     |
| Total Fixed Income                | 626,439           | 719,804   | 85,086   | 1,431,329   | 66,668         | 126,191   | 27,209   | 220,068     | 95,140    | 119,996   | 14,254   | 229,390    |
| Derivatives                       |                   |           |          |             |                |           |          |             |           |           |          |            |
| Futures                           | (118)             | -         | -        | (118)       | (13)           | -         | -        | (13)        | (18)      | -         | -        | (18)       |
| Foreign Exchange                  | 44                | -         | -        | 44          | 22             | -         | -        | 22          | 9         | -         | -        | 9          |
| Total Derivatives                 | (74)              | -         | -        | (74)        | 9              | -         | -        | 9           | (9)       | -         | -        | (9)        |
| Private Equity ETFs               | 45,337            | -         | -        | 45,337      | 9,331          | -         | -        | 9,331       | 15,583    | -         | -        | 15,583     |
| Real Estate ETFs                  | 29,277            | -         | -        | 29,277      | 11,711         | -         | -        | 11,711      | 3,904     | -         | -        | 3,904      |
| Real Return                       | 275,294           | -         | 11       | 275,305     | 62,494         | -         | 3        | 62,497      | 41,291    | -         | 1        | 41,292     |
| Total Investments at Fair Value   | 2,196,492         | 719,804   | 85,097   | 3,001,393   | 543,596        | 126,191   | 27,212   | 696,999     | 348,140   | 119,996   | 14,255   | 482,391    |
| Investments Measured at NAV       |                   |           |          |             |                |           |          |             |           |           |          |            |
| Specialty Credit                  | -                 | -         | -        | 475,127     | -              | -         | -        | 130,638     | -         | -         | -        | 65,060     |
| Private Equity                    | -                 | -         | -        | 149,949     | -              | -         | -        | 56,799      | -         | -         | -        | 15,969     |
| Real Estate                       | -                 | -         | -        | 188,932     | -              | -         | -        | 47,310      | -         | -         | -        | 31,291     |
| Real Return                       | -                 | -         | -        | 76,480      | -              | -         | -        | 17,755      | -         | -         | -        | 15,266     |
| Fixed Income                      | -                 | -         | -        | 41,214      | -              | -         | -        | 4,334       | -         | -         | -        | 6,254      |
| Non US Equity                     | -                 | -         | -        | 134,559     | -              | -         | -        | 40,684      | -         | -         | -        | 14,657     |
| Emerging Markets                  | -                 | -         | -        | 897         | -              | -         | -        | 295         | -         | -         | -        | 150        |
| US Equity                         | -                 | -         | -        | 6,972       | -              | -         | -        | 2,517       | -         | -         | -        | 1,291      |
| Total Investments Measured at NAV | -                 | -         | -        | 1,074,130   | -              | -         | -        | 300,332     | -         | -         | -        | 149,938    |
| Cash and Accruals                 | -                 | -         | -        | 132,878     | -              | -         | -        | 28,586      | -         | -         | -        | 18,473     |
| Total Investments                 | \$2,196,492       | \$719,804 | \$85,097 | \$4,208,401 | \$543,596      | \$126,191 | \$27,212 | \$1,025,917 | \$348,140 | \$119,996 | \$14,255 | \$650,802  |

*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.*

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

### Fair Value Measurements and Application (GASB 72) Pension As of June 30, 2024 (\$ in Thousands)

| Asset Type                               | KERS Nonhazardous  |                      |                      |                          | KERS Hazardous   |                      |                      |                          | SPRS             |                      |                      |                          |
|--|--------------------|----------------------|----------------------|--------------------------|------------------|----------------------|----------------------|--------------------------|------------------|----------------------|----------------------|--------------------------|
|  | Fair Value         | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value       | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value       | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit <sup>(1)</sup>          | \$475,127          | \$118,104            | Daily - Quarterly    | 90 Days                  | \$130,638        | \$30,951             | Daily - Quarterly    | 90 Days                  | \$65,060         | \$11,938             | Daily - Quarterly    | 90 Days                  |
| Real Estate <sup>(2)</sup>               | 188,932            | 35,507               |                      |                          | 47,310           | 10,262               |                      |                          | 31,291           | 4,285                |                      |                          |
| Real Return <sup>(3)</sup>               | 76,480             | 41,533               | Daily                | 30 - 60 Days             | 17,755           | 3,858                | Daily                | 30 - 60 Days             | 15,266           | 10,741               | Daily                | 30 - 60 Days             |
| Private Equity <sup>(4)</sup>            | 149,949            | 32,500               |                      |                          | 56,799           | 13,965               |                      |                          | 15,969           | 3,950                |                      |                          |
| Fixed Income <sup>(5)</sup>              | 41,214             | -                    | Daily                |                          | 4,334            | -                    | Daily                |                          | 6,254            | -                    | Daily                |                          |
| Non US Equity <sup>(5)</sup>             | 134,559            | -                    | Daily                |                          | 40,684           | -                    | Daily                |                          | 14,657           | -                    | Daily                |                          |
| Emerging Markets <sup>(5)</sup>          | 897                | -                    | Daily                |                          | 295              | -                    | Daily                |                          | 150              | -                    | Daily                |                          |
| US Equity <sup>(5)</sup>                 | 6,972              | -                    | Daily                |                          | 2,517            | -                    | Daily                |                          | 1,291            | -                    | Daily                |                          |
| <b>Total Investments Measured at NAV</b> | <b>\$1,074,130</b> | <b>\$227,644</b>     |                      |                          | <b>\$300,332</b> | <b>\$59,036</b>      |                      |                          | <b>\$149,938</b> | <b>\$30,914</b>      |                      |                          |

<sup>(1)</sup> This type includes 12 high yield 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. non-investment 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> This type includes 15 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.

<sup>(4)</sup> This type includes 30 managers with multiple strategies. These investments cannot be redeemed. Instead, the investments are distributed throughout the life of the investment. Distributions are received through the liquidation of the underlying assets of the fund. It is expected that each fund will remain invested for a period of 5 to 10 years. It is probable that all of the investments in this type will be sold at an amount different from the NAV per share of the Plan's ownership interest in partners' capital. Therefore, the fair values of the investment in this asset class have been determined using recent observable transaction information.

<sup>(5)</sup> This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.

## Fair Value Measurements and Application (GASB 72) Insurance

### As of June 30, 2024 (\$ 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       |
| <b>Public Equity</b>                     |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Emerging Markets                         | \$33,046          | \$-              | \$-             | \$33,046           | \$12,338         | \$-             | \$-             | \$12,338         | \$5,172          | \$-             | \$-            | \$5,172          |
| US Equity                                | 430,420           | -                | -               | 430,420            | 173,241          | -               | -               | 173,241          | 69,627           | -               | -              | 69,627           |
| Non-US Equity                            | 199,688           | -                | -               | 199,688            | 74,552           | -               | -               | 74,552           | 31,251           | -               | -              | 31,251           |
| <b>Total Public Equity</b>               | <b>663,154</b>    | <b>-</b>         | <b>-</b>        | <b>663,154</b>     | <b>260,131</b>   | <b>-</b>        | <b>-</b>        | <b>260,131</b>   | <b>106,050</b>   | <b>-</b>        | <b>-</b>       | <b>106,050</b>   |
| <b>Fixed Income</b>                      |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Agencies                                 | -                 | 517              | -               | 517                | -                | 207             | -               | 207              | -                | 82              | -              | 82               |
| Asset-Backed                             | -                 | 12,121           | -               | 12,121             | -                | 3,864           | -               | 3,864            | -                | 1,639           | -              | 1,639            |
| Bank & Finance                           | -                 | 12,185           | 51,729          | 63,914             | -                | 3,939           | 10,328          | 14,267           | -                | 1,916           | 5,037          | 6,953            |
| Cash & Cash Equivalent                   | 775               | 36               | -               | 811                | 310              | 1               | -               | 311              | 122              | 8               | -              | 130              |
| Corporate                                | 60,364            | 137,861          | 120             | 198,345            | 23,965           | 35,309          | 18              | 59,292           | 9,472            | 16,824          | 16             | 26,312           |
| Healthcare                               | -                 | 4,818            | -               | 4,818              | -                | 1,433           | -               | 1,433            | -                | 692             | -              | 692              |
| Insurance                                | -                 | 945              | -               | 945                | -                | 316             | -               | 316              | -                | 148             | -              | 148              |
| Municipals                               | -                 | 2,524            | -               | 2,524              | -                | 710             | -               | 710              | -                | 455             | -              | 455              |
| Sovereign Debt                           | -                 | 5,627            | -               | 5,627              | -                | 631             | -               | 631              | -                | 1,200           | -              | 1,200            |
| US Government                            | 45,739            | 36,645           | -               | 82,384             | 18,062           | 14,390          | -               | 32,452           | 7,240            | 5,817           | -              | 13,057           |
| <b>Total Fixed Income</b>                | <b>106,878</b>    | <b>213,279</b>   | <b>51,849</b>   | <b>372,006</b>     | <b>42,337</b>    | <b>60,800</b>   | <b>10,346</b>   | <b>113,483</b>   | <b>16,834</b>    | <b>28,781</b>   | <b>5,053</b>   | <b>50,668</b>    |
| <b>Derivatives</b>                       |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Futures                                  | (18)              | -                | -               | (18)               | (4)              | -               | -               | (4)              | (3)              | -               | -              | (3)              |
| Foreign Exchange                         | 27                | -                | -               | 27                 | 1                | -               | -               | 1                | 6                | -               | -              | 6                |
| <b>Total Derivatives</b>                 | <b>9</b>          | <b>-</b>         | <b>-</b>        | <b>9</b>           | <b>(3)</b>       | <b>-</b>        | <b>-</b>        | <b>(3)</b>       | <b>3</b>         | <b>-</b>        | <b>-</b>       | <b>3</b>         |
| <b>Private Equity ETFs</b>               |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Private Equity ETFs                      | 35,412            | -                | -               | 35,412             | -                | -               | -               | -                | -                | -               | -              | -                |
| <b>Real Estate ETFs</b>                  |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Real Estate ETFs                         | 19,511            | -                | -               | 19,511             | -                | -               | -               | -                | -                | -               | -              | -                |
| <b>Real Return</b>                       |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Real Return                              | 96,994            | -                | 3               | 96,997             | 31,070           | -               | 2               | 31,072           | 12,614           | -               | 1              | 12,615           |
| <b>Total Investments at Fair Value</b>   | <b>921,958</b>    | <b>213,279</b>   | <b>51,852</b>   | <b>1,187,089</b>   | <b>333,535</b>   | <b>60,800</b>   | <b>10,348</b>   | <b>404,683</b>   | <b>135,501</b>   | <b>28,781</b>   | <b>5,054</b>   | <b>169,336</b>   |
| <b>Investments Measured at NAV</b>       |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Specialty Credit                         | -                 | -                | -               | 202,578            | -                | -               | -               | 116,054          | -                | -               | -              | 41,860           |
| Private Equity                           | -                 | -                | -               | 76,358             | -                | -               | -               | 48,804           | -                | -               | -              | 21,728           |
| Real Estate                              | -                 | -                | -               | 76,688             | -                | -               | -               | 42,344           | -                | -               | -              | 16,169           |
| Real Return                              | -                 | -                | -               | 39,456             | -                | -               | -               | 14,727           | -                | -               | -              | 5,976            |
| Fixed Income                             | -                 | -                | -               | 5,778              | -                | -               | -               | 2,310            | -                | -               | -              | 909              |
| Non US Equity                            | -                 | -                | -               | 49,280             | -                | -               | -               | 26,088           | -                | -               | -              | 9,035            |
| Emerging Markets                         | -                 | -                | -               | 513                | -                | -               | -               | 192              | -                | -               | -              | 80               |
| US Equity                                | -                 | -                | -               | 4,271              | -                | -               | -               | 1,754            | -                | -               | -              | 709              |
| <b>Total Investments Measured at NAV</b> | <b>-</b>          | <b>-</b>         | <b>-</b>        | <b>454,922</b>     | <b>-</b>         | <b>-</b>        | <b>-</b>        | <b>252,273</b>   | <b>-</b>         | <b>-</b>        | <b>-</b>       | <b>96,466</b>    |
| <b>Cash and Accruals</b>                 |                   |                  |                 |                    |                  |                 |                 |                  |                  |                 |                |                  |
| Cash and Accruals                        | -                 | -                | -               | 35,689             | -                | -               | -               | 10,478           | -                | -               | -              | 5,354            |
| <b>Total Investments</b>                 | <b>\$921,958</b>  | <b>\$213,279</b> | <b>\$51,852</b> | <b>\$1,677,700</b> | <b>\$333,535</b> | <b>\$60,800</b> | <b>\$10,348</b> | <b>\$667,434</b> | <b>\$135,501</b> | <b>\$28,781</b> | <b>\$5,054</b> | <b>\$271,156</b> |

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.



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

### Fair Value Measurements and Application (GASB 72) Insurance As of June 30, 2024 (\$ in Thousands)

| Asset Type                               | KERS Nonhazardous |                      |                      |                          | KERS Hazardous   |                      |                      |                          | SPRS            |                      |                      |                          |
|--|-------------------|----------------------|----------------------|--------------------------|------------------|----------------------|----------------------|--------------------------|-----------------|----------------------|----------------------|--------------------------|
|  | Fair Value        | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value       | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Fair Value      | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
| Specialty Credit <sup>(1)</sup>          | \$202,578         | \$49,943             | Daily - Quarterly    | 90 Days                  | \$116,054        | \$14,100             | Daily - Quarterly    | 90 Days                  | \$41,860        | \$7,062              | Daily - Quarterly    | 90 Days                  |
| Real Estate <sup>(2)</sup>               | 76,688            | 11,870               |                      |                          | 42,344           | 8,868                |                      |                          | 16,169          | 3,389                |                      |                          |
| Real Return <sup>(3)</sup>               | 39,456            | 23,861               | Daily                | 30 - 60 Days             | 14,727           | 2,969                | Daily                | 30 - 60 Days             | 5,976           | 1,767                | Daily                | 30 - 60 Days             |
| Private Equity <sup>(4)</sup>            | 76,358            | 17,996               |                      |                          | 48,804           | 11,132               |                      |                          | 21,728          | 5,232                |                      |                          |
| Fixed Income <sup>(5)</sup>              | 5,778             | -                    | Daily                |                          | 2,310            | -                    | Daily                |                          | 909             | -                    | Daily                |                          |
| Non US Equity <sup>(5)</sup>             | 49,280            | -                    | Daily                |                          | 26,088           | -                    | Daily                |                          | 9,035           | -                    | Daily                |                          |
| Emerging Markets <sup>(5)</sup>          | 513               | -                    | Daily                |                          | 192              | -                    | Daily                |                          | 80              | -                    | Daily                |                          |
| US Equity <sup>(5)</sup>                 | 4,271             | -                    | Daily                |                          | 1,754            | -                    | Daily                |                          | 709             | -                    | Daily                |                          |
| <b>Total Investments Measured at NAV</b> | <b>\$454,922</b>  | <b>\$103,670</b>     |                      |                          | <b>\$252,273</b> | <b>\$37,069</b>      |                      |                          | <b>\$96,466</b> | <b>\$17,450</b>      |                      |                          |

<sup>(1)</sup> This type includes 12 high yield 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. non-investment 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> This type includes 15 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.

<sup>(4)</sup> This type includes 33 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.

<sup>(5)</sup> This type includes short-term commingled investment instruments issued by the US Government, Federal agencies, sponsored agencies or sponsored corporations.

## 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 Post-Employment Benefit Plans Other than Pension Plans*, KRS provides this additional disclosure regarding its money-weighted rate of return for the period of June 30, 2024. 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.

| Money-Weighted Rates of Return As of June 30, 2024 |                      |                |       |                      |                |        |
|--|----------------------|----------------|-------|----------------------|----------------|--------|
|  | Pension              |                |       | Insurance            |                |        |
|  | KERS<br>Nonhazardous | KERS Hazardous | SPRS  | KERS<br>Nonhazardous | KERS Hazardous | SPRS   |
| 2024   | 9.58%                | 11.17%         | 9.64% | 11.14%               | 11.12%         | 11.01% |

## Note E. Securities Lending Transactions

Kentucky Revised Statutes 61.650 and 386.020(2) permit the Systems to lend their securities to broker-dealers and other entities. KRS utilizes a securities lending program to temporarily lend securities to qualified agents in exchange for either cash collateral or other securities with an initial fair value of 102% or 105% of the value of the borrowed securities. The borrowers of the securities simultaneously agree to return the borrowed securities in exchange for the collateral. The types of securities lent include U.S. Treasuries, U.S. Agencies, U.S. Corporate Bonds, U.S. Equities, Global Fixed Income Securities, and Global Equities Securities. Securities Lending transactions are accounted for in accordance with GASB 28. The net earnings for KERS (Pension and Insurance combined) and SPRS (Pension and Insurance combined) was \$0.8 million and \$0.1 million, respectively.

The IPS does not address any restrictions on the amount of loans that can be made. As of June 30, 2024, 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, 2024, 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, 2024, the cash collateral received for the securities on loan for the KERS and SPRS Plans was \$183.2 million and \$22.4 million, respectively. The securities non-cash collateral received a total of \$78.5 million and \$9.6 million, respectively. The collateral volume of the total underlying securities was \$261.7 million for KERS and \$32.0 million for SPRS.

### Securities Lending Cash Collateral As of June 30, 2024 (\$ in Thousands)

| KERS Nonhazardous |           | KERS Hazardous |           | SPRS     |           | KRS Total |
|-------------------|-----------|----------------|-----------|----------|-----------|-----------|
| Pension           | Insurance | Pension        | Insurance | Pension  | Insurance | 2023      |
| \$109,246         | \$33,811  | \$26,629       | \$13,516  | \$16,923 | \$5,449   | \$205,574 |

## Note F. Risk of Loss

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

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

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

## Note G. Contingencies

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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

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The Internal Revenue Service (IRS) has ruled that KERS and SPRS qualify under Section 401(a) of the Internal Revenue Code are, generally, not subject to tax. KERS and SPRS are subject to income tax on any unrelated business income (UBI).

# Note I. Financial Report 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 64 are based on June 30, 2023, actuarial valuations, rolled forward to June 30, 2024. 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, 2024, in accordance with GASB *Statement No. 67*, paragraph 37, and GASB *Statement No. 74*, paragraph 41.

### Financial Report for Pension Plan (GASB 67)

#### Basis of Calculations

The Systems' actuary Gabriel, Roeder, Smith & Co.(GRS) completed reports by plan in compliance with GASB *Statement No. 67 Financial Reporting for Pension Plans*. The TPL, NPL, and sensitivity information are based on an actuarial valuation date of June 30, 2023. The TPL was rolled forward from the valuation date to the Plans' fiscal year ended June 30, 2024, using generally accepted actuarial principles. Information disclosed for years prior to June 30, 2017, were prepared by the prior actuary. GRS will provide separate reports at a later date with additional accounting information determined in accordance with GASB *Statement No. 68, Accounting and Financial Reporting for Pensions*.

#### Assumptions

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

- Investment Return - 6.25% for KERS Hazardous, 5.25% for KERS Nonhazardous and SPRS.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, and 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.

#### Plan Provisions

There have been no assumption, method or plan provision changes that would materially impact the total pension liability since June 30, 2023. 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. 67.

#### Discount Rate

Single discount rates of 5.25% for the KERS Nonhazardous plan, 6.25% for the KERS Hazardous plan, and 5.25% for SPRS were used to measure the total pension liability for the fiscal year ended June 30, 2024. These single discount rates were 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 ended, the pension plans' 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

These reports are 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, 2023, " 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, 2024.

## 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, 2024. 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, 2023. The total OPEB liability was rolled forward from the valuation date to the plan's fiscal year ended June 30, 2024, using generally accepted actuarial principles.

### Assumptions

The discount rates used to calculate the total OPEB liability increased for each plan since the prior year (see further discussion on the calculation of the single discount rates later in this section). The assumed increase in future health care cost, or trend assumption, was reviewed during the June 30, 2023, 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, 2024, is determined using these updated assumptions. It is GRS' opinion that these procedures are reasonable and appropriate, and comply with applicable requirements under GASB No. 74.

Below is a summary of the principal assumptions used for the June 30, 2023, actuarial valuation:

- Investment Return - 6.50% for all plans.
- Inflation - 2.50% for all plans.
- Salary Increases - 3.30% to 15.30% for KERS Nonhazardous, 3.55% to 20.05% for KERS Hazardous, 3.55% to 16.05% for SPRS, varies by service.
- Payroll Growth - 0.00% for all plans.
- Mortality - System-specific mortality table based on mortality experience from 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023.
- Health Care Trend Rates:
  - Pre-65 - Initial trend starting at 6.80% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.
  - Post-65 - Initial trend starting at 8.50% on January 1, 2025, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years. The 2024 premiums were known at the time of the valuation and were incorporated into the liability measurement.

### Plan Provisions

There have been no plan provision changes that would materially impact the total OPEB liability since June 30, 2023.

**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.

**Discount Rates**

The following single discount rates were used to measure the total OPEB liability for the fiscal year ended June 30, 2024.

| PLAN              | FISCAL YEAR 2024 | FISCAL YEAR 2023 | CHANGE IN RATE |
|-------------------|------------------|------------------|----------------|
| KERS Nonhazardous | 6.00%            | 5.94%            | 0.06%          |
| KERS Hazardous    | 5.99%            | 5.94%            | 0.05%          |
| SPRS              | 6.08%            | 6.02%            | 0.06%          |

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 3.97%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2024.

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 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 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<sup>1</sup>**

The reports are based upon information furnished to GRS by the KPPA, which includes benefit provisions, membership information, and financial data. GRS did not audit this data and information, but GRS applied 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, 2023,” 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, 2024.

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



## Target Asset Allocation

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

| Target Asset Allocation - Pension<br>As of June 30, 2024   |   |  |   |
|--|---|--|---|
| Asset Class  | KERS Nonhazardous<br>and SPRS Pension<br>Plans Target<br>Allocation | KERS Hazardous and<br>KRS Insurance Plans<br>Target Allocation | Long-Term Expected<br>Real Rate of Return |
| <b>Equity</b>  |   |  |   |
| Public Equity  | 40.00%  | 30.00%   | 4.15%                                     |
| Private Equity   | 8.00%   | 6.00%  | 9.10%                                     |
| <b>Fixed Income</b>  |   |  |   |
| Core Fixed Income  | 10.00%  | 27.00%   | 2.85%                                     |
| Specialty Credit   | 25.00%  | 20.00%   | 3.82%                                     |
| Cash   | 2.00%   | 2.00%  | 1.70%                                     |
| <b>Inflation Protected</b>   |   |  |   |
| Real Estate  | 7.00%   | 5.00%  | 4.90%                                     |
| Real Return  | 8.00%   | 10.00%   | 5.35%                                     |
| <b>Total</b>   | <b>100.00%</b>  | <b>100.00%</b>   |   |
| 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 2024) for each asset class. |   |  |   |

**Sensitivity of the NPL to Changes in the Discount Rate Fiscal Year 2024**  
**As of June 30, 2024 (\$ in Thousands)**

|                       | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS          |
|-----------------------|----------------------|-------------------|---------------|
|                       | Current 5.25%        | Current 6.25%     | Current 5.25% |
| 1% Decrease           | \$13,948,313         | \$541,741         | \$587,581     |
| Current Discount Rate | 12,049,666           | 373,761           | 449,842       |
| 1% Increase           | \$10,476,712         | \$238,565         | \$336,576     |

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Trend Rate**  
**As of June 30, 2024 (\$ in Thousands)**

|   | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS         |
|---|----------------------|-------------------|--------------|
|   | Single 6.00%         | Single 5.99%      | Single 6.08% |
| <b>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</b>                      |                      |                   |              |
| 1% Decrease   | \$999,036            | \$(181,350)       | \$34,067     |
| Single Discount Rate  | 723,049              | (235,131)         | 3,642        |
| 1% Increase   | \$489,746            | \$(279,694)       | \$(21,916)   |
| <b>Sensitivity of the Net OPEB Liability to Changes in the Current Healthcare Cost Trend Rate</b> |                      |                   |              |
| 1% Decrease   | \$536,314            | \$(266,478)       | \$(18,176)   |
| Current Healthcare Cost Trend Rate  | 723,049              | (235,131)         | 3,642        |
| 1% Increase   | \$939,316            | \$(198,505)       | \$29,059     |

**Development of Single Discount Rate for OPEB**  
**As of June 30, 2024**

|  | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS  |
|--|----------------------|-------------------|-------|
| <b>2024</b>                                  |                      |                   |       |
| Single Discount Rate                         | 6.00%                | 5.99%             | 6.08% |
| Long-Term Expected Rate of Return            | 6.50%                | 6.50%             | 6.50% |
| Long-Term Municipal Bond Rate <sup>(1)</sup> | 3.97%                | 3.97%             | 3.97% |

*Note: 1. Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024.*

**Schedule of Employers' NPL - KERS Nonhazardous**  
**As of June 30, 2024 (\$ in Thousands)**

|  |              |
|--|--------------|
| Total Pension Liability (TPL)                            | \$16,273,602 |
| Plan Fiduciary Net Position                              | \$4,223,936  |
| Net Pension Liability                                    | \$12,049,666 |
| Ratio of Plan Fiduciary Net Position to TPL              | 25.96%       |
| Covered Payroll <sup>(1)</sup>                           | \$1,912,421  |
| Net Pension Liability as a Percentage of Covered Payroll | 630.07%      |

## Schedule of Employers' NPL - KERS Hazardous

### As of June 30, 2024 (\$ in Thousands)

|  |             |
|--|-------------|
| Total Pension Liability (TPL)                            | \$1,393,651 |
| Plan Fiduciary Net Position                              | \$1,019,890 |
| Net Pension Liability                                    | \$373,761   |
| Ratio of Plan Fiduciary Net Position to TPL              | 73.18%      |
| Covered Payroll <sup>(1)</sup>                           | \$279,218   |
| Net Pension Liability as a Percentage of Covered Payroll | 133.86%     |

## Schedule of Employer's NPL - SPRS

### As of June 30, 2024 (\$ in Thousands)

|  |             |
|--|-------------|
| Total Pension Liability (TPL)                            | \$1,101,632 |
| Plan Fiduciary Net Position                              | \$651,790   |
| Net Pension Liability                                    | \$449,842   |
| Ratio of Plan Fiduciary Net Position to TPL              | 59.17%      |
| Covered Payroll <sup>(1)</sup>                           | \$71,964    |
| Net Pension Liability as a Percentage of Covered Payroll | 625.09%     |

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

## Schedule of the Employers' Net OPEB Liability

### As of June 30, 2024 (\$ in Thousands)

|                                  | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll | Net OPEB Liability as a Percentage of Covered Payroll |
|----------------------------------|----------------------|-----------------------------|----------------------------|---|-----------------|---|
| KERS Nonhazardous <sup>(1)</sup> | \$2,488,778          | \$1,765,729                 | \$723,049                  | 70.95%  | \$1,923,825     | 37.58%  |
| KERS Hazardous <sup>(2)</sup>    | 442,817              | 677,948                     | (235,131)                  | 153.10%   | 279,218         | (84.21)%  |
| SPRS Plan <sup>(1)</sup>         | \$277,159            | \$273,517                   | \$3,642                    | 98.69%  | \$71,992        | 5.06%   |

<sup>(1)</sup> Covered Payroll is based on derived compensation using the provided employer contribution information.

<sup>(2)</sup> Covered Payroll is based on derived compensation using the provided employer contribution information. For 2021, 2022, 2023, and 2024, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plans for FYE 2021, FYE 2022, FYE 2023, and FYE 2024.

# Note J. Legislation

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## 2024 Regular Session

The 2024 Regular Session of the Kentucky General Assembly adjourned on Monday, April 15, 2024. Highlights from the Session include the following:

### **BILLS OF DIRECT INTEREST TO KRS MEMBERS AND RETIREES**

#### **House Bill 99: The KPPA Housekeeping bill**

**House Bill 99** amends various sections of Kentucky Revised Statutes Chapters 16, 61, and 78 to make technical and housekeeping changes relating to administration of the systems, including renaming the position of internal auditor to Chief Auditor, providing that the death benefit of \$5,000 payable to a beneficiary of the member is not subject to garnishment, unless the beneficiary is the member's estate or there is an overpayment of benefits or outstanding balance owed to the system, makes modifications to the initial disability application review process, and other technical changes. "Housekeeping bill" is a slang term for typically noncontroversial legislation that "cleans up" statutes by clarifying their language or otherwise updating their content to align with changes in relevant federal or state law.

#### **House Bill 1: The "Rainy Day Fund" Appropriations bill**

**House Bill 1** allocates money from the Budget Reserve Trust Fund Account, commonly known as the state's "Rainy Day Fund," to be applied to the unfunded liability of the Kentucky Employees Retirement System (KERS) Nonhazardous Pension Plan and the State Police Retirement System (SPRS) (\$50 million and \$25 million each fiscal year, 2025 and 2026 respectively).

#### **House Bill 6: The State Executive Branch Budget bill**

**House Bill 6** is the State/Executive Branch budget bill for the biennium beginning July 1, 2024, through June 30, 2026. The budget includes the full actuarially determined employer contribution for the KERS and SPRS plans, and it allocates an additional \$250 million in each fiscal year to be paid toward the unfunded liability of the KERS Nonhazardous Pension Plan.

Neither House Bill 1 nor House Bill 6 contain a cost-of-living adjustment (COLA) or other form of supplemental payment (such as a "13th check") for retirees. This means there were no budget bills that contained a COLA or other form of supplemental payment for retirees in any of the KRS systems administered by KPPA.

#### **House Bill 277: Transfer Louisville and Jefferson County Public Defender Corporation employees to KERS**

**House Bill 277**: transfers employees of the Louisville and Jefferson County Public Defender Corporation to the Department of Public Advocacy (DPA) in the state personnel system, effective July 1, 2024. Employees that transfer to DPA will participate in KERS and their retirement tier will be determined based on the earlier of the membership date in a state-administered retirement system or the employment begin date with the Corporation.

#### **Senate Bill 299: Move the Horse Racing Commission to a quasi-governmental agency called the Kentucky Horse Racing and Gaming Corporation (HRGC) and abolish the Charitable Gaming Commission and merge it under the HRGC**

**Senate Bill 299** moves the Horse Racing Commission to a quasi-agency called the Kentucky Horse Racing and Gaming Corporation (HRGC), effective July 1, 2024. The following year, on July 1, 2025, the Charitable Gaming Commission will be abolished and merged under the HRGC. All eligible employees of the corporation will participate in the Kentucky Employees Retirement System (KERS) effective July 1, 2024. Current Horse Racing Commission employees will continue to participate in KERS under the new KHRGC, without interruption.

### **House Bill 635: Actuarial analysis assumptions and methods**

**House Bill 635** implements additional reporting requirements for actuarial analyses and expands the required supporting documentation and explanations of findings for fiscal and corrections impact statements.

### **State Senate Confirms Gubernatorial Appointments to the KRS Board**

State law requires that gubernatorial appointments to the KRS Board of Trustees receive Senate approval. On April 15, three (3) Senate Resolutions confirming Governor Andy Beshear's recent appointments to the KRS Board were unanimously adopted by a vote of 38-0:

1. **Senate Resolution 309**, sponsored by Senator Julie Raque Adams, confirmed the appointment of Mary G. Eaves to the KRS Board of Trustees for a term expiring June 21, 2027;
2. **Senate Resolution 310**, sponsored by Senator Julie Raque Adams, confirmed the reappointment of Caswell Prewitt Lane to the KRS Board of Trustees for a term expiring June 17, 2027; and
3. **Senate Resolution 313**, sponsored by Senator Julie Raque Adams, confirmed the reappointment of Pamela Fettig Thompson to the KRS Board of Trustees for a term expiring June 17, 2027.

The Resolutions only required Senate confirmation and did not need to be adopted in the House.

# Note K. Litigation

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## Seven Counties

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

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

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

On July 20, 2020, the Sixth Circuit Court of Appeals issued an Opinion stating that they affirmed their previous determination that Seven Counties was eligible to file a Chapter 11 bankruptcy case. The Sixth Circuit also reversed the conclusion that Seven Counties can reject its obligation to participate as an executory contract and that Seven Counties need not maintain its statutory contribution obligation during the pendency of the bankruptcy. The Sixth Circuit dismissed Seven Counties' cross appeal and remanded the case for further proceedings consistent with the opinion. KERS again filed a petition to have the Opinion regarding Seven Counties' ability to file a Chapter 11 bankruptcy Reheard En Banc by the entire Sixth Circuit. This petition was denied in an Order dated September 11, 2020. The case was remanded back to the Bankruptcy Court.

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

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

The Sixth Circuit Court of Appeals agreed with the District Court, ruling that the Bankruptcy Court order was not final and appealable. The Sixth Circuit did however instruct the Bankruptcy Court that it had construed the 2020 ruling too narrowly and returned the case to the Bankruptcy Court for "expeditious resolution of the remaining issues." KRS has moved the Bankruptcy Court to resolve the issue of ordering Seven Counties to pay the stipulated amount and to allow KRS to pursue collecting contributions from February 2015 forward outside of the Bankruptcy Court. These motions are pending.

## Mayberry

In December 2017, certain members and beneficiaries of the Kentucky Retirement Systems filed litigation (Mayberry et al v. KKR et al) against certain Hedge Fund Sellers, Investment, Actuarial and Fiduciary Advisors, Annual Report Certifiers, and certain (past and present) Kentucky Retirement Systems' Trustees and Officers in Franklin Circuit Court. The litigation alleges (in summary) that actuarial assumptions, fees, statements and disclosures harmed the financial status of the Retirement Systems. While Kentucky Retirement Systems is designated a "Defendant," that designation is a technical formality in so much as Kentucky Retirement Systems is a "nominal defendant." On April 20, 2018, the Kentucky Retirement Systems and the plaintiffs filed a joint notice with the Court advising that Kentucky Retirement Systems does not intend to challenge its status as a "nominal defendant." Since then, the Franklin Circuit Court ruled on various Defendants' Motions to Dismiss, denying nearly all of them. On January 10, 2019, KKR, Henry Kravis and George Roberts (collectively, "KKR Parties") amended their Answer to assert cross claims against Kentucky Retirement Systems. Certain Officer and Trustee Defendants appealed the denial of their Motion to Dismiss on immunity grounds to the Court of Appeals, and that appeal was transferred to the Kentucky Supreme Court. The hedge fund defendants filed a Petition for Writ of Prohibition in the Court of Appeals, arguing the Plaintiffs lacked standing to bring the action. That Petition was granted on April 23, 2019. Plaintiffs promptly appealed the Court of Appeals' decision to the Supreme Court of Kentucky. On July 9, 2020, the Supreme Court of Kentucky issued an Opinion stating that the plaintiffs, as beneficiaries of a defined-benefit plan who have received all of their vested benefits so far and are legally entitled to receive their benefits for the rest of their lives, do not have a concrete stake in this case and therefore lack standing to bring this claim. The case was remanded to the circuit court with directions to dismiss the complaint. Thereafter, plaintiffs filed a motion seeking to amend their complaint to add parties (Tier 3 members of the Retirement Systems) and claims that would purportedly correct the standing defect identified by the Supreme Court of Kentucky. Furthermore, the Attorney General of the Commonwealth of Kentucky sought leave to intervene in this action through a motion filed July 20, 2020, and an Intervening Complaint on July 22, 2020. The Defendants filed motions seeking to have the case dismissed. On December 28, 2020, Franklin Circuit Court issued an Order dismissing the Complaint filed by the Plaintiffs, denied Plaintiffs' Motion to file a Second Amended Complaint, and granted the Office of the Attorney General's Motion to Intervene. A variety of additional motions and pleadings were filed, including an original action by the Tier 3 Group. This original action is still in the initial stages and is pending with Franklin Circuit Court. (Tia Taylor, et al. v KKR & Co. L.P., et al.) On January 12, 2021, Franklin Circuit Court issued a scheduling Order granting the Attorney General until February 1, 2021 to file an Amended Intervening Complaint, granting the Tier 3 Group until February 11, 2021 to file a Motion to Intervene in this action. Additional extension orders were granted for the Attorney General intervention. The Attorney General filed an Amended Complaint on May 24, 2021. On June 14, 2021, the Tier 3 Group's Motion to Intervene in the Attorney General action was denied. In the spring of 2022, Franklin Circuit Judge Phillip Shepherd recused and this matter was assigned to Judge Thomas Wingate.

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

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

A number of related cases have also developed based on issues raised in the above referenced Mayberry action. There has been an action filed by a number of the Trustees and Officers named in Mayberry seeking reimbursement by Kentucky Retirement Systems of legal fees. Kentucky Retirement Systems has also filed an action against Hallmark Specialty Insurance seeking a declaratory judgment that Hallmark has a duty to defend and indemnify Kentucky Retirement Systems in the Mayberry action. Two of the hedge fund Defendants in the Mayberry action have also filed an action in the United States District Court for the Eastern District of Kentucky naming individual members of the former KRS Board of Trustees as Defendants. This action is seeking a judgment declaring that the Trustees violated Plaintiffs' right to due process as well as an award of costs and attorneys' fees. Three actions have also been filed in Delaware regarding the Mayberry action. One filed by Prisma Capital Partners and one filed by Blackstone Alternative Asset Management allege breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. The third was filed by Prisma Capital Partners against the Daniel Boone Fund, LLC. Additionally, an action has been filed by PAAMCO against Kentucky Retirement Systems in California also alleging breaches of warranties, representations and more relating to the Subscription Agreements signed by the Kentucky Retirement Systems. Finally, on August 2, 2021, Blackstone Alternative Asset Management, L.P. (BAAM) filed an action against the Kentucky Public Pensions Authority, the Board of Trustees of the Kentucky Retirement Systems, the Board of Trustees of the County Employees Retirement System, the Kentucky Retirement Systems Insurance Fund, and the Kentucky Retirement Systems Pension Fund



(collectively “Defendants”) for breach of contract. The Defendants filed a Motion to Dismiss on September 8, 2021. The last of these additional actions, the suit filed by BAAM, was dismissed by Franklin Circuit Court. The Court of Appeals upheld the dismissal, and BAAM is seeking Discretionary Review by the Supreme Court. The rest of these cases remain active in various stages of litigation.

### **Bayhills**

In 2018, Kentucky Retirement Systems sued Bayhills for breach of contract seeking to terminate Bayhills as investment managers. Kentucky Retirement Systems filed the suit in Franklin Circuit Court, but Bayhills removed it to federal district court. Kentucky Retirement Systems successfully had the case remanded back to state court. The case is now pending before Franklin Circuit Court. The Court entered an injunction preventing Bayhills from paying themselves management and other fees during the litigation. Bayhills has appealed this ruling to the Court of Appeals. The Court of Appeals and the Kentucky Supreme Court denied Bayhills their requested relief on appeal. Litigation is still 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. This litigation is ongoing.

### **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 Agreement**

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In accordance with Kentucky Revised Statutes 61.702, KRS has reciprocity agreements with County Employees Retirement System (CERS), Teachers’ Retirement System of Kentucky (TRS) and Judicial Form Retirement System (JFRS) for the payment of insurance benefits for those members who have creditable service in KERS, SPRS and CERS, TRS and/or JFRS systems.

# Note M. Reimbursement of Retired Re-Employed Health Insurance, Active Member Health Insurance Contributions, and Retired Re-Employed Employer Contributions

## Reimbursement of Retired Re-Employed Health Insurance

If a retiree is re-employed 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 re-employ 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, 2024, the reimbursement totaled \$9.4 million. Please see the chart below for the breakdown.

## 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, 2024, members paid into the Insurance Plans \$13.1 million. Please see the chart below for the breakdown.

## Retired Re-Employed 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 re-employed members. These are reported within the employer contributions on the financial statements. Exceptions for retired members who re-employ 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.

| Retired Reemployed Healthcare Contributions As of June 30, 2024 (\$ in Thousands) | KERS         |           | SPRS | KRS Total |
|---|--------------|-----------|------|-----------|
|   | Nonhazardous | Hazardous |      |           |
| Amount  | \$7,484      | \$1,865   | \$5  | \$9,354   |

| Member Health Insurance Contributions As of June 30, 2024 (\$ in Thousands) | KERS         |           | SPRS  | KRS Total |
|---|--------------|-----------|-------|-----------|
|   | Nonhazardous | Hazardous |       |           |
| Amount  | \$10,585     | \$2,086   | \$396 | \$13,067  |

# Note N. General Fund Appropriations

During the 2022 Regular Session of the Kentucky General Assembly, HB1 allocated an additional \$485 million in general fund dollars to the KERS Nonhazardous Plan and the SPRS Plan. This amount included \$215 million in FY 2021-2022 for the SPRS Pension Plan to be applied to the unfunded liability, which immediately lowered the SPRS contribution rate from 146.06% to 99.43% for the 2022-2023 fiscal year. The rest of the \$485 million consisted of \$135 million in each fiscal year of the biennium (2023 and 2024) for the KERS Nonhazardous Pension Plan to be applied to the unfunded liability. Also, House Bill 604 allocated \$105 million in fiscal year 2023 and fiscal year 2024 to be applied to the unfunded liability of the KERS Nonhazardous Pension Plan.

| General Fund Appropriations (\$ in Thousands) |                      |                  |                  |
|---|----------------------|------------------|------------------|
| Fiscal Year                                   | KERS<br>Nonhazardous | SPRS             | KRS Total        |
| 2021-2022                                     | \$-                  | \$215,000        | \$215,000        |
| 2022-2023                                     | \$240,000            | \$-              | \$240,000        |
| 2023-2024                                     | \$240,000            | \$-              | \$240,000        |
| <b>Total</b>                                  | <b>\$480,000</b>     | <b>\$215,000</b> | <b>\$695,000</b> |

# Note O. Prisma Daniel Boone Fund

The funds invested with Prisma Daniel Boone Fund continue to be held in a contingency reserve to cover potential obligations arising from the Mayberry Action (see Note K for details of Mayberry Case). The total reported in reserve as of June 30, 2024, is \$25.8 million for the Pension Plans and \$12.9 million for the Insurance Plan. This is based on the May 31, 2024, report because Absolute Return managers are reported on a one month lag.

# Note P. Subsequent Events

Management has evaluated the period June 30, 2024, to December 5, 2024, (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

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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 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, 2024, were \$47.3 million, of which \$16.9 million was allocated to KRS based on the hybrid allocation developed by the KPPA Board, the KRS Board, and the CERS Board.

# REQUIRED SUPPLEMENTARY INFORMATION

## INCLUDING GASB 67 AND 74

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| 65 | Schedule of Changes in Employers' Total Pension Liability |
| 68 | Notes to Schedule of Employers' Contributions             |
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| 78 | Money Weighted Rates of Return                            |
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| 79 | Schedule of Professional Consultant Fees                  |
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**Schedule of Employers' NPL - KERS Nonhazardous Pension**  
**As of June 30 (\$ in Thousands)**

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Pension Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll <sup>(1)</sup> | Net Pension Liability as a Percentage of Covered Payroll |
|------|-------------------------------|-----------------------------|-----------------------|---|--------------------------------|--|
| 2024 | \$16,273,602                  | \$4,223,936                 | \$12,049,666          | 25.96%                                      | \$1,912,421                    | 630.07%  |
| 2023 | 15,858,669                    | 3,539,943                   | 12,318,726            | 22.32%                                      | 1,648,318                      | 747.35%  |
| 2022 | 16,281,188                    | 3,013,845                   | 13,267,343            | 18.51%                                      | 1,432,960                      | 925.87%  |
| 2021 | 16,335,657                    | 3,018,660                   | 13,316,997            | 18.48%                                      | 1,441,337                      | 923.93%  |
| 2020 | 16,472,733                    | 2,308,080                   | 14,164,653            | 14.01%                                      | 1,476,156                      | 959.56%  |
| 2019 | 16,356,674                    | 2,233,672                   | 14,123,002            | 13.66%                                      | 1,485,854                      | 950.50%  |
| 2018 | 15,608,221                    | 2,004,446                   | 13,603,775            | 12.84%                                      | 1,509,955                      | 900.94%  |
| 2017 | 15,445,206                    | 2,056,870                   | 13,388,336            | 13.32%                                      | 1,602,396                      | 835.52%  |
| 2016 | 13,379,781                    | 1,980,292                   | 11,399,489            | 14.80%                                      | 1,631,025                      | 698.92%  |
| 2015 | \$12,359,673                  | \$2,327,783                 | \$10,031,890          | 18.83%                                      | \$1,544,234                    | 649.64%  |

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

**Schedule of Employers' NPL - KERS Hazardous Pension**  
**As of June 30 (\$ in Thousands)**

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Pension Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll <sup>(1)</sup> | Net Pension Liability as a Percentage of Covered Payroll |
|------|-------------------------------|-----------------------------|-----------------------|---|--------------------------------|--|
| 2024 | \$1,393,651                   | \$1,019,890                 | \$373,761             | 73.18%                                      | \$279,218                      | 133.86%  |
| 2023 | 1,316,521                     | 893,533                     | 422,988               | 67.87%                                      | 223,922                        | 188.90%  |
| 2022 | 1,318,494                     | 810,978                     | 507,516               | 61.51%                                      | 188,648                        | 269.03%  |
| 2021 | 1,311,767                     | 866,140                     | 445,627               | 66.03%                                      | 172,725                        | 258.00%  |
| 2020 | 1,251,027                     | 690,350                     | 560,677               | 55.18%                                      | 171,840                        | 326.28%  |
| 2019 | 1,227,226                     | 680,932                     | 546,294               | 55.49%                                      | 160,600                        | 340.16%  |
| 2018 | 1,150,610                     | 645,485                     | 505,125               | 56.10%                                      | 152,936                        | 330.29%  |
| 2017 | 1,098,630                     | 601,529                     | 497,101               | 54.75%                                      | 178,511                        | 278.47%  |
| 2016 | 919,517                       | 527,879                     | 391,638               | 57.41%                                      | 158,828                        | 246.58%  |
| 2015 | \$895,433                     | \$552,468                   | \$342,965             | 61.70%                                      | \$128,680                      | 266.53%  |

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

**Schedule of Employer's NPL - SPRS Pension**  
**As of June 30 (\$ in Thousands)**

| Year | Total Pension Liability (TPL) | Plan Fiduciary Net Position | Net Pension Liability | Ratio of Plan Fiduciary Net Position to TPL | Covered Payroll <sup>(1)</sup> | Net Pension Liability as a Percentage of Covered Payroll |
|------|-------------------------------|-----------------------------|-----------------------|---|--------------------------------|--|
| 2024 | \$1,101,632                   | \$651,790                   | \$449,842             | 59.17%                                      | \$71,964                       | 625.09%  |
| 2023 | 1,039,813                     | 591,514                     | 448,299               | 56.89%                                      | 65,693                         | 682.42%  |
| 2022 | 1,057,752                     | 551,699                     | 506,053               | 52.16%                                      | 48,061                         | 1,052.94%  |
| 2021 | 1,055,824                     | 356,346                     | 699,478               | 33.75%                                      | 47,873                         | 1,461.11%  |
| 2020 | 1,049,237                     | 293,949                     | 755,288               | 28.02%                                      | 49,019                         | 1,540.81%  |
| 2019 | 1,035,000                     | 286,165                     | 748,835               | 27.65%                                      | 49,515                         | 1,512.34%  |
| 2018 | 969,622                       | 267,572                     | 702,050               | 27.60%                                      | 50,346                         | 1,394.45%  |
| 2017 | 943,271                       | 255,737                     | 687,534               | 27.11%                                      | 54,065                         | 1,271.68%  |
| 2016 | 795,421                       | 218,012                     | 577,409               | 27.41%                                      | 46,685                         | 1,236.82%  |
| 2015 | \$734,156                     | \$247,228                   | \$486,928             | 33.68%                                      | \$45,765                       | 1,063.97%  |

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

## Schedule of Changes in Employers' TPL - KERS Nonhazardous As of June 30 (\$ in Thousands)

| Total Pension Liability (TPL)                                   | 2024                | 2023                | 2022                | 2021                | 2020                | 2019                | 2018                | 2017                    | 2016                | 2015                |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|---------------------|---------------------|
| Service Cost  | \$184,567           | \$163,563           | \$165,616           | \$171,472           | \$179,702           | \$184,988           | \$195,681           | \$143,858               | \$139,631           | \$143,847           |
| Interest  | 805,180             | 827,579             | 830,440             | 838,084             | 832,178             | 793,163             | 785,123             | 870,725                 | 891,897             | 859,509             |
| Benefit Changes   | -                   | 2,024               | -                   | 2,091               | -                   | -                   | 9,624               | -                       | -                   | -                   |
| Difference between Expected and Actual Experience               | 469,003             | 310,954             | (15,034)            | (130,268)           | 115,515             | 70,529              | 153,565             | (134,379)               | -                   | 30,958              |
| Changes of Assumptions  | -                   | (691,088)           | -                   | -                   | -                   | 700,464             | -                   | 2,145,530               | 923,999             | 694,592             |
| Benefit Payments  | (1,043,817)         | (1,035,551)         | (1,035,491)         | (1,018,455)         | (1,011,336)         | (1,000,691)         | (980,978)           | (960,309)               | (935,419)           | (919,343)           |
| <b>Net Change in TPL</b>  | <b>414,933</b>      | <b>(422,519)</b>    | <b>(54,469)</b>     | <b>(137,076)</b>    | <b>116,059</b>      | <b>748,453</b>      | <b>163,015</b>      | <b>2,065,425</b>        | <b>1,020,108</b>    | <b>809,563</b>      |
| <b>TPL – Beginning</b>  | <b>15,858,669</b>   | <b>16,281,188</b>   | <b>16,335,657</b>   | <b>16,472,733</b>   | <b>16,356,674</b>   | <b>15,608,221</b>   | <b>15,445,206</b>   | <b>13,379,781</b>       | <b>12,359,673</b>   | <b>11,550,110</b>   |
| <b>TPL – Ending (a)</b>   | <b>\$16,273,602</b> | <b>\$15,858,669</b> | <b>\$16,281,188</b> | <b>\$16,335,657</b> | <b>\$16,472,733</b> | <b>\$16,356,674</b> | <b>\$15,608,221</b> | <b>\$15,445,206</b>     | <b>\$13,379,781</b> | <b>\$12,359,673</b> |
| <b>Plan Fiduciary Net Position <sup>(1)</sup></b>               |                     |                     |                     |                     |                     |                     |                     |                         |                     |                     |
| Contributions – Employer Other <sup>(6)</sup>                   | 1,295,695           | \$1,275,007         | \$1,116,869         | \$1,134,232         | \$948,592           | \$1,035,462         | \$689,143           | \$757,121               | \$513,084           | \$521,691           |
| Contributions – Member <sup>(2)</sup>                           | 96,615              | 84,579              | 89,607              | 90,202              | 96,594              | 93,759              | 104,972             | 100,543                 | 106,494             | 104,606             |
| Refunds of Contributions  | (11,693)            | (11,847)            | (12,116)            | (8,953)             | (11,523)            | (12,342)            | (13,603)            | (11,819)                | (12,130)            | (13,552)            |
| Retirement Benefit  | (1,032,124)         | (1,023,704)         | (1,023,375)         | (1,009,502)         | (999,813)           | (988,349)           | (967,375)           | (948,490)               | (923,288)           | (905,791)           |
| Net Investment Income <sup>(2)</sup>                            | 349,628             | 215,880             | (162,461)           | 516,223             | 52,499              | 112,371             | 144,881             | 220,985                 | (20,663)            | 44,570              |
| Administrative Expense  | (14,128)            | (13,817)            | (13,339)            | (11,622)            | (11,941)            | (11,712)            | (10,692)            | (10,957)                | (10,989)            | (10,474)            |
| Other   | -                   | -                   | -                   | -                   | -                   | 37 <sup>(5)</sup>   | 301 <sup>(5)</sup>  | (30,805) <sup>(4)</sup> | -                   | 8,442               |
| <b>Net Change in Fiduciary Net Position</b>                     | <b>683,993</b>      | <b>526,098</b>      | <b>(4,815)</b>      | <b>710,580</b>      | <b>74,408</b>       | <b>229,226</b>      | <b>(52,373)</b>     | <b>76,578</b>           | <b>(347,491)</b>    | <b>(250,508)</b>    |
| <b>Plan Fiduciary Net Position – Beginning</b>                  | <b>3,539,943</b>    | <b>3,013,845</b>    | <b>3,018,660</b>    | <b>2,308,080</b>    | <b>2,233,672</b>    | <b>2,004,446</b>    | <b>2,056,870</b>    | <b>1,980,292</b>        | <b>2,327,783</b>    | <b>2,578,291</b>    |
| <b>Prior Year Adjustment</b>                                    | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>-</b>            | <b>(51)</b>         | <b>-</b>                | <b>-</b>            | <b>-</b>            |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                 | <b>4,223,936</b>    | <b>3,539,943</b>    | <b>3,013,845</b>    | <b>3,018,660</b>    | <b>2,308,080</b>    | <b>2,233,672</b>    | <b>2,004,446</b>    | <b>2,056,870</b>        | <b>1,980,292</b>    | <b>2,327,783</b>    |
| <b>Net Pension Liability – Ending (a) – (b)</b>                 | <b>\$12,049,666</b> | <b>\$12,318,726</b> | <b>\$13,267,343</b> | <b>\$13,316,997</b> | <b>\$14,164,653</b> | <b>\$14,123,002</b> | <b>\$13,603,775</b> | <b>\$13,388,336</b>     | <b>\$11,399,489</b> | <b>\$10,031,890</b> |
| Plan Fiduciary Net Position as a Percentage                     | 25.96%              | 22.32%              | 18.51%              | 18.48%              | 14.01%              | 13.66%              | 12.84%              | 13.32%                  | 14.80%              | 18.83%              |
| Covered Payroll <sup>(3)</sup>                                  | \$1,912,421         | \$1,648,318         | \$1,432,960         | \$1,441,337         | \$1,476,156         | \$1,485,854         | \$1,509,955         | \$1,602,396             | \$1,631,025         | \$1,544,234         |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b> | <b>630.07%</b>      | <b>747.35%</b>      | <b>925.87%</b>      | <b>923.93%</b>      | <b>959.56%</b>      | <b>950.50%</b>      | <b>900.94%</b>      | <b>835.52%</b>          | <b>698.92%</b>      | <b>649.64%</b>      |

<sup>(1)</sup> Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$73,635,000 as of June 30, 2024.

<sup>(2)</sup> Does not include 401(h) contributions or associated investment income for fiscal year 2017 and later. For fiscal year 2024 401(h) contributions equaled \$(18,000); and associated investment return equaled \$6,390,000.

<sup>(3)</sup> Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

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

<sup>(5)</sup> Northern Trust Settlement.



## Schedule of Changes in Employers' TPL - KERS Hazardous As of June 30 (\$ in Thousands)

| <b>Total Pension Liability (TPL)</b>                            | <b>2024</b>        | <b>2023</b>        | <b>2022</b>        | <b>2021</b>        | <b>2020</b>        | <b>2019</b>        | <b>2018</b>        | <b>2017</b>            | <b>2016</b>      | <b>2015</b>      |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|------------------------|------------------|------------------|
| Service Cost  | \$32,732           | \$26,852           | \$26,885           | \$28,450           | \$25,568           | \$27,117           | \$28,641           | \$21,081               | \$20,751         | \$18,729         |
| Interest  | 79,637             | 79,822             | 79,422             | 75,743             | 74,357             | 69,657             | 66,536             | 66,589                 | 64,851           | 61,005           |
| Benefit Changes   | -                  | -                  | -                  | 26                 | -                  | -                  | 705                | -                      | -                | -                |
| Difference between Expected and Actual Experience               | 49,423             | (1,773)            | (17,557)           | 34,789             | (1,095)            | 1,395              | 24,215             | 26,902                 | -                | 6,067            |
| Changes of Assumptions  | -                  | (24,197)           | -                  | -                  | -                  | 50,658             | -                  | 127,878                | -                | 52,165           |
| Benefit Payments  | (84,662)           | (82,677)           | (82,023)           | (78,268)           | (75,029)           | (72,211)           | (68,117)           | (63,338)               | (61,518)         | (59,383)         |
| <b>Net Change in TPL</b>  | <b>77,130</b>      | <b>(1,973)</b>     | <b>6,727</b>       | <b>60,740</b>      | <b>23,801</b>      | <b>76,616</b>      | <b>51,980</b>      | <b>179,112</b>         | <b>24,084</b>    | <b>78,583</b>    |
| <b>TPL – Beginning</b>  | <b>1,316,521</b>   | <b>1,318,494</b>   | <b>1,311,767</b>   | <b>1,251,027</b>   | <b>1,227,226</b>   | <b>1,150,610</b>   | <b>1,098,630</b>   | <b>919,517</b>         | <b>895,433</b>   | <b>816,850</b>   |
| <b>TPL – Ending (a)</b>   | <b>\$1,393,651</b> | <b>\$1,316,521</b> | <b>\$1,318,494</b> | <b>\$1,311,767</b> | <b>\$1,251,027</b> | <b>\$1,227,226</b> | <b>\$1,150,610</b> | <b>\$1,098,630</b>     | <b>\$919,517</b> | <b>\$895,433</b> |
| <b>Plan Fiduciary Net Position <sup>(1)</sup></b>               |                    |                    |                    |                    |                    |                    |                    |                        |                  |                  |
| Contributions – Employer  | \$89,899           | \$72,807           | \$59,055           | \$62,200           | \$59,115           | \$55,259           | \$43,661           | \$52,974               | \$23,759         | \$28,536         |
| Contributions - Member <sup>(2)</sup>                           | 21,568             | 17,459             | 20,588             | 19,961             | 19,769             | 17,118             | 17,891             | 17,524                 | 15,739           | 13,207           |
| Refunds of Contributions  | (4,133)            | (4,041)            | (4,976)            | (4,380)            | (3,168)            | (2,684)            | (2,501)            | (2,106)                | (2,211)          | (2,610)          |
| Retirement Benefit  | (80,529)           | (78,636)           | (77,047)           | (73,888)           | (71,861)           | (69,527)           | (65,616)           | (61,231)               | (59,306)         | (56,773)         |
| Net Investment Income <sup>(2)</sup>                            | 101,135            | 76,479             | (51,317)           | 173,152            | 6,739              | 36,380             | 51,467             | 70,994                 | (1,653)          | 8,701            |
| Administrative Expense  | (1,583)            | (1,513)            | (1,465)            | (1,255)            | (1,176)            | (1,103)            | (975)              | (919)                  | (916)            | (844)            |
| Other   | -                  | -                  | -                  | -                  | -                  | 4 <sup>(5)</sup>   | 33 <sup>(5)</sup>  | (3,586) <sup>(4)</sup> | -                | 767              |
| <b>Net Change in Plan Fiduciary Net Position</b>                | <b>126,357</b>     | <b>82,555</b>      | <b>(55,162)</b>    | <b>175,790</b>     | <b>9,418</b>       | <b>35,447</b>      | <b>43,960</b>      | <b>73,650</b>          | <b>(24,588)</b>  | <b>(9,016)</b>   |
| <b>Plan Fiduciary Net Position – Beginning</b>                  | <b>893,533</b>     | <b>810,978</b>     | <b>866,140</b>     | <b>690,350</b>     | <b>680,932</b>     | <b>645,485</b>     | <b>601,529</b>     | <b>527,879</b>         | <b>552,468</b>   | <b>561,484</b>   |
| <b>Prior Year Adjustment</b>                                    | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>(4)</b>         | <b>-</b>               | <b>-</b>         | <b>-</b>         |
| <b>Fiduciary Net Position – Ending (b)</b>                      | <b>1,019,890</b>   | <b>893,533</b>     | <b>810,978</b>     | <b>866,140</b>     | <b>690,350</b>     | <b>680,932</b>     | <b>645,485</b>     | <b>601,529</b>         | <b>527,879</b>   | <b>552,468</b>   |
| <b>Net Pension Liability – Ending (a) – (b)</b>                 | <b>\$373,761</b>   | <b>\$422,988</b>   | <b>\$507,516</b>   | <b>\$445,627</b>   | <b>\$560,677</b>   | <b>\$546,294</b>   | <b>\$505,125</b>   | <b>\$497,101</b>       | <b>\$391,638</b> | <b>\$342,965</b> |
| Plan Fiduciary Net Position as a Percentage                     | 73.18%             | 67.87%             | 61.51%             | 66.03%             | 55.18%             | 55.49%             | 56.10%             | 54.75%                 | 57.41%           | 61.70%           |
| Covered Payroll <sup>(3)</sup>                                  | \$279,218          | \$223,922          | \$188,648          | \$172,725          | \$171,840          | \$160,600          | \$152,936          | \$178,511              | \$158,828        | \$128,680        |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b> | <b>133.86%</b>     | <b>188.90%</b>     | <b>269.03%</b>     | <b>258.00%</b>     | <b>326.28%</b>     | <b>340.16%</b>     | <b>330.29%</b>     | <b>278.47%</b>         | <b>246.58%</b>   | <b>266.53%</b>   |

<sup>(1)</sup> Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$10,031,000 as of June 30, 2024.

<sup>(2)</sup> Does not include 401(h) contributions or associated investment income for fiscal years 2017 and later. For fiscal years 2024, 401(h) contributions equaled \$(8,000); and associated investment return equaled \$1,005,000.

<sup>(3)</sup> Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

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

<sup>(5)</sup> Northern Trust Settlement.

**Schedule of Changes in Employer's TPL - SPRS**  
**As of June 30 (\$ in Thousands)**

| <b>Total Pension Liability (TPL)</b>                            | <b>2024</b>        | <b>2023</b>        | <b>2022</b>        | <b>2021</b>        | <b>2020</b>        | <b>2019</b>        | <b>2018</b>       | <b>2017</b>          | <b>2016</b>      | <b>2015</b>      |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|-------------------|----------------------|------------------|------------------|
| Service Cost  | \$18,243           | \$13,229           | \$12,158           | \$12,530           | \$13,192           | \$11,726           | \$11,890          | \$8,297              | \$8,402          | \$7,695          |
| Interest  | 52,909             | 53,853             | 53,740             | 53,417             | 52,697             | 49,301             | 47,978            | 51,769               | 52,951           | 50,661           |
| Benefit Changes   | -                  | -                  | 3,130              | 35                 | -                  | -                  | 184               | -                    | -                | -                |
| Difference between Expected and Actual Experience               | 54,711             | 10,204             | (2,700)            | 4,127              | 10,859             | 20,952             | 25,126            | 8,143                | -                | 9,331            |
| Changes of Assumptions  | -                  | (31,255)           | -                  | 0                  | -                  | 44,510             | -                 | 136,602              | 56,191           | 40,201           |
| Benefit Payments  | (64,044)           | (63,970)           | (64,400)           | (63,522)           | (62,511)           | (61,111)           | (58,827)          | (56,960)             | (56,279)         | (54,850)         |
| <b>Net Change in TPL</b>  | <b>61,819</b>      | <b>(17,939)</b>    | <b>1,928</b>       | <b>6,587</b>       | <b>14,237</b>      | <b>65,378</b>      | <b>26,351</b>     | <b>147,850</b>       | <b>61,265</b>    | <b>53,038</b>    |
| <b>TPL - Beginning</b>  | <b>1,039,813</b>   | <b>1,057,752</b>   | <b>1,055,824</b>   | <b>1,049,237</b>   | <b>1,035,000</b>   | <b>969,622</b>     | <b>943,271</b>    | <b>795,421</b>       | <b>734,156</b>   | <b>681,118</b>   |
| <b>TPL - Ending (a)</b>   | <b>\$1,101,632</b> | <b>\$1,039,813</b> | <b>\$1,057,752</b> | <b>\$1,055,824</b> | <b>\$1,049,237</b> | <b>\$1,035,000</b> | <b>\$969,622</b>  | <b>\$943,271</b>     | <b>\$795,421</b> | <b>\$734,156</b> |
| <b>Plan Fiduciary Net Position <sup>(1)</sup></b>               |                    |                    |                    |                    |                    |                    |                   |                      |                  |                  |
| Contributions – Employer  | \$61,998           | \$58,120           | \$277,341          | \$59,650           | \$59,453           | \$60,048           | \$46,877          | \$63,239             | \$25,822         | \$31,990         |
| Contributions - Member <sup>(2)</sup>                           | 5,703              | 5,250              | 4,773              | 4,752              | 4,767              | 5,062              | 5,522             | 5,348                | 5,263            | 5,244            |
| Refunds of Contributions  | (221)              | (166)              | (280)              | (273)              | (88)               | (162)              | (22)              | (26)                 | (11)             | (85)             |
| Retirement Benefit  | (63,823)           | (63,804)           | (64,120)           | (63,249)           | (62,423)           | (60,949)           | (58,805)          | (56,934)             | (56,268)         | (54,765)         |
| Net Investment Income <sup>(2)</sup>                            | 56,933             | 40,708             | (22,088)           | 61,729             | 6,341              | 14,816             | 18,437            | 26,795               | (3,843)          | 3,426            |
| Administrative Expense  | (314)              | (293)              | (273)              | (212)              | (266)              | (225)              | (194)             | (181)                | (178)            | (201)            |
| Other   | -                  | -                  | -                  | -                  | -                  | 3 <sup>(5)</sup>   | 21 <sup>(5)</sup> | (517) <sup>(4)</sup> | -                | 645              |
| <b>Net Change in Plan Fiduciary Net Position</b>                | <b>60,276</b>      | <b>39,815</b>      | <b>195,353</b>     | <b>62,397</b>      | <b>7,784</b>       | <b>18,593</b>      | <b>11,836</b>     | <b>37,724</b>        | <b>(29,215)</b>  | <b>(13,746)</b>  |
| <b>Plan Fiduciary Net Position – Beginning</b>                  | <b>591,514</b>     | <b>551,699</b>     | <b>356,346</b>     | <b>293,949</b>     | <b>286,165</b>     | <b>267,572</b>     | <b>255,737</b>    | <b>218,012</b>       | <b>247,228</b>   | <b>260,974</b>   |
| <b>Prior Year Adjustment</b>                                    | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>-</b>           | <b>(1)</b>        | <b>-</b>             | <b>-</b>         | <b>-</b>         |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                 | <b>651,790</b>     | <b>591,514</b>     | <b>551,699</b>     | <b>356,346</b>     | <b>293,949</b>     | <b>286,165</b>     | <b>267,572</b>    | <b>255,737</b>       | <b>218,012</b>   | <b>247,228</b>   |
| <b>Net Pension Liability – Ending (a) – (b)</b>                 | <b>\$449,842</b>   | <b>\$448,299</b>   | <b>\$506,053</b>   | <b>\$699,478</b>   | <b>\$755,288</b>   | <b>\$748,835</b>   | <b>\$702,050</b>  | <b>\$687,534</b>     | <b>\$577,409</b> | <b>\$486,928</b> |
| Plan Fiduciary Net Position as a Percentage                     | 59.17%             | 56.89%             | 52.16%             | 33.75%             | 28.02%             | 27.65%             | 27.60%            | 27.11%               | 27.41%           | 33.68%           |
| Covered Payroll <sup>(3)</sup>                                  | \$71,964           | \$65,693           | \$48,061           | \$47,873           | \$49,019           | \$49,515           | \$50,346          | \$54,065             | \$46,685         | \$45,765         |
| <b>Net Pension Liability as a Percentage of Covered Payroll</b> | <b>625.09%</b>     | <b>682.42%</b>     | <b>1,052.94%</b>   | <b>1,461.11%</b>   | <b>1,540.81%</b>   | <b>1,512.34%</b>   | <b>1,394.45%</b>  | <b>1,271.68%</b>     | <b>1,236.82%</b> | <b>1,063.97%</b> |

<sup>(1)</sup> Does not include 401(h) assets for fiscal years 2017 and later. 401(h) assets totaled \$1,426,000 as of June 30, 2024.

<sup>(2)</sup> Does not include 401(h) contributions or associated investment income for fiscal years 2017 and later. For fiscal year 2024, 401(h) contributions equaled (\$12,000); and associated investment return equaled \$126,000.

<sup>(3)</sup> Based on derived compensation using the provided employer contribution information for fiscal years 2017 and later.

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

<sup>(5)</sup> Northern Trust Settlement.

# Notes to Schedule of Employers' Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2024 that are documented in the schedules on the following pages, were calculated as of June 30, 2021. Based on the June 30, 2021, actuarial valuation report, the actuarial methods and assumptions used to calculate these contribution rates are below:

| Notes to Schedule of Employers' Contribution        |  |  |  |
|---|--|--|--|
| Item  | KERS<br>Nonhazardous   | KERS<br>Hazardous  | SPRS   |
| <b>Determined by the Actuarial Valuation as of:</b> | June 30, 2021  | June 30, 2021  | June 30, 2021  |
| <b>Actuarial Cost Method:</b>                       | Entry Age Normal   | Entry Age Normal   | Entry Age Normal   |
| <b>Asset Valuation Method:</b>                      | 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  |
| <b>Amortization Method:</b>                         | Level Percent of Pay   | Level Percent of Pay   | Level Percent of Pay   |
| <b>Amortization Period:</b>                         | 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  |
| <b>Payroll Growth</b>                               | 0.00%  | 0.00%  | 0.00%  |
| <b>Investment Return:</b>                           | 5.25%  | 6.25%  | 5.25%  |
| <b>Inflation:</b>                                   | 2.30%  | 2.30%  | 2.30%  |
| <b>Salary Increase:</b>                             | 3.30% to 15.30%, varies by service   | 3.55% to 20.05%, varies by service   | 3.55% to 16.05%, varies by service   |
| <b>Mortality:</b>                                   | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019 |

# Schedule of Employers' Contribution

## Schedule of Employers' Contributions Pension - KERS Nonhazardous As of June 30 (\$ in Thousands)

| Fiscal Year Ending | Actuarially Determined Contribution <sup>(1)</sup> | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll <sup>(2)</sup> | Actual Contributions as a Percentage of Covered Payroll |
|--------------------|--|-----------------------------|----------------------------------|--------------------------------|---|
| 2024               | \$1,055,571  | \$1,295,695                 | \$(240,124)                      | \$1,912,421                    | 67.75%  |
| 2023               | 1,034,918  | 1,275,007                   | (240,089)                        | 1,648,318                      | 77.35%  |
| 2022               | 1,048,861  | 1,116,869                   | (68,008)                         | 1,432,960                      | 77.94%  |
| 2021               | 1,056,211  | 1,134,232                   | (78,021)                         | 1,441,337                      | 78.69%  |
| 2020               | 1,048,513  | 948,592                     | 99,921                           | 1,476,156                      | 64.26%  |
| 2019               | 1,055,402  | 1,035,462                   | 19,940                           | 1,485,854                      | 69.69%  |
| 2018               | 633,879  | 689,143                     | (55,264)                         | 1,509,955                      | 45.64%  |
| 2017               | 623,813  | 757,121                     | (133,308)                        | 1,602,396                      | 47.25%  |
| 2016               | 512,670  | 513,084                     | (414)                            | 1,631,025                      | 31.46%  |
| 2015               | \$520,948  | \$521,691                   | \$(743)                          | \$1,544,234                    | 33.78%  |

<sup>(1)</sup> Actuarially determined contribution for fiscal year ending 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

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

## Schedule of Employers' Contributions Pension - KERS Hazardous As of June 30 (\$ in Thousands)

| Fiscal Year Ending | Actuarially Determined Contribution <sup>(1)</sup> | Total Employer Contribution | Contribution Deficiency (Excess) | Covered Payroll <sup>(2)</sup> | Actual Contributions as a Percentage of Covered Payroll |
|--------------------|--|-----------------------------|----------------------------------|--------------------------------|---|
| 2024               | \$89,897   | \$89,899                    | \$(2)                            | \$279,218                      | 32.20%  |
| 2023               | 72,778   | 72,807                      | (29)                             | 223,922                        | 32.51%  |
| 2022               | 59,052   | 59,055                      | (3)                              | 188,648                        | 31.30%  |
| 2021               | 62,181   | 62,200                      | (19)                             | 172,725                        | 36.01%  |
| 2020               | 59,096   | 59,115                      | (19)                             | 171,840                        | 34.40%  |
| 2019               | 55,230   | 55,259                      | (29)                             | 160,600                        | 34.41%  |
| 2018               | 31,321   | 43,661                      | (12,340)                         | 152,936                        | 28.55%  |
| 2017               | 37,630   | 52,974                      | (15,344)                         | 178,511                        | 29.68%  |
| 2016               | 23,690   | 23,759                      | (69)                             | 158,828                        | 14.96%  |
| 2015               | \$28,374   | \$28,536                    | \$(162)                          | \$128,680                      | 22.18%  |

<sup>(1)</sup> Actuarially determined contribution for fiscal year ending 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

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

**Schedule of Employer's Contributions Pension - SPRS**  
**As of June 30 (\$ in Thousands)**

| <b>Fiscal Year Ending</b> | <b>Actuarially<br/>Determined<br/>Contribution <sup>(1)</sup></b> | <b>Total Employer<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered<br/>Payroll <sup>(2)</sup></b> | <b>Actual<br/>Contributions<br/>as a<br/>Percentage<br/>of Covered<br/>Payroll</b> |
|---------------------------|---|--|---|---|--|
| 2024                      | \$61,998  | \$61,998                               | \$-   | \$71,964                                  | 86.15%   |
| 2023                      | 58,120  | 58,120                                 | -   | 65,693                                    | 88.47%   |
| 2022                      | 62,341  | 277,341                                | (215,000)                                       | 48,061                                    | 577.06%  |
| 2021                      | 59,263  | 59,650                                 | (387)   | 47,873                                    | 124.60%  |
| 2020                      | 58,358  | 59,453                                 | (1,095)   | 49,019                                    | 121.29%  |
| 2019                      | 58,948  | 60,048                                 | (1,100)   | 49,515                                    | 121.27%  |
| 2018                      | 36,033  | 46,877                                 | (10,844)  | 50,346                                    | 93.11%   |
| 2017                      | 35,937  | 63,240                                 | (27,303)  | 54,065                                    | 116.97%  |
| 2016                      | 25,723  | 25,822                                 | (99)  | 46,685                                    | 55.31%   |
| 2015                      | \$31,444  | \$31,990                               | \$(546)   | \$45,765                                  | 69.90%   |

<sup>(1)</sup> Actuarially determined contribution for fiscal year ending 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

<sup>(2)</sup> Based on derived compensation using the provided employer contribution information for fiscal years ended 2017, and later.

# Schedule of Employers' Net OPEB Liability

## Schedule of the Employers' Net OPEB Liability - KERS Nonhazardous As of June 30 (\$ in Thousands)

| Year | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll <sup>(1)</sup> | Net OPEB Liability as a Percentage of Covered Payroll |
|------|----------------------|-----------------------------|----------------------------|---|--------------------------------|---|
| 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%   |

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

## Schedule of the Employers' Net OPEB Liability - KERS Hazardous As of June 30 (\$ in Thousands)

| Year | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability/(Asset) | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | Covered Payroll <sup>(1)</sup> | Net OPEB Liability as a Percentage of Covered Payroll |
|------|----------------------|-----------------------------|----------------------------|---|--------------------------------|---|
| 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%   |

<sup>(1)</sup> Based on derived compensation using the provided employer contribution information. For 2021, 2022, 2023, and 2024 derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE 2021, FYE 2022, FYE 2023, and FYE 2024. This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

## Schedule of the 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 <sup>(1)</sup> | Net OPEB Liability as a Percentage of Covered Payroll |
|------|----------------------|-----------------------------|----------------------------|---|--------------------------------|---|
| 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%   |

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

# Schedule of Changes in Net OPEB Liability

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

|   | 2024               | 2023               | 2022               | 2021               | 2020               | 2019               | 2018               | 2017               |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Total OPEB Liability</b>   |                    |                    |                    |                    |                    |                    |                    |                    |
| Service Cost  | \$44,779           | \$43,199           | \$62,548           | \$58,831           | \$59,600           | \$61,345           | \$66,360           | \$46,992           |
| Interest  | 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                       | 80,456             | (1,440,201)        | (37,249)           | (231,631)          | 288,235            | (302,189)          | (191,147)          | (3,921)            |
| Changes of Assumptions  | 26,413             | 61,925             | (206,907)          | 220,184            | 13,767             | 158,004            | (11,235)           | 414,835            |
| Benefit Payments <sup>(1) (2)</sup>                                     | (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>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>2,317,344</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>\$2,488,778</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)(5)</sup>                              | \$164,480          | \$156,543          | \$181,294          | \$223,661          | \$208,300          | \$201,155          | \$152,985          | \$162,636          |
| Contributions – Member  | 10,585             | 8,358              | 6,547              | 6,318              | 6,128              | 5,963              | 5,786              | 5,156              |
| Benefit Payments <sup>(1) (2)</sup>                                     | (114,465)          | (128,228)          | (153,081)          | (141,143)          | (159,841)          | (148,112)          | (148,236)          | (139,601)          |
| OPEB Plan Net Investment Income   | 173,104            | 132,431            | (88,998)           | 270,811            | 11,820             | 45,749             | 64,028             | 94,239             |
| OPEB Plan Administrative Expense  | (727)              | (771)              | (820)              | (819)              | (847)              | (875)              | (760)              | (861)              |
| Other <sup>(4)</sup>  | -                  | -                  | -                  | 0                  | -                  | 4                  | 32                 | -                  |
| <b>Net Change in Plan Fiduciary Net Position</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>1,532,752</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>1,765,729</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>\$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> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 70.95%             | 66.14%             | 38.15%             | 38.38%             | 29.47%             | 30.92%             | 27.32%             | 24.37%             |
| Covered Payroll <sup>(3)</sup>  | \$1,923,825        | \$1,653,492        | \$1,437,132        | \$1,452,345        | \$1,482,431        | \$1,515,953        | \$1,573,898        | \$1,593,097        |
| <b>Net OPEB Liability as a Percentage of Covered Payroll</b>            | <b>37.58%</b>      | <b>47.45%</b>      | <b>153.93%</b>     | <b>156.94%</b>     | <b>171.27%</b>     | <b>146.63%</b>     | <b>150.64%</b>     | <b>159.18%</b>     |

<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 \$27,851,763 for fiscal year 2024.

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

<sup>(4)</sup> Northern Trust Settlement.

This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.



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

### As of June 30 (\$ in Thousands)

|   | 2024               | 2023               | 2022             | 2021              | 2020             | 2019              | 2018              | 2017             |
|---|--------------------|--------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|
| <b>Total OPEB Liability</b>   |                    |                    |                  |                   |                  |                   |                   |                  |
| Service Cost  | \$8,128            | \$9,435            | \$14,474         | \$13,633          | \$11,548         | \$12,337          | \$12,893          | \$8,002          |
| Interest on Total OPEB liability  | 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                       | 7,970              | (198,459)          | (12,515)         | (6,402)           | 27,668           | (30,947)          | (31,240)          | (1,029)          |
| Assumption Changes  | 5,719              | (1,820)            | (46,406)         | 42,022            | 11,428           | 31,687            | (581)             | 89,401           |
| Benefit Payments <sup>(1)(2)</sup>                                      | (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>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>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>\$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>                                 | \$2,725            | \$2,282            | \$4,116          | \$3,556           | \$7,441          | \$5,556           | \$5,165           | \$4,579          |
| Contributions – Member  | 2,086              | 1,584              | 1,227            | 1,167             | 1,105            | 934               | 909               | 811              |
| Benefit Payments <sup>(1)(2)</sup>                                      | (20,542)           | (20,321)           | (22,804)         | (20,927)          | (21,425)         | (19,767)          | (18,704)          | (16,618)         |
| OPEB Plan Net Investment Income   | 68,440             | 53,772             | (27,929)         | 128,244           | 704              | 28,373            | 42,950            | 59,614           |
| OPEB Plan Administrative Expense  | (117)              | (123)              | (125)            | (118)             | (123)            | (117)             | (104)             | (105)            |
| Other <sup>(4)</sup>  | -                  | -                  | -                | -                 | 0                | 2                 | 18                | -                |
| <b>Net Change in Plan Fiduciary Net Position</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>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>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>\$(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>   |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 153.10%            | 149.84%            | 98.72%           | 101.85%           | 92.42%           | 105.29%           | 106.83%           | 98.78%           |
| Covered Payroll <sup>(3)</sup>  | \$279,218          | \$223,922          | \$188,648        | \$172,725         | \$182,209        | \$151,448         | \$190,317         | \$171,087        |
| <b>Net OPEB Liability as a Percentage of Covered Employee Payroll</b>   | <b>(84.21)%</b>    | <b>(92.89)%</b>    | <b>4.04%</b>     | <b>(6.67)%</b>    | <b>23.47%</b>    | <b>(17.73)%</b>   | <b>(17.43)%</b>   | <b>3.53%</b>     |

<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 \$814,756 for fiscal year 2024.

<sup>(3)</sup> Based on derived compensation using the provided employer contribution information. For 2021, 2022, 2023, and 2024, derived compensation based on pension contribution information, as there were no required employer contributions for the Insurance Plan for FYE 2021, FYE 2022, FYE 2023, and FYE 2024.

<sup>(4)</sup> Northern Trust Settlement.

This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

## Schedule of Changes in Employer's Net OPEB Liability - SPRS

### As of June 30 (\$ in Thousands)

|   | 2024             | 2023             | 2022             | 2021             | 2020             | 2019             | 2018             | 2017             |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB Liability</b>   |                  |                  |                  |                  |                  |                  |                  |                  |
| Service Cost  | \$4,115          | \$4,092          | \$5,605          | \$5,218          | \$5,389          | \$4,816          | \$6,087          | \$4,147          |
| Interest on Total OPEB liability  | 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                       | 1,360            | (98,425)         | (5,952)          | (6,318)          | 13,810           | (14,295)         | (23,320)         | (573)            |
| Assumption Changes  | 4,394            | 404              | (21,937)         | 21,784           | 4,578            | 16,483           | (358)            | 57,312           |
| Benefit Payments <sup>(1)(2)</sup>                                      | (11,668)         | (13,682)         | (14,729)         | (13,812)         | (13,988)         | (13,187)         | (13,097)         | (12,123)         |
| <b>Net Change in Total OPEB Liability</b>                               | <b>13,709</b>    | <b>(88,003)</b>  | <b>(13,446)</b>  | <b>24,957</b>    | <b>27,389</b>    | <b>11,541</b>    | <b>(12,222)</b>  | <b>66,756</b>    |
| <b>Total OPEB Liability - Beginning</b>                                 | <b>263,450</b>   | <b>351,453</b>   | <b>364,899</b>   | <b>339,942</b>   | <b>312,553</b>   | <b>301,012</b>   | <b>313,234</b>   | <b>246,478</b>   |
| <b>Total OPEB Liability - Ending (a)</b>                                | <b>\$277,159</b> | <b>\$263,450</b> | <b>\$351,453</b> | <b>\$364,899</b> | <b>\$339,942</b> | <b>\$312,553</b> | <b>\$301,012</b> | <b>\$313,234</b> |
| <b>Plan Fiduciary Net Position</b>                                      |                  |                  |                  |                  |                  |                  |                  |                  |
| Contributions – Employer <sup>(2)</sup>                                 | \$9,788          | \$8,755          | \$9,343          | \$9,381          | \$12,873         | \$12,623         | \$8,535          | \$7,862          |
| Contributions – Member  | 396              | 348              | 230              | 209              | 196              | 176              | 155              | 131              |
| Benefit Payments <sup>(1)(2)</sup>                                      | (11,668)         | (13,682)         | (14,729)         | (13,812)         | (13,988)         | (13,187)         | (13,097)         | (12,123)         |
| OPEB Plan Net Investment Income   | 26,963           | 21,520           | (10,847)         | 50,289           | 1,124            | 10,815           | 16,470           | 21,627           |
| OPEB Plan Administrative Expense  | (71)             | (74)             | (73)             | (89)             | (71)             | (69)             | (62)             | (66)             |
| Other <sup>(4)</sup>  | -                | -                | -                | -                | -                | 1                | 8                | -                |
| <b>Net Change in Plan Fiduciary Net Position</b>                        | <b>25,408</b>    | <b>16,867</b>    | <b>(16,076)</b>  | <b>45,978</b>    | <b>134</b>       | <b>10,359</b>    | <b>12,009</b>    | <b>17,431</b>    |
| <b>Plan Fiduciary Net Position – Beginning</b>                          | <b>248,109</b>   | <b>231,242</b>   | <b>247,318</b>   | <b>201,340</b>   | <b>201,206</b>   | <b>190,847</b>   | <b>178,838</b>   | <b>161,407</b>   |
| <b>Plan Fiduciary Net Position – Ending (b)</b>                         | <b>273,517</b>   | <b>248,109</b>   | <b>231,242</b>   | <b>247,318</b>   | <b>201,340</b>   | <b>201,206</b>   | <b>190,847</b>   | <b>178,838</b>   |
| <b>Net OPEB Liability – Ending (a) – (b)</b>                            | <b>\$3,642</b>   | <b>\$15,341</b>  | <b>\$120,211</b> | <b>\$117,581</b> | <b>\$138,602</b> | <b>\$111,347</b> | <b>\$110,165</b> | <b>\$134,396</b> |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 98.69%           | 94.18%           | 65.80%           | 67.78%           | 59.23%           | 64.38%           | 63.40%           | 57.09%           |
| Covered Payroll <sup>(3)</sup>  | \$71,992         | \$65,830         | \$48,600         | \$47,155         | \$48,231         | \$48,780         | \$50,064         | \$48,873         |
| <b>Net OPEB Liability as a Percentage of Covered Payroll</b>            | <b>5.06%</b>     | <b>23.30%</b>    | <b>247.35%</b>   | <b>249.35%</b>   | <b>287.37%</b>   | <b>228.26%</b>   | <b>220.05%</b>   | <b>274.99%</b>   |

<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 (\$374,879) for fiscal year 2024.

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

<sup>(4)</sup> Northern Trust Settlement.

This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.

# Notes to Schedule of Employers' Contributions

The actuarially determined contributions effective for fiscal year ended June 30, 2024, that are documented in the following schedule were calculated as of June 30, 2021. Based on the June 30, 2021, actuarial valuation report, the actuarial methods and assumptions used to calculate the required contributions follow.

| Notes to Schedule of Employers' OPEB Contributions |   |   |   |
|--|---|---|---|
| Item   | KERS<br>Nonhazardous  | KERS<br>Hazardous   | SPRS  |
| Determined by the Actuarial Valuation as of:       | June 30, 2021   | June 30, 2021   | June 30, 2021   |
| 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 Rate:                               | 0.00%   | 0.00%   | 0.00%   |
| Investment Return:                                 | 6.25%   | 6.25%   | 6.25%   |
| Inflation:   | 2.30%   | 2.30%   | 2.30%   |
| 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 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.   | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.   | System-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019.   |
| Healthcare Trend Rates:                            |   |   |   |
| Pre-65   | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. |
| Post-65  | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. | Initial trend starting at 6.30% at January 1, 2023 and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. The 2022 premiums were known at the time of the valuation and were incorporated into the liability measurement. |

# Schedule of Employers' OPEB Contributions

## Schedule of Employers' OPEB Contributions - KERS Nonhazardous As of June 30 (\$ in Thousands)

| Fiscal Year Ending <sup>(1)</sup> | Actuarially Determined Contribution <sup>(2)</sup> | Total Employer Contribution <sup>(3)</sup> | Contribution Deficiency (Excess) | Covered Payroll <sup>(4)</sup> | Actual Contributions as a Percentage of Covered Payroll |
|-----------------------------------|--|--|----------------------------------|--------------------------------|---|
| 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%   |
| 2016                              | 121,899  | 135,816                                    | (13,917)                         | 1,529,249                      | 8.88%   |
| 2015                              | \$130,455  | \$135,940                                  | (5,485)                          | \$1,544,234                    | 8.80%   |

<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 ended 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

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

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

## Schedule of Employers' OPEB Contributions - KERS Hazardous As of June 30 (\$ in Thousands)

| Fiscal Year Ending <sup>(1)</sup> | Actuarially Determined Contribution <sup>(2)</sup> | Total Employer Contribution <sup>(3)</sup> | Contribution Deficiency (Excess) | Covered Payroll <sup>(4)</sup> | Actual Contributions as a Percentage of Covered Payroll |
|-----------------------------------|--|--|----------------------------------|--------------------------------|---|
| 2024                              | \$-  | \$1,910                                    | \$(1,910)                        | \$279,218                      | 0.68%   |
| 2023                              | -  | 1,489                                      | (1,489)                          | 223,922                        | 0.66%   |
| 2022                              | -  | 1,281                                      | (1,281)                          | 188,648                        | 0.68%   |
| 2021                              | -  | 1,300                                      | (1,300)                          | 172,725                        | 0.75%   |
| 2020                              | 4,482  | 5,776                                      | (1,294)                          | 182,209                        | 3.17%   |
| 2019                              | 3,726  | 4,970                                      | (1,244)                          | 151,448                        | 3.28%   |
| 2018                              | 2,550  | 5,288                                      | (2,738)                          | 190,317                        | 2.78%   |
| 2017                              | 4,688  | 5,620                                      | (932)                            | 171,087                        | 3.28%   |
| 2016                              | 9,186  | 16,766                                     | (7,580)                          | 147,563                        | 11.36%  |
| 2015                              | \$13,152   | \$14,882                                   | \$(1,730)                        | \$128,680                      | 11.57%  |

<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 ended 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

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

<sup>(4)</sup> Based on derived compensation using the provided employer contribution information. For 2021, 2022, 2023, and 2024, derived compensation based on pension contribution information as there were no required employer contributions for the Insurance Plan for FYE 2021, FYE 2022, FYE 2023, and FYE 2024.

**Schedule of Employer's OPEB Contributions - SPRS**  
**As of June 30 (\$ in Thousands)**

| <b>Fiscal Year Ending <sup>(1)</sup></b> | <b>Actuarially<br/>Determined<br/>Contribution <sup>(2)</sup></b> | <b>Total Employer<br/>Contribution <sup>(3)</sup></b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered Payroll <sup>(4)</sup></b> | <b>Actual<br/>Contributions<br/>as a<br/>Percentage<br/>of Covered<br/>Payroll</b> |
|--|---|---|---|---------------------------------------|--|
| 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%   |
| 2016                                     | 8,553   | 10,237  | (1,684)   | 45,551                                | 22.47%   |
| 2015                                     | \$9,890   | \$10,382  | (492)   | \$45,765                              | 22.69%   |

<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 ended 2024 is based on the contribution rate calculated with the June 30, 2021, actuarial valuation.

<sup>(3)</sup> Employer contributions do not include the expected implicit subsidy included in the Schedule of Changes in Employer's Net OPEB Liability - SPRS.

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

# Money-Weighted Rates of Return

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

See below for the money-weighted rates of return for multiple periods including fiscal year June 30, 2024, as calculated by the custodian bank, BNY Mellon:

| Money - Weighted Rates of Return As of June 30 |                      |                   |         |                      |                   |         |
|--|----------------------|-------------------|---------|----------------------|-------------------|---------|
|  | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS    | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS    |
|  | Pension              |                   |         | Insurance            |                   |         |
| 2024   | 9.58%                | 11.17%            | 9.64%   | 11.14%               | 11.12%            | 11.01%  |
| 2023   | 7.07%                | 9.46%             | 7.53%   | 9.89%                | 9.26%             | 9.44%   |
| 2022   | (5.29)%              | (5.94)%           | (5.80)% | (6.22)%              | (4.43)%           | (4.43)% |
| 2021   | 22.53%               | 25.21%            | 21.70%  | 25.16%               | 24.99%            | 25.36%  |
| 2020   | 2.35%                | 0.96%             | 2.21%   | 0.98%                | 0.21%             | 0.64%   |
| 2019   | 5.77%                | 5.68%             | 5.67%   | 5.04%                | 5.56%             | 5.73%   |
| 2018   | 7.63%                | 8.69%             | 7.68%   | 7.95%                | 8.93%             | 9.39%   |
| 2017   | 12.08%               | 13.45%            | 12.50%  | 13.77%               | 13.75%            | 13.69%  |
| 2016   | (0.97)%              | (0.33)%           | (1.76)% | N/A                  | N/A               | N/A     |
| 2015   | 2.30%                | 1.84%             | 1.80%   | N/A                  | N/A               | N/A     |

*Note: This table is intended to show information for ten years; additional year's information will be displayed as it becomes available.*

## Schedule of Administrative Expenses

KPPA provides administrative support for KRS, and the County Employees Retirement System (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, 2024, were \$47.3 million, of which \$16.9 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<br>As of June 30, 2024 (\$ in Thousands) |                 |
|--|-----------------|
|  | 2024            |
| Salaries   | \$6,533         |
| Benefits   | 6,167           |
| Professional Services  | 1,345           |
| Information Technology   | 1181            |
| Communications   | 282             |
| Office & Equipment Rent  | 367             |
| Travel/Conferences   | 43              |
| Other Operating Expenses   | 107             |
| Insurance Plans' Administration  | 922             |
| <b>Total Administrative Expenses</b>   | <b>\$16,947</b> |

## Schedule of Direct Investment Expenses

| Schedule of Direct Investment Expenses<br>As of June 30, 2024 (\$ in Thousands) |                      |                   |                |                      |                   |                |
|---|----------------------|-------------------|----------------|----------------------|-------------------|----------------|
|   | Pension              |                   |                | Insurance            |                   |                |
|   | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS           | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS           |
| <b>Security Lending Fees</b>  |                      |                   |                |                      |                   |                |
| Securities Lending Fees, Expenses, and Rebates                                  | \$3,808              | \$1,059           | \$671          | \$1,402              | \$487             | \$214          |
| <b>Total Security Lending</b>   | <b>3,808</b>         | <b>1,059</b>      | <b>671</b>     | <b>1,402</b>         | <b>487</b>        | <b>214</b>     |
| <b>Contractual Services</b>   |                      |                   |                |                      |                   |                |
| Investment Management   | 18,759               | 5,641             | 2,566          | 8,913                | 4,439             | 1,764          |
| Security Custody  | 397                  | 97                | 62             | 234                  | 94                | 38             |
| Investment Consultant   | 238                  | 59                | 38             | 96                   | 40                | 16             |
| Performance Fees  | 6,006                | 1,724             | 620            | 2,860                | 1,766             | 616            |
| <b>Total Contractual Services</b>   | <b>\$25,400</b>      | <b>\$7,521</b>    | <b>\$3,286</b> | <b>\$12,103</b>      | <b>\$6,339</b>    | <b>\$2,434</b> |

## Schedule of Professional Consultant Fees

| Schedule of Professional Consultant Fees<br>As of June 30, 2024 (\$ in Thousands) |                |
|---|----------------|
|   | 2024           |
| Actuarial Services  | \$146          |
| Medical Review Services   | 500            |
| Audit Services  | 83             |
| Legal Counsel   | 509            |
| Miscellaneous   | 107            |
| <b>Total</b>  | <b>\$1,345</b> |





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**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Members  
Kentucky Retirement Systems  
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky Retirement Systems (KRS), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the KRS basic financial statements, and have issued our report thereon dated December 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)**

Report on Compliance and Other Matters

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

Purpose of this Report

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

*Blue & Co., LLC*

Lexington, Kentucky  
December 5, 2024

## **INVESTMENTS**

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# Investment Overview

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*This section of the report was compiled by Investment Staff using information provided by Wilshire Associates and the Bank of New York Mellon. Except 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 sole 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 are the most important decision.

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

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

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

The following tables show each Plans' asset allocation targets as specified in the Investment Policy Statement and the actual asset allocation of the Plans as of June 30, 2024.

## IPS Target Allocation vs. Actual Asset Allocation As of June 30, 2024

| Pension  | Public Equity | Private Equity | Core Fixed Income | Specialty Credit | Cash  | Real Estate | Real Return | Total Plan |
|--|---------------|----------------|-------------------|------------------|-------|-------------|-------------|------------|
| KERS Nonhazardous Policy Target Asset Allocation | 30.00%        | 6.00%          | 27.00%            | 20.00%           | 2.00% | 5.00%       | 10.00%      | 100.00%    |
| KERS Nonhazardous Actual Asset Allocation        | 32.44%        | 4.64%          | 26.33%            | 18.84%           | 4.20% | 5.19%       | 8.36%       | 100.00%    |
| KERS Hazardous Policy Target Asset Allocation    | 40.00%        | 8.00%          | 10.00%            | 25.00%           | 2.00% | 7.00%       | 8.00%       | 100.00%    |
| KERS Hazardous Actual Asset Allocation           | 42.66%        | 6.44%          | 11.36%            | 22.57%           | 3.39% | 5.75%       | 7.83%       | 100.00%    |
| SPRS Policy Target Asset Allocation              | 30.00%        | 6.00%          | 27.00%            | 20.00%           | 2.00% | 5.00%       | 10.00%      | 100.00%    |
| SPRS Actual Asset Allocation                     | 32.07%        | 4.85%          | 25.83%            | 19.25%           | 3.90% | 5.41%       | 8.69%       | 100.00%    |

| Insurance  | Public Equity | Private Equity | Core Fixed Income | Specialty Credit | Cash  | Real Estate | Real Return | Total Plan |
|--|---------------|----------------|-------------------|------------------|-------|-------------|-------------|------------|
| KERS Nonhazardous Policy Target Asset Allocation | 40.00%        | 8.00%          | 10.00%            | 25.00%           | 2.00% | 7.00%       | 8.00%       | 100.00%    |
| KERS Nonhazardous Actual Asset Allocation        | 42.85%        | 6.66%          | 11.44%            | 22.60%           | 2.58% | 5.73%       | 8.14%       | 100.00%    |
| KERS Hazardous Policy Target Asset Allocation    | 40.00%        | 8.00%          | 10.00%            | 25.00%           | 2.00% | 7.00%       | 8.00%       | 100.00%    |
| KERS Hazardous Actual Asset Allocation           | 43.27%        | 7.31%          | 11.50%            | 22.85%           | 1.86% | 6.34%       | 6.87%       | 100.00%    |
| SPRS Policy Target Asset Allocation              | 40.00%        | 8.00%          | 10.00%            | 25.00%           | 2.00% | 7.00%       | 8.00%       | 100.00%    |
| SPRS Actual Asset Allocation                     | 42.83%        | 8.01%          | 11.14%            | 22.83%           | 2.37% | 5.96%       | 6.86%       | 100.00%    |

NOTE: The actual asset allocations are calculated by taking the fair value of each asset class as a percentage of total portfolio for the plans combined.

# Investment Strategies

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## 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 rate 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 assure 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

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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 Allocation should exceed the returns of the appropriate Index.

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

## Individual Public Security Portfolios

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

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

## Alternative Assets

### Private Equity

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

### 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 2024 Results

Please see the tables below for the net returns reported for the fiscal year ended June 30, 2024.

| Net Returns As of June 30, 2024 (\$ in Thousands) |                    |                |              |               |              |              |              |              |              |              |
|---|--------------------|----------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Pension   | Fair Value         | % of Total     | 1 Year       |               | 3 Years      |              | 5 Years      |              | 10 Years     |              |
|   |                    |                | Plan         | Index         | Plan         | Index        | Plan         | Index        | Plan         | Index        |
| KERS Nonhazardous                                 | 4,208,402          | 71.51%         | 9.50%        | 10.11%        | 3.55%        | 3.91%        | 6.86%        | 6.48%        | 6.08%        | 5.98%        |
| KERS Hazardous                                    | 1,025,916          | 17.43%         | 11.12%       | 12.40%        | 4.58%        | 5.01%        | 7.65%        | 7.84%        | 6.71%        | 6.70%        |
| SPRS  | 650,802            | 11.06%         | 9.62%        | 10.11%        | 3.99%        | 3.91%        | 6.95%        | 6.48%        | 6.04%        | 5.92%        |
| <b>Total</b>                                      | <b>\$5,885,120</b> | <b>100.00%</b> | <b>9.80%</b> | <b>10.51%</b> | <b>3.79%</b> | <b>4.03%</b> | <b>7.02%</b> | <b>6.56%</b> | <b>6.21%</b> | <b>6.02%</b> |

| Insurance         |                    |                | Plan          | Index         | Plan         | Index        | Plan         | Index        | Plan         | Index        |
|-------------------|--------------------|----------------|---------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| KERS Nonhazardous | 1,677,700          | 64.13%         | 11.07%        | 12.40%        | 4.63%        | 5.15%        | 7.68%        | 7.72%        | 6.54%        | 6.70%        |
| KERS Hazardous    | 667,434            | 25.51%         | 11.15%        | 12.40%        | 5.06%        | 5.15%        | 7.75%        | 7.63%        | 6.79%        | 6.68%        |
| SPRS              | 271,156            | 10.36%         | 11.02%        | 12.40%        | 5.09%        | 5.15%        | 7.92%        | 7.63%        | 6.97%        | 6.70%        |
| <b>Total</b>      | <b>\$2,616,290</b> | <b>100.00%</b> | <b>11.08%</b> | <b>12.40%</b> | <b>4.80%</b> | <b>5.15%</b> | <b>7.72%</b> | <b>7.72%</b> | <b>6.67%</b> | <b>6.70%</b> |

# 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, 2024

| Index   | Asset Class       | KERS<br>Nonhazardous/<br>SPRS Pension | KERS Hazardous<br>Pension/All<br>Insurance |
|---|-------------------|---------------------------------------|--|
| <b>Equity</b>   |                   |                                       |  |
| MSCI ACWI   | Public Equity     | 30.00%                                | 40.00%                                     |
| Russell 3000 + 300 bps (lagged one quarter)                               | Private Equity    | 6.00%                                 | 8.00%                                      |
| <b>Fixed Income</b>   |                   |                                       |  |
| Bloomberg US Aggregate  | Core Fixed Income | 27.00%                                | 10.00%                                     |
| 50% Bloomberg US Corporate High Yield/50% Morningstar LSTA Leveraged Loan | Specialty Credit  | 20.00%                                | 25.00%                                     |
| FTSE 3-mos Treasury Bill  | Cash              | 2.00%                                 | 2.00%                                      |
| <b>Inflation Protected</b>  |                   |                                       |  |
| NCREIF ODCE (one quarter lagged)  | Real Estate       | 5.00%                                 | 7.00%                                      |
| US CPI + 3%   | Real Return       | 10.00%                                | 8.00%                                      |

*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, 2024, the actuarial assumed rate of return for KERS Nonhazardous and SPRS Pension Plans was 5.25% and 6.25% for all other Plans.

Since June 30, 2015, fiscal year returns have ranged from minimum returns of (5.19)%, (5.95)%, and (4.63)% in KERS Nonhazardous, KERS Hazardous, and SPRS, respectively in fiscal year 2022 to maximum returns of 22.56%, 25.21%, and 21.70%, respectively, in fiscal year 2021. For fiscal year 2024, the annualized total net returns of each Plan exceeded their respective actuarially assumed rates of return. Translating these returns into dollars, a beginning balance of \$1,000 in fiscal year 2015 would have a balance of \$1,805 for the KERS Nonhazardous Pension Plan in fiscal year 2024. The KERS Nonhazardous annualized benchmark would have a balance of \$1,797.

| Pension Plan Growth<br>As of June 30 (in Whole \$) |          |          |          |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     | 2024     |          |
| <b>KERS Nonhazardous Plan</b>                      | 2.38%    | (0.68)%  | 12.09%   | 7.50%    | 5.73%    | 2.36%    | 22.56%   | (5.19)%  | 6.96%    | 9.50%    |          |
| Performance BM                                     | 2.73%    | 0.71%    | 11.92%   | 6.84%    | 6.13%    | 1.18%    | 20.60%   | (4.79)%  | 7.02%    | 10.11%   |          |
| Actuarial Assumed ROR                              | 7.75%    | 7.50%    | 6.75%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    |          |
| Actual Performance                                 | \$ 1,000 | \$ 1,024 | \$ 1,017 | \$ 1,140 | \$ 1,225 | \$ 1,295 | \$ 1,326 | \$ 1,625 | \$ 1,541 | \$ 1,648 | \$ 1,805 |
| Performance Benchmark                              | 1,000    | 1,027    | 1,035    | 1,158    | 1,237    | 1,313    | 1,328    | 1,602    | 1,525    | 1,632    | 1,797    |
| Actuarial Assumed ROR                              | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,236 | \$ 1,301 | \$ 1,370 | \$ 1,442 | \$ 1,517 | \$ 1,597 | \$ 1,681 | \$ 1,769 |
| <b>KERS Hazardous Plan</b>                         | 1.87%    | (0.24)%  | 13.44%   | 8.68%    | 5.68%    | 0.95%    | 25.21%   | (5.95)%  | 9.46%    | 11.12%   |          |
| Performance BM                                     | 2.38%    | (0.61)%  | 13.58%   | 7.04%    | 6.37%    | 0.16%    | 25.74%   | (5.22)%  | 8.70%    | 12.40%   |          |
| Actuarial Assumed ROR                              | 7.75%    | 7.50%    | 7.50%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    |          |
| Actual Performance                                 | \$ 1,000 | \$ 1,019 | \$ 1,016 | \$ 1,153 | \$ 1,253 | \$ 1,324 | \$ 1,337 | \$ 1,674 | \$ 1,574 | \$ 1,723 | \$ 1,915 |
| Performance Benchmark                              | 1,000    | 1,024    | 1,018    | 1,156    | 1,237    | 1,316    | 1,318    | 1,657    | 1,571    | 1,707    | 1,919    |
| Actuarial Assumed ROR                              | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,245 | \$ 1,323 | \$ 1,406 | \$ 1,494 | \$ 1,587 | \$ 1,686 | \$ 1,791 | \$ 1,903 |
| <b>SPRS Plan</b>                                   | 1.87%    | (1.49)%  | 12.50%   | 7.65%    | 5.71%    | 2.21%    | 21.70%   | (4.63)%  | 7.58%    | 9.62%    |          |
| Performance BM                                     | 2.35%    | (0.31)%  | 12.61%   | 6.84%    | 6.13%    | 1.18%    | 20.60%   | (4.79)%  | 7.02%    | 10.11%   |          |
| Actuarial Assumed ROR                              | 7.75%    | 7.50%    | 6.75%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    | 5.25%    |          |
| Actual Performance                                 | \$ 1,000 | \$ 1,019 | \$ 1,004 | \$ 1,129 | \$ 1,215 | \$ 1,285 | \$ 1,313 | \$ 1,598 | \$ 1,524 | \$ 1,640 | \$ 1,797 |
| Performance Benchmark                              | 1,000    | 1,024    | 1,020    | 1,149    | 1,228    | 1,303    | 1,318    | 1,590    | 1,514    | 1,620    | 1,784    |
| Actuarial Assumed ROR                              | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,236 | \$ 1,301 | \$ 1,370 | \$ 1,442 | \$ 1,517 | \$ 1,597 | \$ 1,681 | \$ 1,769 |

The chart below shows theoretical annual returns for the Insurance portfolio since June 30, 2015, fiscal year returns have ranged from minimum returns of (6.15)%, (4.53)%, and (4.50)% in KERS Nonhazardous, KERS Hazardous, and SPRS, respectfully in fiscal year 2022 to maximum returns of 25.16%, 24.97%, and 25.34%, respectfully, in fiscal year 2021. As of June 30, 2024, the KERS Insurance portfolio earned 11.07% versus the KERS annualized benchmark return of 12.40%. The chart below indicates that with a beginning balance of \$1,000 in fiscal year 2015, the KERS Insurance portfolio would have a balance of \$1,883 compared to the actuarially assumed rate of return balance of \$1,905 and the annualized benchmark return would have a balance of \$1,939 at the end of the 10-year period.

| Insurance Plan Growth<br>As of June 30 (in Whole \$) |          |          |          |          |          |          |          |          |          |          |          |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
|  | 2015     | 2016     | 2017     | 2018     | 2019     | 2020     | 2021     | 2022     | 2023     | 2024     |          |
| <b>KERS Nonhazardous Plan</b>                        |          |          |          |          |          |          |          |          |          |          |          |
|  | 1.44%    | (0.50)%  | 13.78%   | 7.96%    | 4.95%    | 0.97%    | 25.16%   | (6.15)%  | 9.87%    | 11.07%   |          |
| Performance BM                                       | 2.40%    | (0.56)%  | 13.89%   | 7.04%    | 6.10%    | 0.35%    | 24.35%   | (3.44)%  | 8.70%    | 12.40%   |          |
| Actuarial Assumed ROR                                | 7.75%    | 7.50%    | 7.50%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.35%    |          |
| Actual Performance                                   | \$ 1,000 | \$ 1,014 | \$ 1,009 | \$ 1,148 | \$ 1,240 | \$ 1,301 | \$ 1,314 | \$ 1,644 | \$ 1,543 | \$ 1,696 | \$ 1,883 |
| Performance Benchmark                                | 1,000    | 1,024    | 1,018    | 1,160    | 1,241    | 1,317    | 1,322    | 1,644    | 1,587    | 1,725    | 1,939    |
| Actuarial Assumed ROR                                | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,245 | \$ 1,323 | \$ 1,406 | \$ 1,494 | \$ 1,587 | \$ 1,686 | \$ 1,791 | \$ 1,905 |
| <b>KERS Hazardous Plan</b>                           |          |          |          |          |          |          |          |          |          |          |          |
|  | 1.82%    | (0.25)%  | 13.76%   | 8.88%    | 5.61%    | 0.20%    | 24.97%   | (4.53)%  | 9.29%    | 11.15%   |          |
| Performance BM                                       | 2.56%    | (0.38)%  | 13.73%   | 7.04%    | 6.25%    | (0.40)%  | 24.76%   | (4.85)%  | 8.70%    | 12.40%   |          |
| Actuarial Assumed ROR                                | 7.75%    | 7.50%    | 7.50%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.35%    |          |
| Actual Performance                                   | \$ 1,000 | \$ 1,018 | \$ 1,016 | \$ 1,155 | \$ 1,258 | \$ 1,329 | \$ 1,331 | \$ 1,664 | \$ 1,588 | \$ 1,736 | \$ 1,929 |
| Performance Benchmark                                | 1,000    | 1,026    | 1,022    | 1,162    | 1,244    | 1,322    | 1,316    | 1,642    | 1,562    | 1,698    | 1,909    |
| Actuarial Assumed ROR                                | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,245 | \$ 1,323 | \$ 1,406 | \$ 1,494 | \$ 1,587 | \$ 1,686 | \$ 1,791 | \$ 1,905 |
| <b>SPRS Plan</b>                                     |          |          |          |          |          |          |          |          |          |          |          |
|  | 1.90%    | 0.01%    | 13.70%   | 9.34%    | 5.74%    | 0.65%    | 25.34%   | (4.50)%  | 9.46%    | 11.02%   |          |
| Performance BM                                       | 2.75%    | (0.22)%  | 13.61%   | 7.04%    | 6.25%    | (0.40)%  | 24.76%   | (3.44)%  | 8.70%    | 12.40%   |          |
| Actuarial Assumed ROR                                | 7.75%    | 7.50%    | 7.50%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.25%    | 6.35%    |          |
| Actual Performance                                   | \$ 1,000 | \$ 1,019 | \$ 1,019 | \$ 1,159 | \$ 1,267 | \$ 1,340 | \$ 1,348 | \$ 1,690 | \$ 1,614 | \$ 1,767 | \$ 1,961 |
| Performance Benchmark                                | 1,000    | 1,028    | 1,025    | 1,165    | 1,247    | 1,325    | 1,319    | 1,646    | 1,589    | 1,728    | 1,942    |
| Actuarial Assumed ROR                                | \$ 1,000 | \$ 1,078 | \$ 1,158 | \$ 1,245 | \$ 1,323 | \$ 1,406 | \$ 1,494 | \$ 1,587 | \$ 1,686 | \$ 1,791 | \$ 1,905 |

# Public Equity

For the fiscal year, the KERS Pension Nonhazardous and Hazardous, and SPRS Pension Public Equity portfolios returned 17.22%, 17.05%, and 16.89%, respectively. The plans underperformed the benchmark return of 19.38%. The KERS Insurance Nonhazardous and Hazardous, and SPRS Insurance Public Equity portfolios also underperformed the benchmark, returning 16.95%, 16.94%, and 16.97%, respectively. Relative underperformance was primarily a result of positioning. Given the market fundamentals, the portfolios were allocated more heavily towards international markets during the beginning of the fiscal year than the benchmark. Further, during the period, markets were exceptionally narrow, especially within the domestic marketplace, creating a headwind for diversified investors.

During the 12 months ended June 30, 2024, the KERS Pension Nonhazardous and Hazardous U.S. equity portfolios returned 22.13% and 21.87%, versus the Russell 3000 return of 23.12%. The SPRS U.S. equity portion of the portfolio trailed the benchmark by 139bps, gaining 21.73%. During the same period, the KERS Nonhazardous, KERS Hazardous, and SPRS Insurance U.S. equity portfolios returned 21.86%, 21.83%, and 21.85%, respectively. Most individual investment mandates provided both solid absolute and relative performance. However, positioning slightly smaller in terms of market cap and anchoring more core in nature created headwinds for the portfolios, as both large caps and growth outperformed.

For the fiscal year, the KERS Pension Nonhazardous Non-U.S. equity mandates combined to underperform the MSCI ACWI Ex-US Index by 166bps (9.91% versus 11.57%), while the KERS Hazardous Non-U.S. equity portion of the portfolio returned 9.97%. The KERS Insurance Nonhazardous and Hazardous international portfolios returned 9.97% and 9.87%, respectively. Both the SPRS Pension and Insurance Non-U.S. equity portfolios returned 9.83%, underperforming the benchmark by 174bps. Within the international book, individual strategies struggled in relative terms. The correlation breakdown between earnings and stock prices made it difficult for active managers to distinguish themselves from the benchmark. Also, allocation created difficulties as growth style biased strategies faced a headwind, the opposite of their domestic counterparts.

## Return on Public Equity As of June 30, 2024

|                   | Inception Date | 1 Year |        | 3 Years |       | 5 Years |        | 10 Years |       |
|-------------------|----------------|--------|--------|---------|-------|---------|--------|----------|-------|
| Pension           | 4/1/1984       | Plan   | Index  | Plan    | Index | Plan    | Index  | Plan     | Index |
| KERS Nonhazardous |                | 17.22% | 19.38% | 4.23%   | 4.91% | 10.23%  | 10.39% | 8.19%    | 8.14% |
| KERS Hazardous    |                | 17.05% | 19.38% | 4.21%   | 4.91% | 10.19%  | 10.39% | 8.05%    | 8.14% |
| SPRS              |                | 16.89% | 19.38% | 4.17%   | 4.91% | 10.21%  | 10.39% | 7.90%    | 8.14% |
| Insurance         | 7/1/1992       |        |        |         |       |         |        |          |       |
| KERS Nonhazardous |                | 16.95% | 19.38% | 4.22%   | 4.90% | 10.23%  | 10.36% | 8.24%    | 8.14% |
| KERS Hazardous    |                | 16.94% | 19.38% | 4.16%   | 4.90% | 10.19%  | 10.36% | 8.16%    | 8.14% |
| SPRS              |                | 16.97% | 19.38% | 4.09%   | 4.90% | 10.16%  | 10.36% | 8.14%    | 8.14% |

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

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**KERS Nonhazardous Pension**

| Company                       | Shares           | Fair Value       |
|-------------------------------|------------------|------------------|
| MSCI WORLD EX-US INDEX FUND A | 4,399,032        | \$128,341        |
| MICROSOFT CORP                | 103,799          | 46,393           |
| NVIDIA CORP                   | 352,207          | 43,512           |
| APPLE INC                     | 205,488          | 43,280           |
| ISHARES CORE S&P MIDCAP ETF   | 560,980          | 32,828           |
| ALPHABET INC                  | 159,877          | 29,198           |
| AMAZON.COM INC                | 138,436          | 26,753           |
| LAZARD EMERG MKT EQY-INST     | 1,138,900        | 21,172           |
| META PLATFORMS INC            | 33,374           | 16,828           |
| BERKSHIRE HATHAWAY INC        | 30,226           | 12,296           |
| <b>Total</b>                  | <b>7,122,319</b> | <b>\$400,601</b> |

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**KERS Nonhazardous Insurance**

| Company                       | Shares           | Fair Value       |
|-------------------------------|------------------|------------------|
| MSCI WORLD EX-US INDEX FUND B | 1,432,874        | \$45,957         |
| MICROSOFT CORP                | 44,820           | 20,032           |
| ISHARES CORE S&P MIDCAP ETF   | 340,602          | 19,932           |
| NVIDIA CORP                   | 148,339          | 18,326           |
| APPLE INC                     | 86,923           | 18,308           |
| LAZARD EMERG MKT EQY-INST     | 674,625          | 12,541           |
| AMAZON.COM INC                | 55,226           | 10,673           |
| META PLATFORMS INC            | 13,215           | 6,664            |
| ALPHABET INC                  | 35,423           | 6,452            |
| ALPHABET INC                  | 29,469           | 5,405            |
| <b>Total</b>                  | <b>2,861,516</b> | <b>\$164,290</b> |

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**KERS Hazardous Pension**

| Company                     | Shares         | Fair Value      |
|-----------------------------|----------------|-----------------|
| MICROSOFT CORP              | 27,696         | \$12,379        |
| ISHARES CORE S&P MIDCAP ETF | 211,034        | 12,350          |
| NVIDIA CORP                 | 91,664         | 11,324          |
| APPLE INC                   | 53,713         | 11,313          |
| LAZARD EMERG MKT EQY-INST   | 374,138        | 6,955           |
| AMAZON.COM INC              | 34,126         | 6,595           |
| META PLATFORMS INC          | 8,166          | 4,118           |
| ALPHABET INC                | 21,889         | 3,987           |
| ALPHABET INC                | 18,211         | 3,340           |
| BERKSHIRE HATHAWAY INC      | 6,746          | 2,744           |
| <b>Total</b>                | <b>847,383</b> | <b>\$75,105</b> |

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**KERS Hazardous Insurance**

| Company                     | Shares         | Fair Value      |
|-----------------------------|----------------|-----------------|
| ISHARES CORE S&P MIDCAP ETF | 140,725        | \$8,235         |
| MICROSOFT CORP              | 17,842         | 7,974           |
| NVIDIA CORP                 | 59,051         | 7,295           |
| APPLE INC                   | 34,602         | 7,288           |
| LAZARD EMERG MKT EQY-INST   | 251,868        | 4,682           |
| AMAZON.COM INC              | 21,984         | 4,248           |
| META PLATFORMS INC          | 5,261          | 2,653           |
| ALPHABET INC                | 14,101         | 2,569           |
| ALPHABET INC                | 11,732         | 2,152           |
| BERKSHIRE HATHAWAY INC      | 4,346          | 1,768           |
| <b>Total</b>                | <b>561,512</b> | <b>\$48,864</b> |

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**SPRS Pension**

| Company                     | Shares         | Fair Value      |
|-----------------------------|----------------|-----------------|
| ISHARES CORE S&P MIDCAP ETF | 110,556        | \$6,470         |
| MICROSOFT CORP              | 12,724         | 5,687           |
| NVIDIA CORP                 | 42,112         | 5,202           |
| APPLE INC                   | 24,676         | 5,197           |
| LAZARD EMERG MKT EQY-INST   | 191,090        | 3,552           |
| AMAZON.COM INC              | 15,678         | 3,030           |
| META PLATFORMS INC          | 3,752          | 1,892           |
| ALPHABET INC                | 10,056         | 1,832           |
| ALPHABET INC                | 8,366          | 1,534           |
| BERKSHIRE HATHAWAY INC      | 3,099          | 1,261           |
| <b>Total</b>                | <b>422,109</b> | <b>\$35,657</b> |

**Top 10 Public Equity Holdings  
As of June 30, 2024 (\$ in Thousands)**

**SPRS Insurance**

| Company                     | Shares         | Fair Value      |
|-----------------------------|----------------|-----------------|
| ISHARES CORE S&P MIDCAP ETF | 56,965         | \$3,334         |
| MICROSOFT CORP              | 7,149          | 3,195           |
| NVIDIA CORP                 | 23,660         | 2,923           |
| APPLE INC                   | 13,864         | 2,920           |
| LAZARD EMERG MKT EQY-INST   | 105,578        | 1,963           |
| AMAZON.COM INC              | 8,808          | 1,702           |
| META PLATFORMS INC          | 2,108          | 1,063           |
| ALPHABET INC                | 5,650          | 1,029           |
| ALPHABET INC                | 4,700          | 862             |
| BERKSHIRE HATHAWAY INC      | 1,741          | 708             |
| <b>Total</b>                | <b>230,223</b> | <b>\$19,699</b> |

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

# Core Fixed Income

For the fiscal year, the Pension Core Fixed Income KERS Nonhazardous, Hazardous and SPRS portfolios returned 5.14%, 5.00% and 5.11%, respectively, outperforming the Bloomberg U.S. Aggregate benchmark with a return of 2.63%. For the Insurance Core Fixed Income, KERS Nonhazardous, Hazardous and SPRS portfolios returned 4.86%, 4.99% and 4.99%, respectively, also outperforming the benchmark. Relative outperformance was driven by the shorter duration profile and tactical allocation to front end investment grade credit as rates rose and credit spreads tightened during the first six months of the fiscal year.

## Return on Core Fixed Income As of June 30, 2024

|                   | Inception Date  | 1 Year |       | 3 Years |        | 5 Years |        | 10 Years |       |
|-------------------|-----------------|--------|-------|---------|--------|---------|--------|----------|-------|
|                   |                 | Plan   | Index | Plan    | Index  | Plan    | Index  | Plan     | Index |
| <b>Pension</b>    | <b>7/1/2013</b> |        |       |         |        |         |        |          |       |
| KERS Nonhazardous |                 | 5.14%  | 2.63% | 0.24%   | -3.02% | 1.93%   | -0.23% | N/A      | 1.35  |
| KERS Hazardous    |                 | 5.00%  | 2.63% | 0.21%   | -3.02% | 1.89%   | -0.23% | N/A      | 1.35  |
| SPRS              |                 | 5.11%  | 2.63% | 0.30%   | -3.02% | 1.96%   | -0.23% | N/A      | 1.35  |
| <b>Insurance</b>  | <b>7/1/2013</b> |        |       |         |        |         |        |          |       |
| KERS Nonhazardous |                 | 4.86%  | 2.63% | 0.05%   | -3.02% | 1.71%   | -0.23% | N/A      | 1.35  |
| KERS Hazardous    |                 | 4.99%  | 2.63% | 0.09%   | -3.02% | 1.71%   | -0.23% | N/A      | 1.35  |
| SPRS              |                 | 4.99%  | 2.63% | 0.09%   | -3.02% | 1.72%   | -0.23% | N/A      | 1.35  |

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



| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                    |                  |
|--|--------------------|------------------|
| KERS Nonhazardous Pension  |                    |                  |
| Issuer   | Shares             | Fair Value       |
| ISHARES CORE U.S. AGGREGATE  | 3,683,180          | \$357,526        |
| U S TREASURY NOTE  | 186,834,016        | 182,054          |
| U S TREASURY BOND  | 84,745,231         | 75,981           |
| JPMORGAN CHASE & CO  | 6,505,064          | 6,282            |
| FHLMC POOL #SD-5297  | 4,584,404          | 4,657            |
| NEXTERA ENERGY CAPITAL HOLDING   | 4,480,391          | 4,490            |
| COMMIT TO PUR GNMA II JUMBOS   | 4,532,116          | 4,279            |
| FHLMC POOL #SI-2096  | 5,004,519          | 4,124            |
| U S TREASURY BILL  | 4,051,810          | 4,050            |
| SOUTHERN CALIFORNIA EDISON CO  | 3,940,149          | 3,757            |
| <b>Total</b>   | <b>308,360,880</b> | <b>\$647,200</b> |

| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                   |                 |
|--|-------------------|-----------------|
| KERS Nonhazardous Insurance  |                   |                 |
| Issuer   | Shares            | Fair Value      |
| ISHARES CORE U.S. AGGREGATE  | 612,711           | \$59,476        |
| U S TREASURY NOTE  | 2,194,682         | 1,942           |
| U S TREASURY NOTE  | 1,357,560         | 1,386           |
| U S TREASURY BOND  | 1,275,827         | 1,286           |
| U S TREASURY NOTE  | 1,286,072         | 1,284           |
| U S TREASURY NOTE  | 1,408,788         | 1,270           |
| U S TREASURY BOND  | 1,232,049         | 1,200           |
| U S TREASURY NOTE  | 1,155,206         | 1,162           |
| U S TREASURY NOTE  | 1,124,469         | 1,133           |
| U S TREASURY NOTE  | 1,193,395         | 1,101           |
| <b>Total</b>   | <b>12,840,759</b> | <b>\$71,240</b> |

| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                  |                 |
|--|------------------|-----------------|
| KERS Hazardous Pension   |                  |                 |
| Issuer   | Shares           | Fair Value      |
| ISHARES CORE U.S. AGGREGATE  | 387,277          | \$37,593        |
| U S TREASURY BOND  | 931,497          | 939             |
| U S TREASURY NOTE  | 898,735          | 904             |
| U S TREASURY NOTE  | 838,305          | 856             |
| U S TREASURY BOND  | 842,966          | 821             |
| U S TREASURY NOTE  | 738,119          | 746             |
| U S TREASURY NOTE  | 732,810          | 732             |
| U S TREASURY NOTE  | 686,148          | 690             |
| U S TREASURY NOTE  | 699,486          | 631             |
| U S TREASURY NOTE  | 669,487          | 617             |
| <b>Total</b>   | <b>7,424,830</b> | <b>\$44,529</b> |

| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                  |                 |
|--|------------------|-----------------|
| KERS Hazardous Insurance   |                  |                 |
| Issuer   | Shares           | Fair Value      |
| ISHARES CORE U.S. AGGREGATE  | 244,965          | \$23,779        |
| U S TREASURY NOTE  | 877,446          | 775             |
| U S TREASURY NOTE  | 542,760          | 552             |
| U S TREASURY NOTE  | 514,178          | 513             |
| U S TREASURY BOND  | 510,082          | 511             |
| U S TREASURY NOTE  | 563,241          | 502             |
| U S TREASURY BOND  | 492,580          | 472             |
| U S TREASURY NOTE  | 461,858          | 463             |
| U S TREASURY NOTE  | 449,569          | 445             |
| U S TREASURY NOTE  | 477,126          | 439             |
| <b>Total</b>   | <b>5,133,805</b> | <b>\$28,451</b> |

| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                   |                 |
|--|-------------------|-----------------|
| SPRS Pension   |                   |                 |
| Issuer   | Shares            | Fair Value      |
| ISHARES CORE U.S. AGGREGATE  | 558,856           | \$54,248        |
| U S TREASURY BOND  | 1,344,189         | 1,355           |
| U S TREASURY NOTE  | 1,296,912         | 1,305           |
| U S TREASURY NOTE  | 1,209,708         | 1,236           |
| U S TREASURY BOND  | 1,216,435         | 1,185           |
| U S TREASURY NOTE  | 1,065,136         | 1,077           |
| U S TREASURY NOTE  | 1,057,475         | 1,056           |
| U S TREASURY NOTE  | 990,140           | 995             |
| U S TREASURY NOTE  | 1,009,388         | 910             |
| U S TREASURY NOTE  | 966,097           | 891             |
| <b>Total</b>   | <b>10,714,336</b> | <b>\$64,258</b> |

| Top 10 Core Fixed Income Holdings<br>As of June 30, 2024 (\$ in Thousands) |                  |                 |
|--|------------------|-----------------|
| SPRS Insurance   |                  |                 |
| Issuer   | Shares           | Fair Value      |
| ISHARES CORE U.S. AGGREGATE  | 96,406           | \$9,358         |
| U S TREASURY NOTE  | 345,318          | 306             |
| U S TREASURY NOTE  | 213,602          | 218             |
| U S TREASURY BOND  | 200,742          | 202             |
| U S TREASURY NOTE  | 202,354          | 202             |
| U S TREASURY NOTE  | 221,663          | 200             |
| U S TREASURY BOND  | 193,854          | 189             |
| U S TREASURY NOTE  | 181,764          | 183             |
| U S TREASURY NOTE  | 176,927          | 178             |
| U S TREASURY NOTE  | 187,772          | 173             |
| <b>Total</b>   | <b>2,020,402</b> | <b>\$11,209</b> |

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

# Specialty Credit

For the fiscal year, the Pension Specialty Credit KERS Nonhazardous, Hazardous and SPRS portfolios returned 12.98%, 12.96% and 12.83%, respectively, outperforming the custom benchmark which returned 10.81%. For the Insurance Specialty Credit, KERS Nonhazardous, Hazardous and SPRS portfolios returned 12.89%, 14.37% and 13.60%, respectively, also outperforming the benchmark. Outperformance was a result of credit spreads continuing to tighten as well as an increase in interest rates as the majority of holdings in the private sector is floating rate.

| Return on Specialty Credit<br>As of June 30, 2024  |                |        |        |         |       |         |       |          |       |
|--|----------------|--------|--------|---------|-------|---------|-------|----------|-------|
|  | Inception Date | 1 Year |        | 3 Years |       | 5 Years |       | 10 Years |       |
| Pension  | 7/1/2017       | Plan   | Index  | Plan    | Index | Plan    | Index | Plan     | Index |
| KERS Nonhazardous  |                | 12.98% | 10.81% | 7.38%   | 3.92% | 7.74%   | 4.76% | 6.40%    | N/A   |
| KERS Hazardous   |                | 12.96% | 10.81% | 7.70%   | 3.92% | 7.64%   | 4.76% | 6.31%    | N/A   |
| SPRS   |                | 12.83% | 10.81% | 7.06%   | 3.92% | 7.26%   | 4.76% | 6.17%    | N/A   |
| Insurance  | 7/1/2017       |        |        |         |       |         |       |          |       |
| KERS Nonhazardous  |                | 12.89% | 10.81% | 7.77%   | 3.92% | 7.47%   | 4.76% | 6.21%    | N/A   |
| KERS Hazardous   |                | 14.37% | 10.81% | 8.90%   | 3.92% | 8.26%   | 4.76% | 6.61%    | N/A   |
| SPRS   |                | 13.60% | 10.81% | 8.32%   | 3.92% | 7.91%   | 4.76% | 6.43%    | N/A   |
| Note: Current Pension and Insurance benchmark is 50% Bloomberg US Corporate High Yield/50% Morningstar LSTA Leveraged Loan. Plan returns are reported gross of fees. |                |        |        |         |       |         |       |          |       |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |                 |
|---|-----------------|
| KERS Nonhazardous Pension   |                 |
| Issuer  | Fair Value      |
| CCO HOLDINGS LLC / CCO HO 144A  | \$3,450         |
| CAESARS ENTERTAINMENT INC 144A  | 3,388           |
| TENET HEALTHCARE CORP   | 2,749           |
| TRANSDIGM INC 144A  | 2,672           |
| CLOUD SOFTWARE GROUP INC 144A   | 2,645           |
| ALLIANT HOLDINGS INTERMED 144A  | 2,535           |
| OLYMPUS WATER US HOLDING 144A   | 2,113           |
| CLEAR CHANNEL OUTDOOR HOL 144A  | 1,921           |
| EQM MIDSTREAM PARTNERS LP 144A  | 1,914           |
| VISTRA OPERATIONS CO LLC 144A   | 1,884           |
| <b>Total</b>  | <b>\$25,271</b> |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |                |
|---|----------------|
| KERS Hazardous Pension  |                |
| Issuer  | Fair Value     |
| SPDR BLOOMBERG SHORT TERM HI  | \$443          |
| CLOUD SOFTWARE GROUP INC 144A   | 338            |
| MEDLINE BORROWER LP 144A  | 290            |
| ARAMARK 3/24 B8 TL  | 289            |
| ARDAGH METAL PACKAGING FI 144A  | 255            |
| CLEARWAY ENERGY OPERATING 144A  | 255            |
| HUDBAY MINERALS INC 144A  | 253            |
| TRANSDIGM INC 144A  | 249            |
| AECOM 4/24 TLB  | 246            |
| SELECT MEDICAL CORP 144A  | 237            |
| <b>Total</b>  | <b>\$2,855</b> |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |                |
|---|----------------|
| SPRS Pension  |                |
| Issuer  | Fair Value     |
| CLOUD SOFTWARE GROUP INC 144A   | \$248          |
| SPDR BLOOMBERG SHORT TERM HI  | 235            |
| MEDLINE BORROWER LP 144A  | 211            |
| CLEARWAY ENERGY OPERATING 144A  | 186            |
| ARDAGH METAL PACKAGING FI 144A  | 184            |
| HUDBAY MINERALS INC 144A  | 184            |
| TRANSDIGM INC 144A  | 183            |
| SELECT MEDICAL CORP 144A  | 174            |
| ZOOMINFO TECHNOLOGIES LLC 144A  | 170            |
| DISH NETWORK CORP 144A  | 169            |
| <b>Total</b>  | <b>\$1,944</b> |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |                |
|---|----------------|
| KERS Nonhazardous Insurance   |                |
| Issuer  | Fair Value     |
| CLOUD SOFTWARE GROUP INC 144A   | \$610          |
| SPDR BLOOMBERG SHORT TERM HI  | 556            |
| MEDLINE BORROWER LP 144A  | 521            |
| ASURION 12/20 B8 COV-LITE TL  | 504            |
| TRANSDIGM INC 144A  | 471            |
| INTERNATIONAL GAME TECHNO 144A  | 468            |
| ARDAGH METAL PACKAGING FI 144A  | 467            |
| CLEARWAY ENERGY OPERATING 144A  | 466            |
| LADDER CAPITAL FINANCE HO 144A  | 454            |
| VISTRA OPERATIONS CO LLC 144A   | 448            |
| <b>Total</b>  | <b>\$4,965</b> |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |                |
|---|----------------|
| KERS Hazardous Insurance  |                |
| Issuer  | Fair Value     |
| CLOUD SOFTWARE GROUP INC 144A   | \$149          |
| MEDLINE BORROWER LP 144A  | 129            |
| SPDR BLOOMBERG SHORT TERM HI  | 117            |
| ARDAGH METAL PACKAGING FI 144A  | 116            |
| TRANSDIGM INC 144A  | 115            |
| CLEARWAY ENERGY OPERATING 144A  | 115            |
| LADDER CAPITAL FINANCE HO 144A  | 114            |
| VISTRA OPERATIONS CO LLC 144A   | 110            |
| SELECT MEDICAL CORP 144A  | 108            |
| HUDBAY MINERALS INC 144A  | 108            |
| <b>Total</b>  | <b>\$1,181</b> |

| Top 10 Specialty Credit Holdings<br>As of June 30, 2024 (\$ in Thousands) |              |
|---|--------------|
| SPRS Insurance  |              |
| Issuer  | Fair Value   |
| ARAMARK 3/24 B8 TL  | \$84         |
| AECOM 4/24 TLB  | 67           |
| BURGER KING/RESTAURANT BRANDS   | 66           |
| CLOUD SOFTWARE GROUP INC 144A   | 62           |
| HERTZ 6/21 TLB  | 55           |
| MEDLINE INDUSTRIES/MOZART 6/24  | 54           |
| MEDLINE BORROWER LP 144A  | 53           |
| HCA INC   | 50           |
| SPDR BLOOMBERG SHORT TERM HI  | 49           |
| U S TREASURY NOTE   | 48           |
| <b>Total</b>  | <b>\$588</b> |

*Note: 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 2.06% for KERS Nonhazardous to 7.83% for SPRS, while the Insurance Private Equity portfolio gross returns ranged from 7.09% for SPRS to 8.45% for KERS Nonhazardous. The comparative benchmark for all plans was 3.77% for the fiscal year. The Investment Committee acknowledges the difficulty in assessing short-term performance for Private Equity. Performance is typically based on quarterly estimates of each underlying business's value and managers are often slow to mark valuations up or down. This can distort relative performance against a public market benchmark during periods when the index moves dramatically. A better indication of program performance would be the mid- to longer-term time periods because more underlying company holdings have likely transacted at a specific (rather than estimated) valuation. The below chart provides the gross returns for the longer term time periods.

## Return on Private Equity As of June 30, 2024

|                   | Inception Date | 1 Year |       | 3 Years |       | 5 Years |        | 10 Years |        |
|-------------------|----------------|--------|-------|---------|-------|---------|--------|----------|--------|
| Pension           | 7/1/2002       | Plan   | Index | Plan    | Index | Plan    | Index  | Plan     | Index  |
| KERS Nonhazardous |                | 2.06%  | 3.77% | 1.34%   | 7.82% | 11.56%  | 12.28% | 10.17%   | 15.46% |
| KERS Hazardous    |                | 5.68%  | 3.77% | 11.23%  | 7.82% | 15.08%  | 12.28% | 12.99%   | 15.46% |
| SPRS              |                | 7.83%  | 3.77% | 7.92%   | 7.82% | 15.34%  | 12.28% | 12.30%   | 15.46% |
| Insurance         | 7/1/2002       |        |       |         |       |         |        |          |        |
| KERS Nonhazardous |                | 8.45%  | 3.77% | 18.09%  | 7.82% | 17.41%  | 12.28% | 13.65%   | 15.46% |
| KERS Hazardous    |                | 7.63%  | 3.77% | 14.34%  | 7.82% | 14.69%  | 12.28% | 13.88%   | 15.46% |
| SPRS              |                | 7.09%  | 3.77% | 14.59%  | 7.82% | 15.31%  | 12.28% | 14.16%   | 15.46% |

Note: Current Pension and Insurance benchmark is Russell 3000 + 3%, lagged 1 quarter. Current Pension and Insurance benchmark is Russell 3000 + 3%, lagged 1 quarter.

# Real Estate

For the fiscal year, the Pension and Insurance Real Estate portfolios saw gross returns ranging from (9.80)% in the KERS Hazardous insurance plan to (8.40)% in the KERS Nonhazardous pension plan, exceeding the benchmark return of (12.0)% by all plans.

## Return on Real Estate As of June 30, 2024

|                   | Inception Date | 1 Year  |          | 3 Years |       | 5 Years |       | 10 Years |       |
|-------------------|----------------|---------|----------|---------|-------|---------|-------|----------|-------|
| Pension           | 7/1/1984       | Plan    | Index    | Plan    | Index | Plan    | Index | Plan     | Index |
| KERS Nonhazardous |                | (8.40)% | (12.00)% | 5.75%   | 2.47% | 7.51%   | 2.56% | 7.59%    | 5.82% |
| KERS Hazardous    |                | (9.24)% | (12.00)% | 4.85%   | 2.47% | 6.66%   | 2.56% | 7.77%    | 5.82% |
| SPRS              |                | (9.07)% | (12.00)% | 5.01%   | 2.47% | 6.79%   | 2.56% | 7.75%    | 5.82% |
| Insurance         | 5/1/2009       |         |          |         |       |         |       |          |       |
| KERS Nonhazardous |                | (8.61)% | (12.00)% | 4.57%   | 2.47% | 6.56%   | 2.56% | 7.72%    | 5.82% |
| KERS Hazardous    |                | (9.80)% | (12.00)% | 4.03%   | 2.47% | 6.22%   | 2.56% | 7.55%    | 5.82% |
| SPRS              |                | (9.78)% | (12.00)% | 4.05%   | 2.47% | 6.24%   | 2.56% | 7.55%    | 5.82% |

Note: Current Pension and Insurance benchmark is the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity (NCREIFODCE) 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 13.71% (gross) in the SPRS insurance plan to 17.56% (gross) in the KERS Nonhazardous pension plan. All plan returns exceeded the benchmark return of 6.27%. The below chart provides returns for longer time periods for each plan.

| Return on Real Return<br>As of June 30, 2024 |                |        |       |         |       |         |       |          |       |
|--|----------------|--------|-------|---------|-------|---------|-------|----------|-------|
|  | Inception Date | 1 Year |       | 3 Years |       | 5 Years |       | 10 Years |       |
| Pension                                      | 7/1/2011       | Plan   | Index | Plan    | Index | Plan    | Index | Plan     | Index |
| KERS Nonhazardous                            |                | 17.56% | 6.27% | 11.70%  | 7.11% | 10.36%  | 6.70% | 6.17%    | 4.12% |
| KERS Hazardous                               |                | 15.72% | 6.27% | 10.45%  | 7.11% | 9.00%   | 6.70% | 5.58%    | 4.12% |
| SPRS   |                | 14.54% | 6.27% | 10.86%  | 7.11% | 9.16%   | 6.70% | 5.58%    | 4.12% |
| Insurance                                    | 7/1/2011       |        |       |         |       |         |       |          |       |
| KERS Nonhazardous                            |                | 14.52% | 6.27% | 10.29%  | 6.77% | 9.61%   | 6.72% | 5.75%    | 4.18% |
| KERS Hazardous                               |                | 14.04% | 6.27% | 8.92%   | 6.77% | 8.30%   | 6.72% | 5.12%    | 4.18% |
| SPRS   |                | 13.71% | 6.27% | 9.02%   | 6.77% | 8.26%   | 6.72% | 5.11%    | 4.18% |

*Note: Current Pension and Insurance benchmark is US 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 5.33% underperforming the FTSE 3-Month US Treasury Bill benchmark which returned 5.64%. For the Insurance Cash, KERS Nonhazardous, Hazardous and SPRS portfolios each returned 5.35% also underperforming the benchmark by 0.29%.

| Return on Cash<br>As of June 30, 2024 |                |        |       |         |       |         |       |          |       |
|---------------------------------------|----------------|--------|-------|---------|-------|---------|-------|----------|-------|
|                                       | Inception Date | 1 Year |       | 3 Years |       | 5 Years |       | 10 Years |       |
| Pension                               | 1/1/1988       | Plan   | Index | Plan    | Index | Plan    | Index | Plan     | Index |
| KERS Nonhazardous                     |                | 5.33%  | 5.64% | 2.96%   | 3.17% | 2.18%   | 2.22% | 1.66%    | 1.53% |
| KERS Hazardous                        |                | 5.33%  | 5.64% | 2.96%   | 3.17% | 2.18%   | 2.22% | 1.66%    | 1.53% |
| SPRS                                  |                | 5.33%  | 5.64% | 2.96%   | 3.17% | 2.18%   | 2.22% | 1.66%    | 1.53% |
| Insurance                             | 7/1/1992       |        |       |         |       |         |       |          |       |
| KERS Nonhazardous                     |                | 5.35%  | 5.64% | 2.96%   | 3.17% | 2.08%   | 2.22% | 1.54%    | 1.53% |
| KERS Hazardous                        |                | 5.35%  | 5.64% | 2.96%   | 3.17% | 2.08%   | 2.22% | 1.54%    | 1.53% |
| SPRS                                  |                | 5.35%  | 5.64% | 2.96%   | 3.17% | 2.08%   | 2.22% | 1.54%    | 1.53% |

*Note: Current Pension and Insurance benchmarks are Global Equity: MSCI ACWI; US Equity: Russell 3000; Non-US Equity: MSCI ACWI Ex-US. Plan returns are reported gross of fees.*

# 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, 2024.

| Investment Managers & Assets Under Management by Plan and Asset Class<br>As of June 30, 2024 (\$ in Thousands) |                    |                   |                  |                  |                   |                  |                    |
|--|--------------------|-------------------|------------------|------------------|-------------------|------------------|--------------------|
| Advisor/Asset Class  | Pension            |                   |                  | Insurance        |                   |                  | KRS<br>Total       |
|  | KERS               | KERS<br>Hazardous | SPRS             | KERS             | KERS<br>Hazardous | SPRS             |                    |
| <b>Core Fixed Income</b>   | <b>\$1,285,074</b> | <b>\$151,279</b>  | <b>\$193,483</b> | <b>\$235,110</b> | <b>\$89,150</b>   | <b>\$36,610</b>  | <b>\$1,990,706</b> |
| Lord Abbett & Co.  | 550                | 58                | 84               | 119              | 48                | 19               | 878                |
| Loomis, Sayles & Company Core  | 357,744            | 37,616            | 54,281           | 60,389           | 24,144            | 9,502            | 543,676            |
| NISA Investment Advisors   | 392,157            | 41,234            | 59,503           | 71,908           | 28,749            | 11,314           | 604,865            |
| Internally Managed by KPPA   | 534,623            | 72,371            | 79,615           | 102,694          | 36,209            | 15,775           | 841,287            |
| <b>Private Equity</b>  | <b>\$181,975</b>   | <b>\$63,224</b>   | <b>\$30,418</b>  | <b>\$107,909</b> | <b>\$45,408</b>   | <b>\$20,455</b>  | <b>\$449,389</b>   |
| Ares   | -                  | 1,225             | 386              | -                | 784               | 488              | 2,883              |
| Bay Hills  | 55,121             | 9,981             | 4,577            | 3,818            | 4,944             | 2,754            | 81,195             |
| Black Diamond  | -                  | 3,609             | 1,138            | -                | 3,006             | 1,871            | 9,624              |
| Blackstone   | 7                  | 845               | -                | 1                | 860               | 410              | 2,123              |
| Crestview  | 9,194              | 2,989             | 1,181            | 637              | 1,497             | 878              | 16,376             |
| CVC  | -                  | 1,359             | 429              | -                | 855               | 532              | 3,175              |
| DAG Ventures   | 9,096              | 1,151             | 599              | 630              | 302               | 134              | 11,912             |
| Harvest Partners   | -                  | 1,811             | 36               | 4,690            | 2,990             | 1,189            | 10,716             |
| H.I.G.   | 1,004              | 916               | 197              | 69               | 784               | 411              | 3,381              |
| Horsley Bridge   | 28,443             | 3,597             | 1,872            | 1,970            | 938               | 417              | 37,237             |
| Kayne Anderson   | -                  | 1,721             | -                | 5,136            | 3,133             | 1,214            | 11,204             |
| Keyhaven   | 3,023              | 1,285             | 483              | 209              | 851               | 512              | 6,363              |
| Leonard Green  | 304                | 2,971             | 20               | 3,442            | 4,483             | 1,949            | 13,169             |
| Levine Leichtman   | -                  | 2,751             | 36               | 7,863            | 4,869             | 1,903            | 17,422             |
| Middle Ground  | 17,354             | 7,711             | 1,997            | 24,967           | 5,257             | 2,069            | 59,355             |
| New State  | 1,508              | 434               | 174              | 647              | 305               | 119              | 3,187              |
| Strategic Value Partners   | 10,414             | 5,687             | 1,198            | 13,327           | 4,609             | 1,411            | 36,646             |
| Triton   | -                  | 1,019             | 321              | -                | 652               | 406              | 2,398              |
| Vista  | 762                | 2,747             | 50               | 4,741            | 4,289             | 1,788            | 14,377             |
| Internally Managed by KPPA   | 45,745             | 9,415             | 15,724           | 35,762           | -                 | -                | 106,646            |
| <b>Public Equity</b>   | <b>\$1,365,158</b> | <b>\$437,656</b>  | <b>\$208,715</b> | <b>\$718,838</b> | <b>\$288,762</b>  | <b>\$116,124</b> | <b>\$3,135,253</b> |
| American Century Investments   | 77,532             | 25,470            | 13,009           | 45,712           | 17,066            | 7,154            | 185,943            |
| Axiom  | 18,586             | 6,106             | 3,119            | 11,138           | 4,158             | 1,743            | 44,850             |
| BlackRock  | 128,328            | 38,638            | 13,612           | 45,951           | 24,843            | 8,513            | 259,885            |
| Franklin Templeton   | 61,516             | 20,209            | 10,322           | 36,708           | 13,705            | 5,745            | 148,205            |
| JP Morgan Emerging Markets   | 25,040             | 8,226             | 4,201            | 14,886           | 5,558             | 2,330            | 60,241             |
| Lazard Asset Management  | 91,631             | 30,102            | 15,374           | 54,306           | 20,275            | 8,499            | 220,187            |
| LSV Asset Management   | 95,600             | 31,405            | 16,040           | 56,773           | 21,196            | 8,885            | 229,899            |
| Next Century   | 18,583             | 6,991             | 3,662            | 11,187           | 4,622             | 1,871            | 46,916             |
| Northern Trust   | 47,098             | 17,717            | 9,282            | 28,133           | 11,624            | 4,705            | 118,559            |
| Pzena Emerging Markets   | 31,553             | 10,365            | 5,294            | 18,645           | 6,961             | 2,918            | 75,736             |
| River Road Asset Management  | 47,420             | 17,839            | 9,345            | 30,251           | 12,499            | 5,059            | 122,413            |
| Westfield Capital  | 60,761             | 22,857            | 11,975           | 39,560           | 16,345            | 6,616            | 158,114            |
| Internally Managed by KPPA   | 661,510            | 201,731           | 93,480           | 325,588          | 129,910           | 52,086           | 1,464,305          |
| <b>Real Estate</b>   | <b>\$218,209</b>   | <b>\$58,871</b>   | <b>\$35,140</b>  | <b>\$96,043</b>  | <b>\$42,227</b>   | <b>\$16,125</b>  | <b>\$466,615</b>   |
| Barings Real Estate  | 14,200             | 3,884             | 1,642            | 4,626            | 3,460             | 1,323            | 29,135             |
| Fundamental Partners   | 9,753              | 2,668             | 1,128            | 3,177            | 2,376             | 908              | 20,010             |

|                                      |                    |                    |                  |                    |                  |                  |                    |
|--------------------------------------|--------------------|--------------------|------------------|--------------------|------------------|------------------|--------------------|
| Harrison Street                      | 67,681             | 12,037             | 16,927           | 35,634             | 11,624           | 4,452            | 148,355            |
| Lubert-Adler                         | 1,607              | 1,206              | 461              | 1,321              | 989              | 375              | 5,959              |
| Mesa West                            | 8,158              | 3,821              | 1,240            | 820                | 613              | 234              | 14,886             |
| Patron                               | 2,774              | 759                | 321              | 5,990              | 5,033            | 1,891            | 16,768             |
| Prologis                             | 53,416             | 14,612             | 6,176            | 16,059             | 12,010           | 4,591            | 106,864            |
| Rubenstein                           | 0                  | 323                | 116              | 339                | 254              | 96               | 1,128              |
| Stockbridge                          | 24,959             | 4,969              | 2,407            | 7,728              | 5,451            | 2,089            | 47,603             |
| Walton Street                        | 4,206              | 1,221              | 413              | 632                | 417              | 166              | 7,055              |
| Internally Managed by KPPA           | 31,455             | 13,371             | 4,309            | 19,717             | -                | -                | 68,852             |
| <b>Real Return</b>                   | <b>\$351,337</b>   | <b>\$79,593</b>    | <b>\$56,449</b>  | <b>\$135,281</b>   | <b>\$45,320</b>  | <b>\$18,428</b>  | <b>\$686,408</b>   |
| AMERRA                               | 0                  | 2,964              | 1,500            | 3,144              | 2,549            | 958              | 11,115             |
| Arctos                               | 13,082             | 335                | 3,354            | 7,715              | 336              | 335              | 25,157             |
| BTG Pactual                          | 0                  | 1,426              | 660              | 1,657              | 1,123            | 426              | 5,292              |
| IFM                                  | 12,201             | 3,758              | 1,457            | 5,338              | 3,003            | 1,012            | 26,769             |
| Maritime Partners                    | 29,823             | 3,242              | 5,835            | 12,893             | 2,482            | 1,297            | 55,572             |
| Prisma                               | 18,812             | 4,908              | 2,037            | 6,740              | 4,475            | 1,678            | 38,650             |
| Saba Capital                         | 47,949             | 7,992              | 7,991            | 9,590              | 5,328            | 1,066            | 79,916             |
| Tortoise                             | 57,403             | 14,378             | 5,741            | 16,969             | 7,760            | 3,029            | 105,280            |
| Internally Managed by KPPA           | 172,067            | 40,590             | 27,874           | 71,235             | 18,264           | 8,627            | 338,657            |
| <b>Specialty Credit</b>              | <b>\$792,754</b>   | <b>\$231,540</b>   | <b>\$125,292</b> | <b>\$379,231</b>   | <b>\$152,514</b> | <b>\$61,910</b>  | <b>\$1,743,241</b> |
| Adams Street                         | 54,925             | 16,056             | 6,699            | 22,765             | 11,561           | 4,557            | 116,563            |
| Arrowmark                            | 101,710            | 31,533             | 12,563           | 50,213             | 31,215           | 11,527           | 238,761            |
| Blue Torch                           | 28,404             | 8,534              | 3,521            | 12,015             | 6,316            | 2,447            | 61,237             |
| Benefit Street Partners              | 18,726             | 6,726              | 1,739            | 10,461             | 6,317            | 2,274            | 46,243             |
| CapitalSpring                        | 16,062             | 5,769              | 1,491            | 7,884              | 4,761            | 1,714            | 37,681             |
| Cerberus                             | 29,513             | 10,600             | 2,740            | 14,485             | 8,747            | 3,149            | 69,234             |
| Columbia Threadneedle Investments    | 170,117            | 48,243             | 34,585           | 85,062             | 21,323           | 8,672            | 368,002            |
| Manulife Investment Management       | 38,825             | 19,021             | 7,965            | 24,032             | 1,035            | 5,447            | 96,325             |
| Marathon Asset Management            | 139,745            | 23,610             | 12,617           | 37,253             | 22,291           | 7,696            | 243,212            |
| Shenkman Capital Management          | 120,702            | 37,346             | 19,855           | 74,034             | 15,504           | 6,571            | 274,012            |
| Waterfall Asset Management           | 51,012             | 15,836             | 19,381           | 28,623             | 15,954           | 5,159            | 135,965            |
| White Oak Global Advisors            | 23,013             | 8,266              | 2,136            | 12,404             | 7,490            | 2,697            | 56,006             |
| <b>Other</b>                         | <b>\$13,894</b>    | <b>\$3,754</b>     | <b>\$1,305</b>   | <b>\$5,288</b>     | <b>\$4,053</b>   | <b>\$1,504</b>   | <b>\$29,798</b>    |
| <b>Total Assets Under Management</b> | <b>\$4,208,401</b> | <b>\$1,025,917</b> | <b>\$650,802</b> | <b>\$1,677,700</b> | <b>\$667,434</b> | <b>\$271,156</b> | <b>\$8,501,410</b> |



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

For the fiscal year ended June 30, 2024 (\$ in Thousands)

| KERS Nonhazardous             | Public Equity  | Private Equity | Fixed Income   | Specialty Credit | Cash         | Real Return    | Real Estate    | Total           |
|-------------------------------|----------------|----------------|----------------|------------------|--------------|----------------|----------------|-----------------|
| Investment Advisory Fees      | \$2,137        | \$387          | \$625          | \$3,881          | \$-          | \$873          | \$1,417        | \$9,320         |
| Performance/Incentive Fees    | -              | 492            | 34             | 6,526            | -            | (66)           | (979)          | 6,007           |
| Securities Lending Fees       | 27             | -              | 25             | 17               | -            | 6              | -              | 75              |
| Securities Lending Fee Rebate | 1,804          | -              | 952            | 786              | -            | 191            | -              | 3,733           |
| Miscellaneous Fees & Expenses | 40             | 506            | 52             | 7,233            | -            | 392            | 854            | 9,077           |
| Administration                | -              | -              | -              | -                | 361          | -              | -              | 361             |
| Consultant Fees               | -              | -              | -              | -                | 238          | -              | -              | 238             |
| Custodial Fees                | -              | -              | -              | -                | 397          | -              | -              | 397             |
|                               | <b>\$4,008</b> | <b>\$1,385</b> | <b>\$1,688</b> | <b>\$18,443</b>  | <b>\$996</b> | <b>\$1,396</b> | <b>\$1,292</b> | <b>\$29,208</b> |

| KERS Hazardous                | Public Equity  | Private Equity | Fixed Income | Specialty Credit | Cash         | Real Return  | Real Estate  | Total          |
|-------------------------------|----------------|----------------|--------------|------------------|--------------|--------------|--------------|----------------|
| Investment Advisory Fees      | \$731          | \$306          | \$83         | \$1,110          | \$-          | \$202        | \$380        | \$2,812        |
| Performance/Incentive Fees    | -              | 191            | 4            | 1,807            | -            | (9)          | (269)        | 1,724          |
| Securities Lending Fees       | 9              | -              | 3            | 5                | -            | 2            | -            | 19             |
| Securities Lending Fee Rebate | 636            | -              | 117          | 239              | -            | 48           | -            | 1,040          |
| Miscellaneous                 | 13             | 240            | 6            | 2,174            | -            | 65           | 238          | 2,736          |
| Administration                | -              | -              | -            | -                | 93           | -            | -            | 93             |
| Consultant Fees               | -              | -              | -            | -                | 59           | -            | -            | 59             |
| Custodial Fees                | -              | -              | -            | -                | 97           | -            | -            | 97             |
|                               | <b>\$1,389</b> | <b>\$737</b>   | <b>\$213</b> | <b>\$5,335</b>   | <b>\$249</b> | <b>\$308</b> | <b>\$348</b> | <b>\$8,580</b> |

| SPRS                          | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash        | Real Return  | Real Estate  | Total          |
|-------------------------------|---------------|----------------|--------------|------------------|-------------|--------------|--------------|----------------|
| Investment Advisory Fees      | \$382         | \$68           | \$101        | \$525            | \$-         | \$209        | \$223        | \$1,508        |
| Performance/Incentive Fees    | -             | 26             | 5            | 739              | -           | (36)         | (114)        | 620            |
| Securities Lending Fees       | 5             | -              | 4            | 3                | -           | 1            | -            | 13             |
| Securities Lending Fee Rebate | 329           | -              | 151          | 159              | -           | 19           | -            | 658            |
| Miscellaneous Fees & Expenses | 6             | 68             | 8            | 834              | -           | 80           | 100          | 1,096          |
| Administration                | -             | -              | -            | -                | (38)        | -            | -            | (38)           |
| Consultant Fees               | -             | -              | -            | -                | 38          | -            | -            | 38             |
| Custodial Fees                | -             | -              | -            | -                | 62          | -            | -            | 62             |
|                               | <b>\$722</b>  | <b>\$162</b>   | <b>\$269</b> | <b>\$2,260</b>   | <b>\$62</b> | <b>\$273</b> | <b>\$209</b> | <b>\$3,957</b> |

NOTE: Miscellaneous expenses include Partnership Expenses, Commissions on Future Contracts, Fee for Long balance, and etc.

The Governmental Accounting Standards Board recognizes that it may not be possible or cost-beneficial to separate certain investment expenses from either the related investment income or the general administrative expenses of the Plan. KRS has displayed all investment related fees and expenses identifiable and captured by our custodial bank, BNY Mellon and Investment staff.

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

For the fiscal year ended June 30, 2024 (\$ in Thousands)

| KERS Nonhazardous             | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash  | Real Return | Real Estate | Total    |
|-------------------------------|---------------|----------------|--------------|------------------|-------|-------------|-------------|----------|
| Investment Advisory Fees      | \$1,286       | \$478          | \$132        | \$1,734          | \$-   | \$505       | \$580       | \$4,715  |
| Performance/Incentive Fees    | -             | 448            | 8            | 2,753            | -     | (53)        | (296)       | 2,860    |
| Securities Lending Fees       | 14            | -              | 6            | 10               | -     | 2           | -           | 32       |
| Securities Lending Fee Rebate | 678           | -              | 189          | 440              | -     | 63          | -           | 1,370    |
| Miscellaneous Fees & Expenses | 21            | 438            | 11           | 3,197            | -     | 192         | 282         | 4,141    |
| Administration                | -             | -              | -            | -                | 57    | -           | -           | 57       |
| Consultant Fees               | -             | -              | -            | -                | 96    | -           | -           | 96       |
| Custodial Fees                | -             | -              | -            | -                | 234   | -           | -           | 234      |
|                               | \$1,999       | \$1,364        | \$346        | \$8,134          | \$387 | \$709       | \$566       | \$13,505 |

| KERS Hazardous                | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash  | Real Return | Real Estate | Total   |
|-------------------------------|---------------|----------------|--------------|------------------|-------|-------------|-------------|---------|
| Investment Advisory Fees      | \$501         | \$314          | \$54         | \$828            | \$-   | \$155       | \$356       | \$2,208 |
| Performance/Incentive Fees    | -             | 349            | 3            | 1,641            | -     | (6)         | (221)       | 1,766   |
| Securities Lending Fees       | 6             | -              | 2            | 2                | -     | 1           | -           | 11      |
| Securities Lending Fee Rebate | 275           | -              | 76           | 96               | -     | 29          | -           | 476     |
| Miscellaneous Fees & Expenses | 8             | 210            | 4            | 1,612            | -     | 53          | 211         | 2,098   |
| Administration                | -             | -              | -            | -                | 133   | -           | -           | 133     |
| Consultant Fees               | -             | -              | -            | -                | 40    | -           | -           | 40      |
| Custodial Fees                | -             | -              | -            | -                | 94    | -           | -           | 94      |
|                               | \$790         | \$873          | \$139        | \$4,179          | \$267 | \$232       | \$346       | \$6,826 |

| SPRS                          | Public Equity | Private Equity | Fixed Income | Specialty Credit | Cash  | Real Return | Real Estate | Total   |
|-------------------------------|---------------|----------------|--------------|------------------|-------|-------------|-------------|---------|
| Investment Advisory Fees      | \$207         | \$135          | \$21         | \$313            | \$-   | \$66        | \$135       | \$877   |
| Performance/Incentive Fees    | -             | 109            | 1            | 595              | -     | (5)         | (84)        | 616     |
| Securities Lending Fees       | 3             | -              | 1            | 1                | -     | 0           | -           | 5       |
| Securities Lending Fee Rebate | 112           | -              | 30           | 56               | -     | 11          | -           | 209     |
| Miscellaneous                 | 3             | 99             | 2            | 631              | -     | 24          | 81          | 840     |
| Administration                | -             | -              | -            | -                | 47    | -           | -           | 47      |
| Consultant Fees               | -             | -              | -            | -                | 16    | -           | -           | 16      |
| Custodial Fees                | -             | -              | -            | -                | 38    | -           | -           | 38      |
|                               | \$325         | \$343          | \$55         | \$1,596          | \$101 | \$96        | \$132       | \$2,648 |

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, 2024 (\$ in Thousands) |                 | KERS Nonhazardous |                 | KERS Hazardous |                | SPRS           |
| Expense   | Fees Paid       | Share of Total    | Fees Paid       | Share of Total | Fees Paid      | Share of Total |
| <b>Portfolio Management</b>                               |                 |                   |                 |                |                |                |
| Pension Plans   | \$24,765        | 57.98%            | \$7,365         | 47.81%         | \$3,186        | 48.24%         |
| Insurance Plans   | 11,773          | 27.56%            | 6,205           | 40.28%         | 2,380          | 36.03%         |
| <b>Securities Lending</b>                                 |                 |                   |                 |                |                |                |
| Pension Plans   | 3,808           | 8.92%             | 1,059           | 6.87%          | 671            | 10.16%         |
| Insurance Plans   | 1,402           | 3.28%             | 487             | 3.16%          | 214            | 3.24%          |
| <b>Custody</b>  |                 |                   |                 |                |                |                |
| Pension Plans   | 397             | 0.93%             | 97              | 0.63%          | 62             | 0.94%          |
| Insurance Plans   | 234             | 0.55%             | 94              | 0.61%          | 38             | 0.58%          |
| <b>Consultant</b>   |                 |                   |                 |                |                |                |
| Pension Plans   | 238             | 0.56%             | 59              | 0.38%          | 38             | 0.57%          |
| Insurance Plans   | 96              | 0.22%             | 40              | 0.26%          | 16             | 0.24%          |
| <b>Total Pension Plans</b>                                | <b>29,208</b>   | <b>68.38%</b>     | <b>8,580</b>    | <b>55.69%</b>  | <b>3,957</b>   | <b>59.91%</b>  |
| <b>Total Insurance Plans</b>                              | <b>13,505</b>   | <b>31.62%</b>     | <b>6,826</b>    | <b>44.31%</b>  | <b>2,648</b>   | <b>40.09%</b>  |
| <b>Total Expenses</b>                                     | <b>\$42,713</b> | <b>100.00%</b>    | <b>\$15,406</b> | <b>100.00%</b> | <b>\$6,605</b> | <b>100.00%</b> |

| Schedule of Commissions Paid (in whole \$) |                   |                  |                 |
|--|-------------------|------------------|-----------------|
| For the fiscal year ended June 30, 2024    |                   |                  |                 |
| <b>KERS Nonhazardous</b>                   |                   |                  |                 |
| Assets                                     | Total Shares      | Commissions Paid | Price per Share |
| U.S. Equities                              | 7,722,670         | \$146,262        | 0.0189          |
| Non U.S. Equities                          | 65,155,947        | \$312,594        | 0.0048          |
| <b>Total</b>                               | <b>72,878,617</b> | <b>\$458,857</b> | <b>0.0063</b>   |
| <b>KERS Hazardous</b>                      |                   |                  |                 |
| Assets                                     | Total Shares      | Commissions Paid | Price per Share |
| U.S. Equities                              | 2,841,637         | \$52,825         | 0.0186          |
| Non U.S. Equities                          | 22,257,495        | \$107,030        | 0.0048          |
| <b>Total</b>                               | <b>25,099,133</b> | <b>\$159,855</b> | <b>0.0064</b>   |
| <b>SPRS</b>                                |                   |                  |                 |
| Assets                                     | Total Shares      | Commissions Paid | Price per Share |
| U.S. Equities                              | 1,335,111         | \$25,991         | 0.0195          |
| Non U.S. Equities                          | 10,672,576        | \$51,151         | 0.0048          |
| <b>Total</b>                               | <b>12,007,687</b> | <b>\$77,142</b>  | <b>0.0064</b>   |

## Fair Values (FV)

As of June 30, 2024 (\$ in Thousands)

|                            | KERS Nonhazardous  |               | KERS Hazardous     |               | SPRS             |               | Total              |               |
|----------------------------|--------------------|---------------|--------------------|---------------|------------------|---------------|--------------------|---------------|
| Pension Plans              | Fair Value         | % of Total FV | Fair Value         | % of Total FV | Fair Value       | % of Total FV | Fair Value         | % of Total FV |
| <b>Equity</b>              |                    |               |                    |               |                  |               |                    |               |
| Public Equity              | \$1,365,159        | 32.44%        | 437,656            | 42.66%        | 208,715          | 32.07%        | \$2,011,530        | 34.18%        |
| Private Equity             | 195,286            | 4.64%         | 66,130             | 6.44%         | 31,552           | 4.85%         | \$292,968          | 4.98%         |
| <b>Fixed Income</b>        |                    |               |                    |               |                  |               |                    |               |
| Core Fixed Income          | 1,108,019          | 26.33%        | 116,505            | 11.36%        | 168,122          | 25.83%        | \$1,392,646        | 23.66%        |
| Specialty Credit           | 792,754            | 18.84%        | 231,541            | 22.57%        | 125,292          | 19.25%        | \$1,149,587        | 19.53%        |
| Cash                       | 176,951            | 4.20%         | 34,749             | 3.39%         | 25,345           | 3.90%         | \$237,045          | 4.03%         |
| <b>Inflation Protected</b> |                    |               |                    |               |                  |               |                    |               |
| Real Estate                | 218,209            | 5.19%         | 59,021             | 5.75%         | 35,194           | 5.41%         | \$312,424          | 5.31%         |
| Real Return                | 352,023            | 8.36%         | 80,315             | 7.83%         | 56,582           | 8.69%         | \$488,920          | 8.31%         |
| <b>TOTAL PORTFOLIO</b>     | <b>\$4,208,401</b> |               | <b>\$1,025,917</b> |               | <b>\$650,802</b> |               | <b>\$5,885,120</b> |               |

|                            | KERS Nonhazardous  |               | KERS Hazardous   |               | SPRS             |               | Total              |               |
|----------------------------|--------------------|---------------|------------------|---------------|------------------|---------------|--------------------|---------------|
| Insurance Plans            | Fair Value         | % of Total FV | Fair Value       | % of Total FV | Fair Value       | % of Total FV | Fair Value         | % of Total FV |
| <b>Equity</b>              |                    |               |                  |               |                  |               |                    |               |
| Public Equity              | \$718,838          | 42.85%        | \$288,762        | 43.27%        | \$116,124        | 42.83%        | \$1,123,724        | 42.95%        |
| Private Equity             | \$111,770          | 6.66%         | \$48,804         | 7.31%         | \$21,728         | 8.01%         | \$182,302          | 6.97%         |
| <b>Fixed Income</b>        |                    |               |                  |               |                  |               |                    |               |
| Core Fixed Income          | \$191,909          | 11.44%        | \$76,727         | 11.50%        | \$30,196         | 11.14%        | \$298,832          | 11.42%        |
| Specialty Credit           | \$379,231          | 22.60%        | \$152,514        | 22.85%        | \$61,910         | 22.83%        | \$593,655          | 22.69%        |
| Cash                       | \$43,201           | 2.58%         | \$12,423         | 1.86%         | \$6,414          | 2.37%         | \$62,038           | 2.37%         |
| <b>Inflation Protected</b> |                    |               |                  |               |                  |               |                    |               |
| Real Estate                | \$96,199           | 5.73%         | \$42,344         | 6.34%         | \$16,169         | 5.96%         | \$154,712          | 5.91%         |
| Real Return                | \$136,552          | 8.14%         | \$45,860         | 6.87%         | \$18,615         | 6.86%         | \$201,027          | 7.69%         |
| <b>TOTAL PORTFOLIO</b>     | <b>\$1,677,700</b> |               | <b>\$667,434</b> |               | <b>\$271,156</b> |               | <b>\$2,616,290</b> |               |

## **ACTUARIAL**

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## Certification of Actuarial Results

Re: Certification for the Actuarial Results as of June 30, 2024.

*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 ended June 30, 2025 and June 30, 2026 were certified in the June 30, 2023 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, 2024. These calculations are also based on the benefit provisions in effect as of June 30, 2024.

## FINANCING OBJECTIVES AND FUNDING POLICY

The Kentucky Public Pensions Authority (KPPA) administers pension and health insurance funds to provide for monthly retirement income and retiree health insurance benefits. The total employer contribution requirement is composed 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 (25 years remaining as of June 30, 2024). Gains and losses incurring in years after June 30, 2019 are amortized as separate, closed 20-year amortization bases.

If the contributions made are equal to the Actuarially Determined Contribution (ADC), and if all actuarial assumptions are met, there will not be an unfunded accrued liability at the end of the 25-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 604 were enacted in the 2022 legislative session and provided an additional \$240 million in appropriations to finance the unfunded actuarial accrued liability of the KERS nonhazardous retirement fund in FY 2024. The previous year's valuation reflected the appropriations for FY 2024 in the calculated contribution requirement.

HB 1 and HB 6 were enacted in the 2024 legislative session and provided an additional \$300 million in appropriations to finance the unfunded actuarial accrued liability of the KERS nonhazardous retirement fund in FY 2025 and FY 2026. HB 1 also provided an additional \$25 million to finance the unfunded actuarial accrued liability of the SPRS retirement fund in FY 2025 and FY 2026. The appropriations for FY 2025 have been reflected in the contribution requirement in this year's valuation. The appropriations for FY 2026 will be reflected in the contribution requirement in next 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, 2024, the funded ratios for the pension and health insurance plans are as follows:

| Funding Level As of June 30 |         |           |         |           |         |           |         |           |         |           |         |           |
|-----------------------------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|---------|-----------|
| System                      | 2024    |           | 2023    |           | 2022    |           | 2021    |           | 2020    |           | 2019    |           |
|                             | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance | Pension | Insurance |
| KERS Nonhazardous           | 24.8%   | 81.7%     | 21.8%   | 81.7%     | 18.5%   | 79.1%     | 16.8%   | 50.2%     | 14.2%   | 42.7%     | 13.4%   | 36.3%     |
| KERS Hazardous              | 68.3%   | 171.9%    | 65.4%   | 170.4%    | 63.2%   | 172.2%    | 60.4%   | 135.5%    | 55.3%   | 126.0%    | 54.8%   | 123.1%    |
| SPRS                        | 56.7%   | 104.9%    | 54.0%   | 100.5%    | 52.5%   | 100.6%    | 30.7%   | 82.0%     | 28.1%   | 75.0%     | 27.0%   | 71.3%     |

## ASSUMPTIONS AND METHODS

The Boards of Trustees, in consultation with the actuary, set the actuarial assumptions and methods used in the actuarial valuation. In general, the assumptions used in the June 30, 2024 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, 2024, by KPPA staff. The staff also supplied asset information as of June 30, 2024. 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, 2024. 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. Mr. White and Ms. Shaw are Enrolled Actuaries. All three of the undersigned are 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.**

A handwritten signature in dark ink that reads "Daniel J. White".

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

A handwritten signature in dark ink that reads "Janie Shaw".

Janie Shaw, ASA, EA, MAAA  
Consultant

A handwritten signature in dark ink that reads "Krysti Kiesel".

Krysti Kiesel, ASA, MAAA  
Consultant

# Summary of Actuarial Assumptions

The results of the actuarial valuation are based upon the assumptions and funding policies adopted by the Boards 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, 2024 valuation are based on the most recent actuarial experience study performed as of June 30, 2022, submitted, and adopted by the Board 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 ended June 30, 2022 and later, the amortization cost for the KERS Nonhazardous funds is allocated amongst employers as a dollar amount based on the employers' actuarial accrued liability as of June 30, 2019. The amortization cost for the remaining funds is divided by covered payroll and included in the contribution rate, payable by employers as a percentage of pay.

**3. Asset Valuation Method:** The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected market value of assets, based on the investment return assumption. The amount recognized each year is 20% of the difference between market value and expected market value.

**4. Retiree Insurance Funding Policy:** Effective for the June 30, 2019 valuation, the actuarial accrued liability contribution is calculated by amortizing the unfunded accrued liability as of June 30, 2019, over a closed 30-year amortization period. Gains and losses incurring in future years are amortized as 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 ended 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 Systems. 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 fund 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 fund and the SPRS pension fund is 5.25% and consist 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 system and 1.05% for the hazardous system. This assumption was adopted in 2023.

**Table 1. Salary Increase Assumptions**

| Service | KERS         |                | SPRS   |
|---------|--------------|----------------|--------|
|         | Nonhazardous | KERS Hazardous |        |
| 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%  |
| 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 fund) 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 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 medical premiums 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 <sup>(1)</sup> | Medicare Plans <sup>(1)</sup> | Dollar Contribution <sup>(2)</sup> |
|-------|-----------------------------------|-------------------------------|------------------------------------|
| 2026  | 7.10%                             | 8.00%                         | 1.50%                              |
| 2027  | 7.00%                             | 8.00%                         | 1.50%                              |
| 2028  | 6.80%                             | 8.00%                         | 1.50%                              |
| 2029  | 6.60%                             | 7.50%                         | 1.50%                              |
| 2030  | 6.40%                             | 7.00%                         | 1.50%                              |
| 2031  | 6.20%                             | 6.50%                         | 1.50%                              |
| 2032  | 6.00%                             | 6.00%                         | 1.50%                              |
| 2033  | 5.80%                             | 5.50%                         | 1.50%                              |
| 2034  | 5.60%                             | 5.00%                         | 1.50%                              |
| 2035  | 5.40%                             | 4.50%                         | 1.50%                              |
| 2036  | 5.20%                             | 4.25%                         | 1.50%                              |
| 2037  | 5.00%                             | 4.25%                         | 1.50%                              |
| 2038  | 4.75%                             | 4.25%                         | 1.50%                              |
| 2039  | 4.50%                             | 4.25%                         | 1.50%                              |
| 2040+ | 4.25%                             | 4.25%                         | 1.50%                              |

<sup>(1)</sup> All increases are assumed to occur on January 1. The 2025 premiums were known at the time of the June 30, 2024, valuation and were incorporated into the liability measurement.

<sup>(2)</sup> 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 3b: Retirement Rate Assumptions KERS (See footnotes 1 - 3)**

| Nonhazardous |                   |         |                                 |        |         | Hazardous  |         |  |   |
|--------------|-------------------|---------|---------------------------------|--------|---------|--|---------|--|---|
|              | Normal Retirement |         | Early Retirement <sup>(1)</sup> |        |         | Members participating before 9/1/2008 <sup>(2)</sup> |         | Members participating between 9/1/2008 and 1/1/2014 <sup>(3)</sup> | Members participating after 1/1/2014 <sup>(3)</sup> |
| 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% |                                 |        |         |  |         |  |   |

(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.

**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.

**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 3c: Retirement Rate Assumptions SPRS (See footnotes 1 - 2)**

| Service | Hazardous  |  |   |
|---------|--|--|---|
|         | Members Participating before 9/1/2008 <sup>(1)</sup> | Members participating between 9/1/2008 and 1/1/2014 <sup>(2)</sup> | Members participating after 1/1/2014 <sup>(2)</sup> |
| 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%  |
| 29      | 44.00%   | 22.40%   | 16.00%  |
| 30      | 44.00%   | 22.40%   | 100.00%   |
| 31      | 58.00%   | 22.40%   |   |
| 32      | 58.00%   | 22.40%   |   |
| 33      | 58.00%   | 35.20%   |   |
| 34      | 58.00%   | 35.20%   |   |
| 35      | 58.00%   | 35.20%   |   |
| 36      | 58.00%   | 46.40%   |   |
| 37      | 58.00%   | 46.40%   |   |
| 38      | 58.00%   | 46.40%   |   |
| 39      | 58.00%   | 46.40%   |   |
| 40+     | 58.00%   | 46.40%   |   |

(1) The annual rate of service retirement is 100% at age 55.

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

For members hired after 7/1/2003 and prior to 9/1/2008, the rates shown above are multiplied by 80% if the member is under age 55 to reflect the different retiree health insurance benefit.

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

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

Table 4a provides the life expectancy for a non-disabled retiree in future years based on the assumption with full generational projection.

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

These mortality assumptions were adopted in 2023. Table 4b provides sample annual rates of mortality in the base year of each table (2023 for the retired member mortality rates and 2010 for the active member and disabled member mortality rates).

| Table 4a: Life Expectancy for an Age 65 Retiree in Years |                    |      |      |      |      |
|--|--------------------|------|------|------|------|
| Gender   | Year of Retirement |      |      |      |      |
|  | 2025               | 2030 | 2035 | 2040 | 2045 |
| Male   | 19.8               | 20.2 | 20.6 | 21.0 | 21.3 |
| Female   | 22.4               | 22.7 | 23.1 | 23.4 | 23.7 |

| Table 4b: Sample Annual Rate of Mortality |                         |         |                         |         |                          |         |                           |         |
|---|-------------------------|---------|-------------------------|---------|--------------------------|---------|---------------------------|---------|
| Age                                       | Active Member Mortality |         | Active Member Mortality |         | Retired Member Mortality |         | Disabled Member Mortality |         |
|   | Nonhazardous            |         | Hazardous               |         |                          |         |                           |         |
|   | Males                   | Females | Males                   | Females | Males                    | Females | Males                     | Females |
| 20  | 0.04%                   | 0.01%   | 0.04%                   | 0.02%   | 0.03%                    | 0.01%   | 0.62%                     | 0.35%   |
| 22  | 0.03%                   | 0.01%   | 0.04%                   | 0.02%   | 0.03%                    | 0.01%   | 0.53%                     | 0.29%   |
| 32  | 0.04%                   | 0.02%   | 0.04%                   | 0.03%   | 0.04%                    | 0.02%   | 0.59%                     | 0.46%   |
| 42  | 0.08%                   | 0.04%   | 0.07%                   | 0.06%   | 0.07%                    | 0.04%   | 1.14%                     | 1.13%   |
| 52  | 0.18%                   | 0.10%   | 0.14%                   | 0.10%   | 0.32%                    | 0.21%   | 2.73%                     | 2.38%   |
| 62  | 0.37%                   | 0.22%   | 0.32%                   | 0.19%   | 0.94%                    | 0.55%   | 4.02%                     | 3.08%   |
| 72  | 0.84%                   | 0.60%   | 0.98%                   | 0.60%   | 2.38%                    | 1.48%   | 6.52%                     | 4.86%   |

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

| Table 5: Selected Rates of Termination Prior to Retirement |        |                |                  |        |
|--|--------|----------------|------------------|--------|
| KERS Nonhazardous  |        | KERS Hazardous | SPRS             |        |
| Years of Service   |        |                | Years 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%  | 0.00%          | 21               | 0.00%  |
| 22   | 3.32%  | 0.00%          | 22               | 0.00%  |
| 23   | 3.10%  | 0.00%          | 23               | 0.00%  |
| 24   | 2.88%  | 0.00%          | 24               | 0.00%  |
| 25   | 2.67%  | 0.00%          | 25               | 0.00%  |
| 26+  | 0.00%  | 0.00%          | 26+              | 0.00%  |

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

| Table 6: Sample Rates of Disablement |             |                |             |
|--------------------------------------|-------------|----------------|-------------|
| KERS Nonhazardous                    |             | KERS Hazardous | 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 for the non-Medicare Plans was increased during the select period and the ultimate trend assumption was increased for all plans as a result of this review.

## Summary of Actuarial Valuation Results

| Summary of Actuarial Valuation Results  |                   |                 |                 |
|---|-------------------|-----------------|-----------------|
|   | KERS Nonhazardous | KERS Hazardous  | SPRS            |
| <b>Recommended Contribution Rate (FY 2026)</b>  |                   |                 |                 |
| Pension Fund Contribution   | 6.85%             | 20.68%          | 57.91%          |
| Insurance Fund Contribution   | 1.14%             | 0.00%           | 1.46%           |
| Actuarially Determined Employer Contributions Rate <sup>(1)</sup> , payable as a percentage of payroll  | 7.99%             | 20.68%          | 59.37%          |
| Amortization Cost to be Allocated, if applicable  | \$865,810,060     | N/A             | N/A             |
| <b>Funded Status as of Valuation Date As of June 30, 2024 (in Whole \$)</b>   |                   |                 |                 |
| <b>Pension Fund</b>   |                   |                 |                 |
| Actuarial Liability   | \$16,647,892,788  | \$1,442,618,733 | \$1,112,310,302 |
| Actuarial Value of Assets   | 4,122,268,538     | 985,075,014     | 631,185,635     |
| Unfunded Liability on Actuarial Value of Assets   | 12,525,624,250    | 457,543,719     | 481,124,667     |
| Funding Ratio on Actuarial Value of Assets  | 24.76%            | 68.28%          | 56.75%          |
| Market Value of Assets  | 4,223,935,798     | 1,019,889,950   | 651,789,660     |
| Unfunded Liability on Market Value of Assets  | \$12,423,956,990  | \$422,728,783   | \$460,520,642   |
| Funding Ratio on Market Value of Assets   | 25.37%            | 70.70%          | 58.60%          |
| <b>Insurance Fund</b>   |                   |                 |                 |
| Actuarial Liability   | \$2,094,743,197   | \$379,567,892   | \$251,177,950   |
| Actuarial Value of Assets   | 1,712,043,266     | 652,348,960     | 263,368,832     |
| Unfunded Liability on Actuarial Value of Assets   | 382,699,931       | (272,781,068)   | (12,190,882)    |
| Funding Ratio on Actuarial Value of Assets  | 81.73%            | 171.87%         | 104.85%         |
| Market Value of Assets  | 1,765,729,242     | 677,948,093     | 273,516,528     |
| Unfunded Liability on Market Value of Assets  | \$329,013,955     | \$(298,380,201) | \$(22,338,578)  |
| Funding Ratio on Market Value of Assets   | 84.29%            | 178.61%         | 108.89%         |
| <b>Member Data (See Footnotes)</b>  |                   |                 |                 |
| Number of Active Members  | 32,455            | 4,154           | 872             |
| Total Annual Payroll (Active Members) <sup>(2)</sup>  | \$1,861,521,817   | \$259,606,371   | \$73,294,873    |
| Average Annual Pay (Active Members)   | \$57,357          | \$62,496        | \$84,054        |
| Number of Retired Members & Beneficiaries   | 48,474            | 4,934           | 1,676           |
| Average Annual Retirement Allowance   | \$20,305          | \$15,451        | \$37,364        |
| Number of Vested Inactive Members   | 30,641            | 2,343           | 345             |
| Number of Inactive Members Due a Refund   | 26,113            | 6,637           | 402             |
| <sup>(1)</sup> 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.  |                   |                 |                 |
| <sup>(2)</sup> 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, 2024. |                   |                 |                 |



# Recommended Employer Contribution Rates

## KERS Plans

The contribution rates for KERS Nonhazardous and KERS Hazardous shown in the tables below are the full funding rates presented by the actuary for 2014 through 2023 annual valuations. However, actual employer contributions were less than the recommended rates for years 2009 through 2014. SB 2 (2013 Legislative Regular Session) required full funding starting in fiscal year 2015. HB 265 from the 2018 legislative session reduced the employer contribution rate for KERS quasi-governmental agencies to the fiscal year 2018 rate for fiscal year 2019, which was 49.47%. The 2019 Special Legislative Session HB 1 sets the employer contribution rate at 49.47%, retroactive to July 1, 2019, for fiscal year 2020 for KERS quasi-governmental agencies. House Bill 8 passed during the 2021 legislative session and changed how employer contributions are allocated and collected from the participating employers in the KERS Nonhazardous Fund. Each employer will pay a normal cost contribution on the payroll of their covered employees and contribute to the fund an allocated share of the cost required to amortize the unfunded liability.

### 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 |
|----------------|------------------------|--------------------------|---|---------------------------|-----------------------------------|-----------------------------------|
| 2015           | 2016-2017              | 3.60%                    | 35.33%                                      | 38.93%                    | 8.35%                             | 47.28%                            |
| 2016           | 2017-2018              | 4.93%                    | 37.05%                                      | 41.98%                    | 8.41%                             | 50.39%                            |
| 2017           | 2018-2019              | 8.17%                    | 62.86%                                      | 71.03%                    | 12.40%                            | 83.43%                            |
| 2018           | 2019-2020              | 7.98%                    | 66.56%                                      | 74.54%                    | 10.65%                            | 85.19%                            |
| 2019           | 2020-2021              | 7.99%                    | 65.29%                                      | 73.28%                    | 11.15%                            | 84.43%                            |
| Valuation Date | Applicable Fiscal Year | Pension Fund Normal Cost | Insurance Fund: Normal Cost                 | Normal Cost Contribution  | Amortization Cost to be Allocated |                                   |
| 2020           | 2021-2022              | 7.90%                    | 2.20%                                       | 10.10%                    | \$1,039,849,248                   |                                   |
| 2021           | 2022-2023              | 7.82%                    | 2.15%                                       | 9.97%                     | \$994,421,476                     |                                   |
| 2022           | 2023-2024              | 7.74%                    | 1.86%                                       | 9.60%                     | \$905,892,818                     |                                   |
| 2023           | 2024-2025              | 6.99%                    | 1.45%                                       | 8.44%                     | \$856,561,041                     |                                   |
| 2024           | 2025-2026              | 6.85%                    | 1.14%                                       | 7.99%                     | \$865,810,060                     |                                   |

#### 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 |
|----------------|------------------------|--------------------------|---|---------------------------|-----------------------------|-----------------------------------|
| 2015           | 2016-2017              | 6.93%                    | 14.15%                                      | 21.08%                    | 2.74%                       | 23.82%                            |
| 2016           | 2017-2018              | 6.44%                    | 14.04%                                      | 20.48%                    | 1.34%                       | 21.82%                            |
| 2017           | 2018-2019              | 9.67%                    | 24.72%                                      | 34.39%                    | 2.46%                       | 36.85%                            |
| 2018           | 2019-2020              | 9.24%                    | 25.18%                                      | 34.42%                    | 0.00%                       | 34.42%                            |
| 2019           | 2020-2021              | 9.21%                    | 26.79%                                      | 36.00%                    | 0.00%                       | 36.00%                            |
| 2020           | 2021-2022              | 8.84%                    | 24.59%                                      | 33.43%                    | 0.00%                       | 33.43%                            |
| 2021           | 2022-2023              | 8.78%                    | 23.04%                                      | 31.82%                    | 0.00%                       | 31.82%                            |
| 2022           | 2023-2024              | 8.60%                    | 21.52%                                      | 30.12%                    | 0.00%                       | 30.12%                            |
| 2023           | 2024-2025              | 7.71%                    | 16.03%                                      | 23.74%                    | 0.00%                       | 23.74%                            |
| 2024           | 2025-2026              | 7.57%                    | 13.11%                                      | 20.68%                    | 0.00%                       | 20.68%                            |

The contribution rates for KERS Nonhazardous and KERS Hazardous shown in the above tables are the full funding rates presented by the actuary in the 2015 through 2024 annual valuations. HB 265 (passed during the 2018 legislative session), HB 1 (passed during the 2019 special legislative session), and HB 352 (passed during the 2020 legislative session) reduced the FYE 2019-2021 employer contribution rate to 49.47% for Regional Mental Health/Mental Retardation Boards, Local and District Health Departments, State Universities, Community Colleges and any other agencies eligible to voluntarily cease participating in the KERS Nonhazardous fund. HB 8 (passed during the 2021 legislative session) changed how employer contributions are allocated and collected amongst employers in the KERS Nonhazardous fund effective for FYE2022. The normal cost is collected as a percentage of covered payroll and the amortization cost is allocated to employers as a dollar amount based on their accrued liability as of June 30, 2019. Amortization cost shown above reflects the amortization required as of the valuation date and does not reflect any adjustment for the cessation of any employers after the valuation date.

## SPRS Plans

The contribution rates for SPRS shown in the below tables are the full funding rates presented by the actuary in the 2014 through 2023 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 |
|----------------|------------------------|--------------------------|---|---------------------------|-----------------------------|-----------------------------------|
| 2015           | 2016-2017              | 8.77%                    | 57.70%                                      | 66.47%                    | 18.87%                      | 85.34%                            |
| 2016           | 2017-2018              | 11.16%                   | 60.41%                                      | 71.57%                    | 18.10%                      | 89.67%                            |
| 2017           | 2018-2019              | 16.21%                   | 102.84%                                     | 119.05%                   | 27.23%                      | 146.28%                           |
| 2018           | 2019-2020              | 15.81%                   | 104.73%                                     | 120.54%                   | 19.50%                      | 140.04%                           |
| 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%                            |

*The contribution rates for SPRS shown in the above tables are the full funding rates presented by the actuary in the 2015 through 2024 annual valuations.*

# Summary of Actuarial Unfunded Liabilities

## Summary of Actuarial Unfunded Liabilities

As of June 30 (\$ in Thousands)

### KERS Nonhazardous Pension Plan

| Valuation Date | Actuarial Liability | Value of Assets |             | Unfunded Actuarial Liabilities |              | Funding Level |        |
|----------------|---------------------|-----------------|-------------|--------------------------------|--------------|---------------|--------|
|                |                     | Actuarial       | Market      | Actuarial                      | Market       | Actuarial     | Market |
| 2015           | \$12,359,673        | \$2,350,990     | \$2,307,858 | \$10,008,683                   | \$10,051,815 | 19.02%        | 18.67% |
| 2016           | 13,224,698          | 2,112,287       | 1,953,422   | 11,112,412                     | 11,271,276   | 15.97%        | 14.77% |
| 2017           | 15,591,641          | 2,123,623       | 2,056,870   | 13,468,018                     | 13,534,771   | 13.62%        | 13.19% |
| 2018           | 15,675,232          | 2,019,278       | 2,004,446   | 13,655,954                     | 13,670,786   | 12.88%        | 12.79% |
| 2019           | 16,466,427          | 2,206,280       | 2,233,672   | 14,260,147                     | 14,232,755   | 13.40%        | 13.57% |
| 2020           | 16,348,962          | 2,323,298       | 2,308,080   | 14,025,663                     | 14,040,882   | 14.21%        | 14.12% |
| 2021           | 16,321,373          | 2,735,876       | 3,018,660   | 13,585,497                     | 13,302,713   | 16.76%        | 18.50% |
| 2022           | 16,576,631          | 3,065,263       | 3,013,845   | 13,511,368                     | 13,562,786   | 18.49%        | 18.18% |
| 2023           | 16,304,277          | 3,552,471       | 3,539,942   | 12,751,806                     | 12,764,335   | 21.79%        | 21.71% |
| 2024           | \$16,647,893        | \$4,122,269     | \$4,223,936 | \$12,525,624                   | \$12,423,957 | 24.76%        | 25.37% |

### KERS Nonhazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets |             | Unfunded Actuarial Liabilities |             | Funding Level |        |
|----------------|---------------------|-----------------|-------------|--------------------------------|-------------|---------------|--------|
|                |                     | Actuarial       | Market      | Actuarial                      | Market      | Actuarial     | Market |
| 2015           | \$2,413,705         | \$695,018       | \$687,684   | \$1,718,687                    | \$1,726,021 | 28.79%        | 28.49% |
| 2016           | 2,456,678           | 743,270         | 695,189     | 1,713,408                      | 1,761,489   | 30.26%        | 28.30% |
| 2017           | 2,683,496           | 823,918         | 817,370     | 1,859,578                      | 1,866,126   | 30.70%        | 30.46% |
| 2018           | 2,435,506           | 887,121         | 891,205     | 1,548,385                      | 1,544,301   | 36.42%        | 36.59% |
| 2019           | 2,733,065           | 991,427         | 995,089     | 1,741,639                      | 1,737,977   | 36.28%        | 36.41% |
| 2020           | 2,564,788           | 1,095,959       | 1,060,649   | 1,468,829                      | 1,504,139   | 42.73%        | 41.35% |
| 2021           | 2,574,112           | 1,291,472       | 1,419,477   | 1,282,640                      | 1,154,634   | 50.17%        | 55.14% |
| 2022           | 1,782,386           | 1,409,553       | 1,364,419   | 372,833                        | 417,967     | 79.08%        | 76.55% |
| 2023           | 1,877,109           | 1,532,895       | 1,532,752   | 344,214                        | 344,357     | 81.66%        | 81.65% |
| 2024           | \$2,094,743         | \$1,712,043     | \$1,765,729 | \$382,700                      | \$329,014   | 81.73%        | 84.29% |

## KERS Hazardous Pension Plan

| Valuation Date | Actuarial Liability | Value of Assets |             | Unfunded Actuarial Liabilities |           | Funding Level |        |
|----------------|---------------------|-----------------|-------------|--------------------------------|-----------|---------------|--------|
|                |                     | Actuarial       | Market      | Actuarial                      | Market    | Actuarial     | Market |
| 2015           | \$895,433           | \$556,688       | \$550,120   | \$338,746                      | \$345,313 | 62.17%        | 61.44% |
| 2016           | 936,706             | 559,487         | 524,679     | 377,219                        | 412,027   | 59.73%        | 56.01% |
| 2017           | 1,121,420           | 607,159         | 601,529     | 514,261                        | 519,891   | 54.14%        | 53.64% |
| 2018           | 1,151,923           | 639,262         | 645,485     | 512,661                        | 506,438   | 55.50%        | 56.04% |
| 2019           | 1,226,195           | 671,647         | 680,932     | 554,548                        | 545,262   | 54.77%        | 55.53% |
| 2020           | 1,283,770           | 709,587         | 690,350     | 574,183                        | 593,420   | 55.27%        | 53.78% |
| 2021           | 1,295,243           | 782,496         | 866,141     | 512,747                        | 429,102   | 60.41%        | 66.87% |
| 2022           | 1,316,825           | 832,436         | 810,978     | 484,389                        | 505,847   | 63.22%        | 61.59% |
| 2023           | 1,363,037           | 891,460         | 893,534     | 471,577                        | 469,503   | 65.40%        | 65.55% |
| 2024           | \$1,442,619         | \$985,075       | \$1,019,890 | \$457,544                      | \$422,729 | 68.28%        | 70.70% |

## KERS Hazardous Insurance Plan

| Valuation Date | Actuarial Liability | Value of Assets |           | Unfunded Actuarial Liabilities |             | Funding Level |         |
|----------------|---------------------|-----------------|-----------|--------------------------------|-------------|---------------|---------|
|                |                     | Actuarial       | Market    | Actuarial                      | Market      | Actuarial     | Market  |
| 2015           | \$374,904           | \$451,514       | \$441,626 | (76,610)                       | (66,722)    | 120.43%       | 117.80% |
| 2016           | 377,745             | 473,160         | 440,596   | (95,415)                       | (62,851)    | 125.26%       | 116.64% |
| 2017           | 419,440             | 493,458         | 488,838   | (74,019)                       | (69,399)    | 117.65%       | 116.55% |
| 2018           | 393,481             | 511,441         | 519,072   | (117,961)                      | (125,592)   | 129.98%       | 131.92% |
| 2019           | 426,705             | 525,315         | 534,053   | (98,610)                       | (107,348)   | 123.11%       | 125.16% |
| 2020           | 427,977             | 539,251         | 521,755   | (111,275)                      | (93,778)    | 126.00%       | 121.91% |
| 2021           | 424,456             | 575,025         | 633,677   | (150,569)                      | (209,221)   | 135.47%       | 149.29% |
| 2022           | 347,044             | 597,701         | 588,162   | (250,657)                      | (241,118)   | 172.23%       | 169.48% |
| 2023           | 363,512             | 619,519         | 625,356   | (256,007)                      | (261,844)   | 170.43%       | 172.03% |
| 2024           | \$379,568           | \$652,349       | \$677,948 | \$(272,781)                    | \$(298,380) | 171.87%       | 178.61% |

**Summary of Actuarial Unfunded Liabilities**  
**As of June 30 (\$ in Thousands)**

**SPRS Pension Plan**

| Valuation Date | Actuarial Liability | Value of Assets |           | Unfunded Actuarial Liability |           | Funding Level |        |
|----------------|---------------------|-----------------|-----------|------------------------------|-----------|---------------|--------|
|                |                     | Actuarial       | Market    | Actuarial                    | Market    | Actuarial     | Market |
| 2015           | \$734,156           | \$248,388       | \$246,968 | \$485,769                    | \$487,188 | 33.83%        | 33.64% |
| 2016           | 775,160             | 234,568         | 217,594   | 540,593                      | 557,566   | 30.26%        | 28.07% |
| 2017           | 967,145             | 261,320         | 255,737   | 705,824                      | 711,408   | 27.02%        | 26.44% |
| 2018           | 989,528             | 268,259         | 267,572   | 721,269                      | 721,956   | 27.11%        | 27.04% |
| 2019           | 1,045,318           | 282,162         | 286,165   | 763,156                      | 759,153   | 26.99%        | 27.38% |
| 2020           | 1,053,157           | 296,126         | 293,949   | 757,031                      | 759,208   | 28.12%        | 27.91% |
| 2021           | 1,053,260           | 323,250         | 356,346   | 730,009                      | 696,914   | 30.69%        | 33.83% |
| 2022           | 1,067,447           | 559,973         | 551,699   | 507,474                      | 515,748   | 52.46%        | 51.68% |
| 2023           | 1,091,795           | 589,848         | 591,514   | 501,947                      | 500,281   | 54.03%        | 54.18% |
| 2024           | \$1,112,310         | \$631,186       | \$651,790 | \$481,125                    | \$460,521 | 56.75%        | 58.60% |

**SPRS Insurance Plan**

| Valuation Date | Actuarial Liability | Value of Assets |           | Unfunded Actuarial Liability |            | Funding Level |         |
|----------------|---------------------|-----------------|-----------|------------------------------|------------|---------------|---------|
|                |                     | Actuarial       | Market    | Actuarial                    | Market     | Actuarial     | Market  |
| 2015           | \$254,839           | \$167,775       | \$165,018 | \$87,064                     | \$89,821   | 65.84%        | 64.75%  |
| 2016           | 257,197             | 172,704         | 161,366   | 84,494                       | 95,831     | 67.15%        | 62.74%  |
| 2017           | 276,641             | 180,464         | 178,838   | 96,178                       | 97,803     | 65.23%        | 64.65%  |
| 2018           | 262,088             | 187,535         | 190,847   | 74,553                       | 71,242     | 71.55%        | 72.82%  |
| 2019           | 276,809             | 197,395         | 201,206   | 79,415                       | 75,604     | 71.31%        | 72.69%  |
| 2020           | 276,143             | 207,018         | 201,340   | 69,126                       | 74,803     | 74.97%        | 72.91%  |
| 2021           | 272,406             | 223,251         | 247,318   | 49,154                       | 25,088     | 81.96%        | 90.79%  |
| 2022           | 232,798             | 234,239         | 231,242   | (1,441)                      | 1,556      | 100.62%       | 99.33%  |
| 2023           | 244,058             | 245,172         | 248,109   | (1,114)                      | (4,051)    | 100.46%       | 101.66% |
| 2024           | \$251,178           | \$263,369       | \$273,517 | \$(12,191)                   | \$(22,339) | 104.85%       | 108.89% |

# Solvency Test

## Solvency Test

As of June 30 (\$ in Thousands)

### KERS Nonhazardous Pension Plan

| Actuarial Liabilities |                                       |   |   |                              |   |        |       |
|-----------------------|---------------------------------------|---|---|------------------------------|---|--------|-------|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members<br>& Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |        |       |
|                       |                                       |   |   |                              | (1)   | (2)    | (3)   |
| 2015                  | \$925,934                             | \$9,437,468                               | \$1,996,271                                 | \$2,350,990                  | 100.00%   | 15.10% | 0.00% |
| 2016                  | 920,120                               | 10,010,168                                | 2,294,410                                   | 2,112,286                    | 100.00%   | 11.90% | 0.00% |
| 2017                  | 934,559                               | 11,608,346                                | 3,048,736                                   | 2,123,623                    | 100.00%   | 10.20% | 0.00% |
| 2018                  | 892,033                               | 11,929,018                                | 2,854,180                                   | 2,019,278                    | 100.00%   | 9.40%  | 0.00% |
| 2019                  | 881,020                               | 12,513,230                                | 3,072,176                                   | 2,206,280                    | 100.00%   | 10.60% | 0.00% |
| 2020                  | 869,196                               | 12,467,523                                | 3,012,243                                   | 2,323,298                    | 100.00%   | 11.70% | 0.00% |
| 2021                  | 877,142                               | 12,425,951                                | 3,018,279                                   | 2,735,876                    | 100.00%   | 15.00% | 0.00% |
| 2022                  | 859,591                               | 12,700,595                                | 3,016,445                                   | 3,065,263                    | 100.00%   | 17.40% | 0.00% |
| 2023                  | 889,146                               | 12,013,685                                | 3,401,447                                   | 3,552,471                    | 100.00%   | 22.20% | 0.00% |
| 2024                  | \$935,186                             | \$11,876,221                              | \$3,836,485                                 | \$4,122,268                  | 100.00%   | 26.80% | 0.00% |

### KERS Nonhazardous Insurance Plan

| Actuarial Liabilities |                                       |   |   |                              |   |         |        |
|-----------------------|---------------------------------------|---|---|------------------------------|---|---------|--------|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members<br>& Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |         |        |
|                       |                                       |   |   |                              | (1)   | (2)     | (3)    |
| 2015                  | \$-                                   | \$1,428,350                               | \$985,355                                   | \$695,018                    | 100.00%   | 48.70%  | 0.00%  |
| 2016                  | -                                     | 1,483,636                                 | 973,042                                     | 743,270                      | 100.00%   | 50.10%  | 0.00%  |
| 2017                  | -                                     | 1,575,294                                 | 1,108,202                                   | 823,918                      | 100.00%   | 52.30%  | 0.00%  |
| 2018                  | -                                     | 1,475,954                                 | 959,552                                     | 887,121                      | 100.00%   | 60.10%  | 0.00%  |
| 2019                  | -                                     | 1,686,605                                 | 1,046,461                                   | 991,427                      | 100.00%   | 58.80%  | 0.00%  |
| 2020                  | -                                     | 1,589,742                                 | 975,045                                     | 1,095,959                    | 100.00%   | 68.90%  | 0.00%  |
| 2021                  | -                                     | 1,609,775                                 | 964,337                                     | 1,291,472                    | 100.00%   | 80.20%  | 0.00%  |
| 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% |

## KERS Hazardous Pension Plan

| Actuarial Liabilities |                                       |   |   |                              |   |        |       |  |
|-----------------------|---------------------------------------|---|---|------------------------------|---|--------|-------|--|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members<br>& Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |        |       |  |
|                       |                                       |   |   |                              | (1)   | (2)    | (3)   |  |
| 2015                  | \$83,606                              | \$633,189                                 | \$178,638                                   | \$556,688                    | 100.00%   | 74.70% | 0.00% |  |
| 2016                  | 86,705                                | 648,482                                   | 201,519                                     | 559,487                      | 100.00%   | 72.90% | 0.00% |  |
| 2017                  | 93,350                                | 746,350                                   | 281,720                                     | 607,159                      | 100.00%   | 68.80% | 0.00% |  |
| 2018                  | 89,106                                | 810,311                                   | 252,506                                     | 639,262                      | 100.00%   | 67.90% | 0.00% |  |
| 2019                  | 86,663                                | 879,818                                   | 259,713                                     | 671,647                      | 100.00%   | 66.50% | 0.00% |  |
| 2020                  | 95,528                                | 898,128                                   | 290,114                                     | 709,587                      | 100.00%   | 68.40% | 0.00% |  |
| 2021                  | 97,559                                | 916,431                                   | 281,254                                     | 782,496                      | 100.00%   | 74.70% | 0.00% |  |
| 2022                  | 94,538                                | 946,328                                   | 275,959                                     | 832,436                      | 100.00%   | 78.00% | 0.00% |  |
| 2023                  | 103,310                               | 929,321                                   | 330,406                                     | 891,460                      | 100.00%   | 84.80% | 0.00% |  |
| 2024                  | \$116,828                             | \$943,102                                 | \$382,689                                   | \$985,075                    | 100.00%   | 92.10% | 0.00% |  |

## KERS Hazardous Insurance Plan

| Actuarial Liabilities |                                       |   |   |                              |   |         |         |  |
|-----------------------|---------------------------------------|---|---|------------------------------|---|---------|---------|--|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members<br>& Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |         |         |  |
|                       |                                       |   |   |                              | (1)   | (2)     | (3)     |  |
| 2015                  | \$-                                   | \$221,115                                 | \$153,789                                   | \$451,514                    | 100.00%   | 100.00% | 100.00% |  |
| 2016                  | -                                     | 228,361                                   | 149,384                                     | 473,160                      | 100.00%   | 100.00% | 100.00% |  |
| 2017                  | -                                     | 243,816                                   | 175,623                                     | 493,458                      | 100.00%   | 100.00% | 100.00% |  |
| 2018                  | -                                     | 248,775                                   | 144,706                                     | 511,441                      | 100.00%   | 100.00% | 100.00% |  |
| 2019                  | -                                     | 282,070                                   | 144,635                                     | 525,315                      | 100.00%   | 100.00% | 100.00% |  |
| 2020                  | -                                     | 281,924                                   | 146,053                                     | 539,251                      | 100.00%   | 100.00% | 100.00% |  |
| 2021                  | -                                     | 288,015                                   | 136,441                                     | 575,025                      | 100.00%   | 100.00% | 100.00% |  |
| 2022                  | -                                     | 232,585                                   | 114,459                                     | 597,701                      | 100.00%   | 100.00% | 100.00% |  |
| 2023                  | -                                     | 250,189                                   | 113,323                                     | 619,519                      | 100.00%   | 100.00% | 100.00% |  |
| 2024                  | \$-                                   | \$263,737                                 | \$115,831                                   | \$652,349                    | 100.00%   | 100.00% | 100.00% |  |

**Solvency Test**  
**As of June 30 (\$ in Thousands)**

**SPRS Pension Plan**

| Actuarial Liabilities |                                       |   |   |                              |   |        |       |  |
|-----------------------|---------------------------------------|---|---|------------------------------|---|--------|-------|--|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members &<br>Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |        |       |  |
|                       |                                       |   |   |                              | (1)   | (2)    | (3)   |  |
| 2015                  | \$41,567                              | \$605,855                                 | \$86,734                                    | \$248,388                    | 100.00%   | 34.10% | 0.00% |  |
| 2016                  | 41,871                                | 636,499                                   | 96,791                                      | 234,568                      | 100.00%   | 30.30% | 0.00% |  |
| 2017                  | 44,798                                | 773,982                                   | 148,365                                     | 261,320                      | 100.00%   | 28.00% | 0.00% |  |
| 2018                  | 43,835                                | 800,788                                   | 144,905                                     | 268,259                      | 100.00%   | 28.00% | 0.00% |  |
| 2019                  | 41,948                                | 848,396                                   | 154,974                                     | 282,162                      | 100.00%   | 28.30% | 0.00% |  |
| 2020                  | 40,831                                | 863,579                                   | 148,747                                     | 296,126                      | 100.00%   | 29.60% | 0.00% |  |
| 2021                  | 42,035                                | 860,801                                   | 150,423                                     | 323,250                      | 100.00%   | 32.70% | 0.00% |  |
| 2022                  | 42,027                                | 870,200                                   | 155,220                                     | 559,973                      | 100.00%   | 59.50% | 0.00% |  |
| 2023                  | 47,394                                | 825,683                                   | 218,717                                     | 589,848                      | 100.00%   | 65.70% | 0.00% |  |
| 2024                  | \$52,957                              | \$808,935                                 | \$250,418                                   | \$631,186                    | 100.00%   | 71.50% | 0.00% |  |

**SPRS Insurance Plan**

| Actuarial Liabilities |                                       |   |   |                              |   |         |         |  |
|-----------------------|---------------------------------------|---|---|------------------------------|---|---------|---------|--|
| Valuation Date        | (1)<br>Active Member<br>Contributions | (2)<br>Retired Members &<br>Beneficiaries | (3)<br>Active Members<br>(Employer Portion) | Actuarial Value of<br>Assets | % of Actuarial Liabilities Covered<br>by Actuarial Assets |         |         |  |
|                       |                                       |   |   |                              | (1)   | (2)     | (3)     |  |
| 2015                  | \$-                                   | \$170,447                                 | \$84,392                                    | \$167,775                    | 100.00%   | 98.40%  | 0.00%   |  |
| 2016                  | -                                     | 177,094                                   | 80,103                                      | 172,704                      | 100.00%   | 97.50%  | 0.00%   |  |
| 2017                  | -                                     | 186,390                                   | 90,251                                      | 180,464                      | 100.00%   | 96.80%  | 0.00%   |  |
| 2018                  | -                                     | 183,151                                   | 78,937                                      | 187,535                      | 100.00%   | 100.00% | 5.60%   |  |
| 2019                  | -                                     | 199,959                                   | 76,850                                      | 197,395                      | 100.00%   | 98.70%  | 0.00%   |  |
| 2020                  | -                                     | 207,638                                   | 68,506                                      | 207,018                      | 100.00%   | 99.70%  | 0.00%   |  |
| 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% |  |



# 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 <sup>(1)</sup> | Annual Average Pay | % Increase In Average Pay | Average Age | Average Years of Service Credit |
|----------------|---------------------|----------------------|---------------------------------------|--------------------|---------------------------|-------------|---------------------------------|
| 2015           | 348                 | 39,056               | \$1,544,234                           | \$40               | 1.20%                     | 45.0        | 10.6                            |
| 2016           | 349                 | 37,779               | 1,529,249                             | 40                 | 2.40%                     | 45.1        | 10.7                            |
| 2017           | 342                 | 37,234               | 1,531,535                             | 41                 | 1.62%                     | 45.4        | 10.9                            |
| 2018           | 338                 | 35,139               | 1,471,477                             | 42                 | 1.81%                     | 45.2        | 10.8                            |
| 2019           | 331                 | 33,696               | 1,437,647                             | 43                 | 1.88%                     | 45.4        | 11.0                            |
| 2020           | 313                 | 31,703               | 1,387,761                             | 44                 | 2.60%                     | 45.7        | 11.2                            |
| 2021           | 321                 | 30,186               | 1,349,330                             | 45                 | 2.12%                     | 46.0        | 11.6                            |
| 2022           | 319                 | 29,551               | 1,355,267                             | 46                 | 2.60%                     | 46.0        | 11.4                            |
| 2023           | 320                 | 31,383               | 1,615,868                             | 51                 | 12.27%                    | 45.7        | 10.9                            |
| 2024           | 320                 | 32,455               | \$1,861,522                           | \$57               | 11.40%                    | 45.5        | 10.7                            |

### KERS Hazardous Schedule of Active Member Valuation Data

| Valuation Date | Number of Employers | Total Active Members | Annual Covered Payroll <sup>(1)</sup> | Annual Average Pay | % Increase In Average Pay | Average Age | Average Years of Service Credit |
|----------------|---------------------|----------------------|---------------------------------------|--------------------|---------------------------|-------------|---------------------------------|
| 2015           | 17                  | 3,886                | \$128,680                             | \$33               | 3.20%                     | 40.7        | 7.5                             |
| 2016           | 17                  | 3,959                | 147,563                               | 37                 | 12.60%                    | 40.4        | 7.5                             |
| 2017           | 18                  | 4,047                | 162,418                               | 40                 | 7.67%                     | 40.3        | 7.6                             |
| 2018           | 18                  | 3,929                | 158,213                               | 40                 | 0.34%                     | 39.8        | 7.3                             |
| 2019           | 18                  | 3,705                | 150,446                               | 41                 | 0.84%                     | 39.8        | 7.3                             |
| 2020           | 19                  | 4,094                | 170,826                               | 42                 | 2.76%                     | 39.8        | 7.3                             |
| 2021           | 19                  | 3,827                | 162,836                               | 43                 | 1.97%                     | 40.1        | 7.7                             |
| 2022           | 19                  | 3,617                | 165,637                               | 46                 | 7.63%                     | 40.0        | 7.6                             |
| 2023           | 19                  | 3,886                | 211,602                               | 54                 | 18.91%                    | 39.7        | 7.2                             |
| 2024           | 19                  | 4,154                | \$259,606                             | \$62               | 14.77%                    | 39.9        | 7.1                             |

### SPRS Schedule of Active Member Valuation Data

| Valuation Date | Number of Employers | Total Active Members | Annual Covered Payroll <sup>(1)</sup> | Annual Average Pay | % Increase In Average Pay | Average Age | Average Years of Service Credit |
|----------------|---------------------|----------------------|---------------------------------------|--------------------|---------------------------|-------------|---------------------------------|
| 2015           | 1                   | 937                  | \$45,765                              | \$49               | (6.40)%                   | 36.8        | 9.8                             |
| 2016           | 1                   | 908                  | 45,551                                | 50                 | 2.71%                     | 37.0        | 10.0                            |
| 2017           | 1                   | 903                  | 48,598                                | 54                 | 7.28%                     | 37.5        | 10.6                            |
| 2018           | 1                   | 886                  | 48,808                                | 55                 | 2.36%                     | 37.3        | 10.5                            |
| 2019           | 1                   | 883                  | 47,752                                | 54                 | (1.83)%                   | 36.7        | 10.0                            |
| 2020           | 1                   | 798                  | 46,145                                | 58                 | 6.93%                     | 37.5        | 10.7                            |
| 2021           | 1                   | 775                  | 45,338                                | 59                 | 1.17%                     | 37.7        | 11.1                            |
| 2022           | 1                   | 844                  | 47,885                                | 57                 | (3.02)%                   | 36.5        | 10.1                            |
| 2023           | 1                   | 868                  | 65,913                                | 76                 | 33.84%                    | 36.9        | 10.5                            |
| 2024           | 1                   | 872                  | \$73,295                              | \$84               | 10.69%                    | 37.4        | 11.1                            |

<sup>(1)</sup> 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, 2024.

**Summary of Retired Member Valuation Data**  
**As of June 30 (\$ in Thousands)**

**KERS Nonhazardous Schedule of Retired Member Valuation**

| Valuation Date | Number Added | Number Removed | Total Retirees & Beneficiaries | Annualized Retirement Allowances Added | Annualized Retirement Allowances Removed | Annualized Retirement Allowances <sup>(1)</sup> | % Increase In Allowances | Average Annual Allowance |
|----------------|--------------|----------------|--------------------------------|--|--|---|--------------------------|--------------------------|
| 2015           | 2,140        | 1,094          | 42,269                         | \$32,433                               | \$14,902                                 | \$883,576                                       | 2.02%                    | \$21                     |
| 2016           | 2,441        | 706            | 44,004                         | 61,294                                 | 9,942                                    | 934,930   | 5.81%                    | 21                       |
| 2017           | 2,181        | 1,269          | 44,916                         | 35,150                                 | 48,778                                   | 921,302   | (1.46)%                  | 21                       |
| 2018           | 2,853        | 1,243          | 46,526                         | 50,360                                 | 18,711                                   | 952,951   | 3.44%                    | 20                       |
| 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                                       | 0.00%                    | \$20                     |

**KERS Hazardous Schedule of Retired Member Valuation**

| Valuation Date | Number Added | Number Removed | Total Retirees & Beneficiaries | Annualized Retirement Allowances Added | Annualized Retirement Allowances Removed | Annualized Retirement Allowances <sup>(1)</sup> | % Increase In Allowances | Average Annual Allowance |
|----------------|--------------|----------------|--------------------------------|--|--|---|--------------------------|--------------------------|
| 2015           | 203          | 65             | 3,758                          | \$3,144                                | \$985                                    | \$56,431  | 3.98%                    | \$15                     |
| 2016           | 237          | 29             | 3,966                          | 3,028                                  | 458                                      | 59,001  | 4.55%                    | 15                       |
| 2017           | 206          | 79             | 4,093                          | 2,771                                  | 2,609                                    | 59,162  | 0.27%                    | 14                       |
| 2018           | 321          | 44             | 4,370                          | 5,394                                  | 507                                      | 64,050  | 8.26%                    | 15                       |
| 2019           | 227          | 60             | 4,537                          | 4,242                                  | 769                                      | 67,523  | 5.42%                    | 15                       |
| 2020           | 214          | 123            | 4,628                          | 3,102                                  | 1,543                                    | 69,081  | 2.31%                    | 15                       |
| 2021           | 263          | 165            | 4,726                          | 3,681                                  | 1,959                                    | 70,803  | 2.49%                    | 15                       |
| 2022           | 300          | 176            | 4,850                          | 4,978                                  | 2,093                                    | 73,689  | 4.08%                    | 15                       |
| 2023           | 210          | 173            | 4,887                          | 3,101                                  | 1,924                                    | 74,867  | 1.60%                    | 15                       |
| 2024           | 207          | 160            | 4,934                          | \$3,281                                | \$1,911                                  | \$76,237  | 1.83%                    | \$15                     |

**SPRS Schedule of Retired Member Valuation**

| Valuation Date | Number Added | Number Removed | Total Retirees & Beneficiaries | Annualized Retirement Allowances Added | Annualized Retirement Allowances Removed | Annualized Retirement Allowances <sup>(1)</sup> | % Increase In Allowances | Average Annual Allowance |
|----------------|--------------|----------------|--------------------------------|--|--|---|--------------------------|--------------------------|
| 2015           | 62           | 15             | 1,460                          | \$1,947                                | \$449                                    | \$54,930  | 2.80%                    | \$38                     |
| 2016           | 65           | 10             | 1,515                          | 2,004                                  | 285                                      | 56,650  | 3.13%                    | 37                       |
| 2017           | 30           | 9              | 1,536                          | 1,046                                  | 443                                      | 57,253  | 1.06%                    | 37                       |
| 2018           | 81           | 17             | 1,600                          | 2,837                                  | 464                                      | 59,626  | 4.14%                    | 37                       |
| 2019           | 74           | 27             | 1,647                          | 2,735                                  | 957                                      | 61,404  | 2.98%                    | 37                       |
| 2020           | 61           | 39             | 1,669                          | 2,411                                  | 1,382                                    | 62,432  | 1.68%                    | 37                       |
| 2021           | 55           | 51             | 1,673                          | 1,967                                  | 1,699                                    | 62,700  | 0.43%                    | 37                       |
| 2022           | 76           | 47             | 1,702                          | 2,948                                  | 1,868                                    | 63,780  | 1.72%                    | 37                       |
| 2023           | 43           | 48             | 1,697                          | 1,308                                  | 1,793                                    | 63,294  | (0.76)%                  | 37                       |
| 2024           | 41           | 62             | 1,676                          | \$1,399                                | \$2,070                                  | \$62,623  | (1.06)%                  | \$37                     |

<sup>(1)</sup> The Annualized Retirement Allowance is the annualized value of the monthly retirement allowance for retired members and beneficiaries as of the valuation date. Consequently, the values will not match the fiscal year total benefit payments recorded in the financial section. Headcounts and hazardous benefits for members receiving benefits in both the nonhazardous and hazardous fund have been included in the hazardous funds' summaries above. Additional \$25,136,000 in KERS Nonhazardous annual benefits are not included in the summary above for June 30, 2024.

# Summary of Benefit Provisions KERS, and SPRS Plans

## Plan Funding

State statute requires active members to contribute 5% of creditable compensation for nonhazardous members and 8% of creditable compensation for hazardous members. For members participating on or after September 1, 2008, an additional 1% 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 Boards to be necessary for the actuarial soundness of the systems, as required by Kentucky Revised Statute 61.565. KERS rates are subject to state budget approval.

## Membership Eligibility

For all regular full-time non-school board employees to be eligible for membership, they must average 100 or more hours of work per month over a fiscal or calendar year. For all regular full-time school board employees to be eligible for membership, they must 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  |
|--|------------------|--|
| <b>Tier 1 Members Whose Participation Began Before 9/1/2008</b>                          |                  |  |
| 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.                   |
| <b>Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014</b> |                  |  |
| 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) |
| <b>Tier 3 Members Whose Participation Began On or After 1/1/2014</b>                     |                  |  |
| 65   | 5                | None   |
| 57   | Rule of 87       | None   |

### Retirement Eligibility for Hazardous

| Age  | Years of Service | Allowance Reduction  |
|--|------------------|--|
| <b>Tier 1 Members Whose Participation Began Before 9/1/2008</b>                          |                  |  |
| 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. |
| <b>Tier 2 Members Whose Participation Began On or After 9/1/2008 but before 1/1/2014</b> |                  |  |
| 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. |
| <b>Tier 3 Members Whose Participation Began On or After 1/1/2014</b>                     |                  |  |
| 60   | 5                | None   |
| Any  | 25               | None   |

## Benefit Formula for Nonhazardous

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

| Final Compensation                                | Benefit Factor |   | Years of Service   |
|---|----------------|---|--|
| 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 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 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 years of compensation  | KERS 2.49% if: _____<br><br>SPRS 2.50% if: _____ | 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 for 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%      |  |

**Benefit Formula for Hazardous for Tier 3: Members whose participation began on or after 1/1/2014**

Each year that the member is active, a 7.50% employer pay credit and the employee's 8.00% contribution will be credited to each member's hypothetical cash balance account. The hypothetical account will earn interest at a minimum rate of 4%, annually. If the geometric average net investment return for the previous five years exceeds 4%, then the hypothetical account will be credited with an additional amount of interest in that year equal to 75% of the amount of the return which exceeds 4%. All interest credits will be applied to the hypothetical account balance on June 30 based on the account balance as of June 30 of the previous year. At retirement, the member's hypothetical account balance may be converted into an annuity based on an actuarial factor.

**Benefit Formula****Tier 3: Members whose participation began on or after 1/1/2014****Accumulated Account Balance / Actuarial Factor = Monthly Life Annuity**

| Accumulated Account Balance |               |               |             |                    |           |
|-----------------------------|---------------|---------------|-------------|--------------------|-----------|
|                             | Member        | Employer      | Base Annual | Upside Sharing     | Actuarial |
|                             | Contributions | Contributions | Interest    | Interest (FY 2023) | Factor    |
| KERS Nonhazardous           | 5.00%         | 4.00%         | 4.00%       | 5.79%              |           |
| KERS Hazardous              | 8.00%         | 7.50%         | 4.00%       | 6.60%              |           |
| SPRS                        | 8.00%         | 7.50%         | 4.00%       | 6.15%              |           |

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

*Note: Please see Plan Provisions for additional details.*

## Post-Retirement Death Benefits

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

## Disability Benefits

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

Members participating on or after 8/1/2004 but before 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. Nonhazardous benefits are computed as the higher of 20% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service. Hazardous benefits are computed as the higher of 25% of the member's monthly final rate of pay or the amount calculated under the Benefit Formula based upon actual service.

Members participating on or after 1/1/2014 may qualify for disability retirement provided the member has at least 60 months of service credit. The benefit to the member is the higher of 20% or 25% of the member's monthly final rate of pay for nonhazardous and hazardous, respectively or the Annuity amount using the factor at the member's normal retirement age.

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

\* Service requirements may be waived if line of duty or duty related.

## Pre-Retirement Death Benefits

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

## Cost of Living Adjustment (COLA)

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

## Insurance Benefits

For members participating prior to July 1, 2003, the system pays a percentage of the monthly premium for single coverage based on the service credit accrued at retirement. Hazardous members also receive a percentage paid for eligible spouse or dependent coverage based on the accrued hazardous service at retirement.

For members participating on or after July 1, 2003, a dollar contribution amount is paid toward insurance coverage. Any portion paid toward eligible spouse and dependent coverage is based on the member's hazardous service credit. The member must have a minimum of 10 years of service to be eligible for insurance benefits if the participation date is between July 1, 2003 and August 31, 2008, and a 15 years of service if the participation date is on or after September 1, 2008. A nonhazardous member will receive \$10 for each year of service and hazardous members receive \$15 for each year of service. Since July 2004, the dollar amount increases annually on July 1 by 1.5%. Members can earn an additional dollar contribution amount if they surpass the career threshold defined in Kentucky Revised Statute 61.702.

## Refunds

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

## Interest on Accounts

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

## Benefit Changes since the Prior Valuation

There have been no benefit changes since the prior valuation.

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# Plan Statistics

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## 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   |
|-------------|--------|----------|---------|---------|
| 2015        | 40,835 | 46,867   | 44,515  | 132,217 |
| 2016        | 39,561 | 48,506   | 46,366  | 134,433 |
| 2017        | 38,128 | 49,693   | 47,317  | 135,138 |
| 2018        | 36,160 | 50,772   | 48,985  | 135,917 |
| 2019        | 34,700 | 51,944   | 49,886  | 136,530 |
| 2020        | 32,688 | 54,234   | 50,518  | 137,440 |
| 2021        | 31,066 | 55,437   | 51,783  | 138,286 |
| 2022        | 30,293 | 56,636   | 52,429  | 139,358 |
| 2023        | 32,093 | 57,247   | 52,524  | 141,864 |
| 2024        | 33,135 | 58,154   | 52,686  | 143,975 |

### KERS Hazardous Membership As of June 30

| Fiscal Year | Active | Inactive | Retired | Total  |
|-------------|--------|----------|---------|--------|
| 2015        | 4,559  | 4,643    | 3,761   | 12,963 |
| 2016        | 4,585  | 5,054    | 3,992   | 13,631 |
| 2017        | 4,660  | 5,453    | 4,120   | 14,233 |
| 2018        | 4,551  | 5,889    | 4,397   | 14,837 |
| 2019        | 4,402  | 6,414    | 4,563   | 15,379 |
| 2020        | 4,667  | 7,263    | 4,696   | 16,626 |
| 2021        | 4,412  | 8,022    | 4,890   | 17,324 |
| 2022        | 4,295  | 8,568    | 5,013   | 17,876 |
| 2023        | 4,581  | 9,031    | 5,048   | 18,660 |
| 2024        | 4,910  | 9,454    | 5,084   | 19,448 |

### SPRS Membership As of June 30

| Fiscal Year | Active | Inactive | Retired | Total |
|-------------|--------|----------|---------|-------|
| 2015        | 946    | 418      | 1,461   | 2,825 |
| 2016        | 934    | 430      | 1,539   | 2,903 |
| 2017        | 934    | 453      | 1,557   | 2,944 |
| 2018        | 917    | 470      | 1,623   | 3,010 |
| 2019        | 932    | 511      | 1,666   | 3,109 |
| 2020        | 798    | 592      | 1,698   | 3,088 |
| 2021        | 775    | 638      | 1,734   | 3,147 |
| 2022        | 844    | 670      | 1,748   | 3,262 |
| 2023        | 868    | 718      | 1,749   | 3,335 |
| 2024        | 872    | 749      | 1,736   | 3,357 |

### KRS Membership As of June 30

| Fiscal Year | Active | Inactive | Retired | Total   |
|-------------|--------|----------|---------|---------|
| 2015        | 46,340 | 51,928   | 49,737  | 148,005 |
| 2016        | 45,080 | 53,990   | 51,897  | 150,967 |
| 2017        | 43,722 | 55,599   | 52,994  | 152,315 |
| 2018        | 41,628 | 57,131   | 55,005  | 153,764 |
| 2019        | 40,034 | 58,869   | 56,115  | 155,018 |
| 2020        | 38,153 | 62,089   | 56,912  | 157,154 |
| 2021        | 36,253 | 64,097   | 58,407  | 158,757 |
| 2022        | 35,432 | 65,874   | 59,190  | 160,496 |
| 2023        | 37,542 | 66,996   | 59,321  | 163,859 |
| 2024        | 38,917 | 68,357   | 59,506  | 166,780 |

# Participating Employers

## Principal Participating Employers in KERS As of June 30, 2024

| Participating Employer                                  | Rank | Covered Employees | % of Total System |
|---|------|-------------------|-------------------|
| DEPARTMENT FOR COMMUNITY BASED SERVICES                 | 1    | 4,566             | 12.46%            |
| DEPARTMENT OF HIGHWAYS                                  | 2    | 3,611             | 9.86%             |
| DEPARTMENT OF CORRECTIONS                               | 3    | 3,572             | 9.75%             |
| JUDICIAL DEPARTMENT ADMINISTRATIVE OFFICE OF THE COURTS | 4    | 1,469             | 4.01%             |
| DEPARTMENT OF JUVENILE JUSTICE                          | 5    | 1,137             | 3.10%             |
| UNIFIED PROSECUTORIAL SYSTEM                            | 6    | 896               | 2.45%             |
| KENTUCKY STATE POLICE                                   | 7    | 885               | 2.42%             |
| DEPARTMENT OF REVENUE                                   | 8    | 692               | 1.89%             |
| DEPARTMENT OF PARKS                                     | 9    | 683               | 1.86%             |
| DEPARTMENT OF VETERANS AFFAIRS                          | 10   | 672               | 1.83%             |
| ALL OTHERS  |      | 18,454            | 50.37%            |
| <b>Total</b>  |      | <b>36,637</b>     | <b>100.00%</b>    |

## Schedule of Participating Employers in KERS As of June 30, 2024

| Agency Classification        | Number of Agencies | Covered Employees |
|------------------------------|--------------------|-------------------|
| County Attorneys             | 57                 | 277               |
| Health Departments           | 60                 | 2205              |
| Master Commissioner          | 30                 | 56                |
| Non-P1 State Agencies        | 32                 | 603               |
| Other Retirement Systems     | 1                  | 20                |
| P1 State Agencies            | 132                | 29,417            |
| Regional Mental Health Units | 10                 | 2,679             |
| Universities                 | 7                  | 1,380             |
| <b>Total</b>                 | <b>329</b>         | <b>36,637</b>     |

## Total Employees By Tier Levels

|               |               |
|---------------|---------------|
| <b>Tier 1</b> | <b>12,434</b> |
| <b>Tier 2</b> | <b>5,203</b>  |
| <b>Tier 3</b> | <b>19,000</b> |

## Schedule of Participating Employers in SPRS As of June 30, 2024

| Agency Classification                             | Number of Agencies | Covered Employees |
|---|--------------------|-------------------|
| Kentucky State Police - Uniformed Police Officers | 1                  | 872               |

## Total Employees By Tier Levels

|               |            |
|---------------|------------|
| <b>Tier 1</b> | <b>310</b> |
| <b>Tier 2</b> | <b>180</b> |
| <b>Tier 3</b> | <b>382</b> |

# Member Monthly Benefit

## Average Monthly Benefit by Length of Service in KRS As of June 30, 2024 (in Whole \$)

| Service Credit Range        | KERS Nonhazardous  |                         | KERS Hazardous     |                         | SPRS               |                         |
|-----------------------------|--------------------|-------------------------|--------------------|-------------------------|--------------------|-------------------------|
|                             | Number of Accounts | Average Monthly Benefit | Number of Accounts | Average Monthly Benefit | Number of Accounts | Average Monthly Benefit |
| Under 5 years               | 7,258              | \$227                   | 997                | \$220                   | 160                | \$766                   |
| 5 or more but less than 10  | 6,238              | 442                     | 876                | 576                     | 56                 | 918                     |
| 10 or more but less than 15 | 5,843              | 738                     | 821                | 1,047                   | 71                 | 1,454                   |
| 15 or more but less than 20 | 5,095              | 1,094                   | 761                | 1,578                   | 130                | 2,139                   |
| 20 or more but less than 25 | 5,500              | 1,449                   | 1,349              | 2,074                   | 555                | 2,770                   |
| 25 or more but less than 30 | 13,699             | 2,310                   | 214                | 2,982                   | 492                | 3,796                   |
| 30 or more but less than 35 | 6,611              | 3,248                   | 60                 | 3,764                   | 216                | 4,811                   |
| 35 or more                  | 2,442              | 4,603                   | 6                  | 4,405                   | 56                 | 6,304                   |
| <b>Total</b>                | <b>52,686</b>      | <b>\$1,644</b>          | <b>5,084</b>       | <b>\$1,273</b>          | <b>1,736</b>       | <b>\$3,083</b>          |

*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

As of June 30 (\$ in Thousands)

| Fiscal Year | Nonhazardous |             |             | Hazardous   |           |             |
|-------------|--------------|-------------|-------------|-------------|-----------|-------------|
|             | Pension      | Insurance   | Total       | Pension     | Insurance | Total       |
| 2015        | \$2,327,782  | \$665,639   | \$2,993,421 | \$552,468   | \$439,113 | \$991,581   |
| 2016        | 1,980,292    | 668,318     | 2,648,610   | 527,880     | 437,397   | 965,277     |
| 2017        | 2,092,781    | 781,406     | 2,874,187   | 605,921     | 484,442   | 1,090,363   |
| 2018        | 2,048,890    | 846,762     | 2,895,652   | 651,173     | 513,384   | 1,164,557   |
| 2019        | 2,286,625    | 942,136     | 3,228,761   | 687,877     | 527,108   | 1,214,985   |
| 2020        | 2,362,231    | 1,006,498   | 3,368,729   | 697,366     | 514,740   | 1,212,106   |
| 2021        | 3,085,014    | 1,353,123   | 4,438,137   | 874,928     | 624,889   | 1,499,817   |
| 2022        | 3,076,743    | 1,301,522   | 4,378,265   | 819,237     | 579,902   | 1,399,139   |
| 2023        | 3,607,206    | 1,465,489   | 5,072,695   | 902,567     | 616,322   | 1,518,889   |
| 2024        | \$4,297,571  | \$1,692,094 | \$5,989,665 | \$1,029,921 | \$667,917 | \$1,697,838 |

## Fiduciary Net Position - SPRS

As of June 30 (\$ in Thousands)

| Fiscal Year | Pension   | Insurance | Total     |
|-------------|-----------|-----------|-----------|
| 2015        | \$247,229 | \$164,714 | \$411,943 |
| 2016        | 218,013   | 160,949   | 378,962   |
| 2017        | 256,383   | 178,191   | 434,574   |
| 2018        | 268,425   | 189,994   | 458,419   |
| 2019        | 287,242   | 200,128   | 487,370   |
| 2020        | 295,044   | 200,245   | 495,289   |
| 2021        | 357,660   | 246,004   | 603,664   |
| 2022        | 552,926   | 230,015   | 782,941   |
| 2023        | 592,826   | 246,797   | 839,623   |
| 2024        | \$653,216 | \$272,091 | \$925,307 |

## Fiduciary Net Position - KRS

As of June 30 (\$ in Thousands)

| Fiscal Year | Pension     | Insurance   | Total       |
|-------------|-------------|-------------|-------------|
| 2015        | \$3,127,479 | \$1,269,466 | \$4,396,945 |
| 2016        | 2,726,185   | 1,266,664   | 3,992,849   |
| 2017        | 2,955,085   | 1,444,039   | 4,399,124   |
| 2018        | 2,968,488   | 1,550,140   | 4,518,628   |
| 2019        | 3,261,744   | 1,669,372   | 4,931,116   |
| 2020        | 3,354,641   | 1,721,483   | 5,076,124   |
| 2021        | 4,317,602   | 2,224,016   | 6,541,618   |
| 2022        | 4,448,906   | 2,111,439   | 6,560,345   |
| 2023        | 5,102,599   | 2,328,608   | 7,431,207   |
| 2024        | \$5,980,708 | \$2,632,102 | \$8,612,810 |

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>

# Changes in Fiduciary Net Position

## Changes in Fiduciary Net Position - KERS Nonhazardous Pension Plan

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>        | <b>2016</b>        | <b>2017</b>      | <b>2018</b>       | <b>2019</b>      | <b>2020</b>      | <b>2021</b>      | <b>2022</b>      | <b>2023</b>      | <b>2024</b>      |
|--|--------------------|--------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Members' Contributions                                   | \$100,424          | \$101,677          | \$100,544        | \$104,972         | \$93,759         | \$96,594         | \$90,202         | \$89,607         | \$84,579         | \$96,615         |
| Employers' Contributions                                 | 520,948            | 512,670            | 644,803          | 619,988           | 948,866          | 948,578          | 1,134,180        | 141,027          | 136,445          | 156,007          |
| General Fund Appropriations                              | -                  | -                  | 58,193           | 67,574            | 75,858           | -                | -                | 912,705          | 240,000          | 240,000          |
| Health Insurance Contributions (HB1)                     | 4,181              | 4,817              | 5,156            | 5,786             | 5,963            | 1                | (8)              | (13)             | (12)             | (18)             |
| Actuarially Accrued Liability Contributions              | -                  | -                  | -                | -                 | -                | -                | -                | -                | 898,545          | 899,663          |
| Employer Cessation                                       | -                  | -                  | 53,215           | 17                | 10,643           | 20               | -                | 63,113           | -                | -                |
| Net Investment Income (Loss)                             | 44,570             | (20,662)           | 220,985          | 147,577           | 114,918          | 53,696           | 528,439          | (165,904)        | 220,258          | 356,018          |
| Bank of America Settlement                               | 8,442              | -                  | -                | -                 | -                | -                | -                | -                | -                | -                |
| Northern Trust Settlement                                | -                  | -                  | -                | 301               | 37               | -                | -                | -                | -                | -                |
| Pension Spiking  | 743                | 414                | 909              | 1,564             | 95               | (6)              | 52               | 24               | 16               | 25               |
| <b>Total Additions</b>                                   | <b>679,308</b>     | <b>598,916</b>     | <b>1,083,805</b> | <b>947,779</b>    | <b>1,250,139</b> | <b>1,098,883</b> | <b>1,752,865</b> | <b>1,040,559</b> | <b>1,579,831</b> | <b>1,748,310</b> |
| <b>Deductions</b>  |                    |                    |                  |                   |                  |                  |                  |                  |                  |                  |
| Benefit Payments   | 905,790            | 923,288            | 948,489          | 967,374           | 988,349          | 999,813          | 1,009,501        | 1,023,375        | 1,023,704        | 1,032,124        |
| Refunds  | 13,552             | 12,130             | 11,819           | 13,603            | 12,342           | 11,523           | 8,953            | 12,116           | 11,847           | 11,693           |
| Administrative Expenses                                  | 10,474             | 10,807             | 10,974           | 10,692            | 11,712           | 11,941           | 11,627           | 13,339           | 13,817           | 14,128           |
| Capital Project Expenses                                 | -                  | 181                | 34               | -                 | -                | -                | -                | -                | -                | -                |
| <b>Total Deductions</b>                                  | <b>929,816</b>     | <b>946,406</b>     | <b>971,316</b>   | <b>991,669</b>    | <b>1,012,403</b> | <b>1,023,277</b> | <b>1,030,081</b> | <b>1,048,830</b> | <b>1,049,368</b> | <b>1,057,945</b> |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$(250,508)</b> | <b>\$(347,490)</b> | <b>\$112,489</b> | <b>\$(43,890)</b> | <b>\$237,736</b> | <b>\$75,606</b>  | <b>\$722,784</b> | <b>\$(8,271)</b> | <b>\$530,463</b> | <b>\$690,365</b> |

## Changes in Fiduciary Net Position - KERS Nonhazardous Insurance Plan

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>     | <b>2016</b>    | <b>2017</b>      | <b>2018</b>     | <b>2019</b>     | <b>2020</b>     | <b>2021</b>      | <b>2022</b>       | <b>2023</b>      | <b>2024</b>      |
|--|-----------------|----------------|------------------|-----------------|-----------------|-----------------|------------------|-------------------|------------------|------------------|
| Employers' Contributions                                 | \$132,208       | \$131,935      | \$133,024        | \$132,364       | \$173,576       | \$170,479       | \$153,571        | \$31,611          | \$35,549         | \$41,362         |
| Actuarially Accrued Liability Contributions              | -               | -              | -                | -               | -               | -               | -                | 101,637           | 87,674           | 87,782           |
| Net Investment Income (Loss)                             | 8,690           | (3,904)        | 90,915           | 61,331          | 43,202          | 10,624          | 258,595          | (85,555)          | 128,052          | 166,714          |
| Retired Re-employed (HB1)                                | 3,732           | 3,880          | 3,765            | 4,055           | 3,996           | 4,502           | 4,705            | 5,041             | 5,885            | 7,484            |
| Member Drug Reimbursement                                | -               | -              | 1                | 5               | 3               | 2               | -                | -                 | 4                | 4                |
| Premiums Received from Retirees                          | 272             | 240            | 248              | 216             | 184             | 183             | 182              | 182               | (27)             | 79               |
| 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           |
| <b>Total Additions</b>                                   | <b>144,902</b>  | <b>132,151</b> | <b>243,520</b>   | <b>198,003</b>  | <b>225,435</b>  | <b>191,942</b>  | <b>468,946</b>   | <b>69,202</b>     | <b>270,358</b>   | <b>322,468</b>   |
| <b>Deductions</b>  |                 |                |                  |                 |                 |                 |                  |                   |                  |                  |
| Health Insurance Premiums                                | 123,127         | 126,550        | 127,648          | 130,069         | 127,221         | 125,006         | 119,897          | 118,451           | 103,952          | 93,751           |
| Administrative Expenses                                  | 893             | 818            | 861              | 760             | 875             | 847             | 815              | 821               | 771              | 727              |
| Self-Funded Healthcare Costs                             | 2,145           | 2,095          | 1,920            | 1,819           | 1,962           | 1,724           | 1,609            | 1,525             | 1,668            | 1,378            |
| Excise Tax Insurance                                     | 3               | 6              | 3                | 3               | 3               | 3               | -                | 6                 | -                | 7                |
| <b>Total Deductions</b>                                  | <b>126,168</b>  | <b>129,469</b> | <b>130,432</b>   | <b>132,651</b>  | <b>130,061</b>  | <b>127,580</b>  | <b>122,321</b>   | <b>120,803</b>    | <b>106,391</b>   | <b>95,863</b>    |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$18,734</b> | <b>\$2,679</b> | <b>\$113,088</b> | <b>\$65,352</b> | <b>\$95,374</b> | <b>\$64,362</b> | <b>\$346,625</b> | <b>\$(51,601)</b> | <b>\$163,967</b> | <b>\$226,605</b> |

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

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>      | <b>2016</b>       | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     | <b>2020</b>    | <b>2021</b>      | <b>2022</b>       | <b>2023</b>     | <b>2024</b>      |
|--|------------------|-------------------|-----------------|-----------------|-----------------|----------------|------------------|-------------------|-----------------|------------------|
| Members' Contributions                                   | \$12,670         | \$15,055          | \$17,523        | \$17,891        | \$17,118        | \$19,769       | \$19,961         | \$20,588          | \$17,459        | \$21,568         |
| Employers' Contributions                                 | 28,374           | 23,690            | 37,630          | 32,790          | 55,229          | 59,096         | 62,182           | 59,052            | 64,020          | 89,898           |
| General Fund Appropriations                              | -                | -                 | 15,000          | 10,000          | -               | -              | -                | -                 | -               | -                |
| Health Insurance Contributions (HB1)                     | 537              | 684               | 811             | 909             | 934             | 4              | 3                | (5)               | (7)             | (8)              |
| Net Investment Income (Loss)                             | 8,701            | (1,652)           | 70,993          | 51,848          | 36,704          | 6,805          | 174,922          | (51,841)          | 77,261          | 102,139          |
| Actuarially Accrued Liability Contributions (AALC)       | 767              | -                 | -               | -               | -               | -              | -                | -                 | -               | -                |
| Northern Trust Settlement                                | -                | -                 | -               | 33              | 4               | -              | -                | -                 | -               | -                |
| Pension Spiking  | 162              | 70                | 344             | 871             | 29              | 19             | 18               | 3                 | 29              | 1                |
| <b>Total Additions</b>                                   | <b>51,211</b>    | <b>37,847</b>     | <b>142,301</b>  | <b>114,342</b>  | <b>110,018</b>  | <b>85,693</b>  | <b>257,086</b>   | <b>27,797</b>     | <b>167,520</b>  | <b>213,598</b>   |
| <b>Deductions</b>  |                  |                   |                 |                 |                 |                |                  |                   |                 |                  |
| Benefit Payments   | 56,774           | 59,306            | 61,231          | 65,616          | 69,527          | 71,861         | 73,889           | 77,047            | 78,636          | 80,528           |
| Refunds  | 2,609            | 2,211             | 2,106           | 2,501           | 2,684           | 3,168          | 4,380            | 4,976             | 4,041           | 4,133            |
| Administrative Expenses                                  | 844              | 903               | 919             | 975             | 1,103           | 1,176          | 1,255            | 1,465             | 1,513           | 1,583            |
| Capital Project Expenses                                 | -                | 15                | 4               | -               | -               | -              | -                | -                 | -               | -                |
| <b>Total Deductions</b>                                  | <b>60,227</b>    | <b>62,435</b>     | <b>64,260</b>   | <b>69,092</b>   | <b>73,314</b>   | <b>76,205</b>  | <b>79,524</b>    | <b>83,488</b>     | <b>84,190</b>   | <b>86,244</b>    |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$(9,016)</b> | <b>\$(24,588)</b> | <b>\$78,041</b> | <b>\$45,250</b> | <b>\$36,704</b> | <b>\$9,488</b> | <b>\$177,562</b> | <b>\$(55,691)</b> | <b>\$83,330</b> | <b>\$127,354</b> |



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

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>    | <b>2016</b>      | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     | <b>2020</b>       | <b>2021</b>      | <b>2022</b>       | <b>2023</b>     | <b>2024</b>     |
|--|----------------|------------------|-----------------|-----------------|-----------------|-------------------|------------------|-------------------|-----------------|-----------------|
| Employers' Contributions                                 | \$14,173       | \$15,929         | \$4,688         | \$4,302         | \$3,725         | \$4,482           | \$23             | \$1               | \$37            | \$45            |
| Net Investment Income (Loss)                             | 7,793          | (882)            | 59,188          | 42,567          | 28,049          | 638               | 126,475          | (27,406)          | 52,991          | 67,435          |
| Retired Re-employed (HB1)                                | 709            | 837              | 932             | 986             | 1,245           | 1,294             | 1,276            | 1,280             | 1,452           | 1,865           |
| Actuarially Accrued Liability Contributions (AALC)       | -              | -                | -               | -               | -               | -                 | -                | -                 | -               | -               |
| Member Drug Reimbursement                                | -              | -                | -               | -               | -               | 1                 | -                | 1                 | -               | -               |
| Premiums Received from Retirees                          | 14             | (13)             | (51)            | (50)            | (19)            | (5)               | (11)             | (54)              | (69)            | (24)            |
| 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           |
| <b>Total Additions</b>                                   | <b>22,689</b>  | <b>15,871</b>    | <b>64,757</b>   | <b>47,823</b>   | <b>33,215</b>   | <b>7,510</b>      | <b>130,180</b>   | <b>(24,398)</b>   | <b>56,371</b>   | <b>72,066</b>   |
| <b>Deductions</b>  |                |                  |                 |                 |                 |                   |                  |                   |                 |                 |
| Health Insurance Premiums                                | 17,000         | 17,490           | 17,562          | 18,697          | 19,280          | 19,630            | 19,800           | 20,355            | 19,748          | 20,260          |
| Administrative Expenses                                  | 101            | 97               | 105             | 104             | 117             | 123               | 118              | 125               | 123             | 117             |
| Self-Funded Healthcare Costs                             | -              | -                | 45              | 79              | 94              | 125               | 112              | 109               | 80              | 94              |
| Excise Tax Insurance                                     | -              | -                | -               | -               | -               | -                 | -                | -                 | -               | -               |
| <b>Total Deductions</b>                                  | <b>17,101</b>  | <b>17,587</b>    | <b>17,712</b>   | <b>18,880</b>   | <b>19,491</b>   | <b>19,878</b>     | <b>20,030</b>    | <b>20,589</b>     | <b>19,951</b>   | <b>20,471</b>   |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$5,588</b> | <b>\$(1,716)</b> | <b>\$47,045</b> | <b>\$28,943</b> | <b>\$13,724</b> | <b>\$(12,368)</b> | <b>\$110,150</b> | <b>\$(44,987)</b> | <b>\$36,420</b> | <b>\$51,595</b> |

## Changes in Fiduciary Net Position - SPRS Pension Plan

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>       | <b>2016</b>       | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     | <b>2020</b>    | <b>2021</b>     | <b>2022</b>      | <b>2023</b>     | <b>2024</b>     |
|--|-------------------|-------------------|-----------------|-----------------|-----------------|----------------|-----------------|------------------|-----------------|-----------------|
| Members' Contributions                                   | \$5,150           | \$5,149           | \$5,349         | \$5,522         | \$5,062         | \$4,767        | \$4,752         | \$4,773          | \$5,250         | \$5,703         |
| Employers' Contributions                                 | 31,444            | 25,723            | 38,028          | 36,486          | 58,947          | 58,358         | 59,262          | 62,341           | 58,121          | 61,998          |
| General Fund Appropriations                              | -                 | -                 | 25,000          | 10,000          | 1,086           | 1,086          | 384             | 215,000          | -               | -               |
| Health Insurance Contributions (HB1)                     | 94                | 113               | 131             | 155             | 176             | -              | -               | (26)             | (8)             | (12)            |
| Net Investment Income (Loss)                             | 3,427             | (3,841)           | 26,795          | 18,487          | 14,863          | 6,359          | 61,966          | (22,148)         | 40,801          | 57,058          |
| Bank of America Settlement                               | 646               | -                 | -               | -               | -               | -              | -               | -                | -               | -               |
| Northern Trust Settlement                                | -                 | -                 | -               | 21              | 3               | -              | -               | -                | -               | -               |
| Pension Spiking  | 546               | 99                | 210             | 392             | 15              | 9              | 4               | -                | -               | -               |
| <b>Total Additions</b>                                   | <b>41,307</b>     | <b>27,243</b>     | <b>95,513</b>   | <b>71,063</b>   | <b>80,152</b>   | <b>70,579</b>  | <b>126,368</b>  | <b>259,940</b>   | <b>104,164</b>  | <b>124,747</b>  |
| <b>Deductions</b>  |                   |                   |                 |                 |                 |                |                 |                  |                 |                 |
| Benefit Payments   | 54,766            | 56,268            | 56,935          | 58,805          | 60,948          | 62,423         | 63,249          | 64,121           | 63,805          | 63,823          |
| Refunds  | 85                | 11                | 26              | 22              | 162             | 88             | 273             | 280              | 166             | 220             |
| Administrative Expenses                                  | 201               | 176               | 181             | 194             | 225             | 266            | 230             | 273              | 293             | 314             |
| Capital Project Expenses                                 | -                 | 4                 | 1               | -               | -               | -              | -               | -                | -               | -               |
| <b>Total Deductions</b>                                  | <b>55,052</b>     | <b>56,459</b>     | <b>57,143</b>   | <b>59,021</b>   | <b>61,335</b>   | <b>62,777</b>  | <b>63,752</b>   | <b>64,674</b>    | <b>64,264</b>   | <b>64,357</b>   |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$(13,745)</b> | <b>\$(29,216)</b> | <b>\$38,370</b> | <b>\$12,042</b> | <b>\$18,817</b> | <b>\$7,802</b> | <b>\$62,616</b> | <b>\$195,266</b> | <b>\$39,900</b> | <b>\$60,390</b> |

## Changes in Fiduciary Net Position - SPRS Insurance Plan

As of June 30 (\$ in Thousands)

| <b>Additions</b>   | <b>2015</b>    | <b>2016</b>      | <b>2017</b>     | <b>2018</b>     | <b>2019</b>     | <b>2020</b>   | <b>2021</b>     | <b>2022</b>       | <b>2023</b>     | <b>2024</b>     |
|--|----------------|------------------|-----------------|-----------------|-----------------|---------------|-----------------|-------------------|-----------------|-----------------|
| Employers' Contributions                                 | \$10,379       | \$10,228         | \$9,222         | \$9,397         | \$13,282        | \$13,133      | \$9,284         | \$8,782           | \$9,289         | \$10,158        |
| Net Investment Income (Loss)                             | 2,921          | (48)             | 21,570          | 16,420          | 10,766          | 1,108         | 50,051          | (10,787)          | 21,426          | 26,836          |
| Retired Re-employed (HB1)                                | 3              | 9                | -               | -               | 6               | -             | -               | -                 | -               | 5               |
| Member Drug Reimbursement                                | -              | -                | -               | -               | -               | -             | -               | -                 | -               | -               |
| Premiums Received from Retirees                          | 1              | (29)             | (55)            | (41)            | (13)            | (12)          | (14)            | (27)              | (131)           | (13)            |
| Humana Gain Share  | -              | -                | -               | -               | 144             | -             | 811             | 342               | 224             | 390             |
| Northern Trust Settlement                                | -              | -                | -               | 8               | 1               | -             | -               | -                 | -               | -               |
| Health Insurance contributions (HB1)                     | -              | -                | -               | -               | -               | 196           | 209             | 256               | 356             | 408             |
| <b>Total Additions</b>                                   | <b>13,304</b>  | <b>10,160</b>    | <b>30,737</b>   | <b>25,784</b>   | <b>24,186</b>   | <b>14,425</b> | <b>60,341</b>   | <b>(1,434)</b>    | <b>31,164</b>   | <b>37,784</b>   |
| <b>Deductions</b>  |                |                  |                 |                 |                 |               |                 |                   |                 |                 |
| Health Insurance Premiums                                | 13,483         | 13,836           | 13,405          | 13,881          | 13,942          | 14,215        | 14,487          | 14,461            | 14,290          | 12,412          |
| Administrative Expenses                                  | 65             | 89               | 66              | 62              | 69              | 71            | 71              | 73                | 74              | 71              |
| Self-Funded Healthcare Costs                             | -              | -                | 24              | 38              | 40              | 22            | 25              | 21                | 18              | 7               |
| Excise Tax Insurance                                     | -              | -                | -               | -               | -               | -             | -               | -                 | -               | -               |
| <b>Total Deductions</b>                                  | <b>13,548</b>  | <b>13,925</b>    | <b>13,495</b>   | <b>13,981</b>   | <b>14,051</b>   | <b>14,308</b> | <b>14,583</b>   | <b>14,555</b>     | <b>14,382</b>   | <b>12,490</b>   |
| <b>Net Increase (Decrease) in Fiduciary Net Position</b> | <b>\$(244)</b> | <b>\$(3,765)</b> | <b>\$17,242</b> | <b>\$11,803</b> | <b>\$10,135</b> | <b>\$117</b>  | <b>\$45,758</b> | <b>\$(15,989)</b> | <b>\$16,782</b> | <b>\$25,294</b> |

# Schedule of Benefit Expenses

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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 |
|-----------------------------|-------------------|------------------|-----------------------|----------------------|
| <b>Fiscal Year 2015</b>     |                   |                  |                       |                      |
| Average Benefit             | \$992             | \$1,901          | \$996                 | \$909                |
| Number of Accounts          | 6,896             | 33,940           | 2,696                 | 983                  |
| Total Monthly Benefits      | \$6,843,193       | \$64,503,048     | \$2,684,720           | \$893,407            |
| % of Total Monthly Benefits | 9.13%             | 86.09%           | 3.58%                 | 1.19%                |
| <b>Fiscal Year 2016</b>     |                   |                  |                       |                      |
| Average Benefit             | \$989             | \$1,886          | \$1,005               | \$902                |
| Number of Accounts          | 7,390             | 35,192           | 2,770                 | 1,014                |
| Total Monthly Benefits      | \$7,312,293       | \$66,383,638     | \$2,784,928           | \$914,804            |
| % of Total Monthly Benefits | 9.45%             | 85.77%           | 3.60%                 | 1.18%                |
| <b>Fiscal Year 2017</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2018</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2019</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2020</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2021</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2022</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2023</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2024</b>     |                   |                  |                       |                      |
| 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%                |

## Schedule of Benefit Expenses - KERS Hazardous

As of June 30 (in Whole \$)

|                             | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|-----------------------------|-------------------|------------------|-----------------------|----------------------|
| <b>Fiscal Year 2015</b>     |                   |                  |                       |                      |
| Average Benefit             | \$986             | \$1,556          | \$661                 | \$714                |
| Number of Accounts          | 1,912             | 1,566            | 193                   | 90                   |
| Total Monthly Benefits      | \$1,884,477       | \$2,436,923      | \$127,477             | \$64,250             |
| % of Total Monthly Benefits | 41.76%            | 54.00%           | 2.82%                 | 1.42%                |
| <b>Fiscal Year 2016</b>     |                   |                  |                       |                      |
| Average Benefit             | \$984             | \$1,542          | \$663                 | \$730                |
| Number of Accounts          | 2,046             | 1,658            | 194                   | 94                   |
| Total Monthly Benefits      | \$2,011,530       | \$2,557,114      | \$128,663             | \$68,605             |
| % of Total Monthly Benefits | 42.21%            | 53.65%           | 2.70%                 | 1.44%                |
| <b>Fiscal Year 2017</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2018</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2019</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2020</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2021</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2022</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2023</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2024</b>     |                   |                  |                       |                      |
| 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%                |

## Schedule of Benefit Expenses - SPRS

As of June 30 (in Whole \$)

|                             | Normal Retirement | Early Retirement | Disability Retirement | Beneficiary Payments |
|-----------------------------|-------------------|------------------|-----------------------|----------------------|
| <b>Fiscal Year 2015</b>     |                   |                  |                       |                      |
| Average Benefit             | \$3,578           | \$3,189          | \$1,347               | \$2,153              |
| Number of Accounts          | 150               | 1,213            | 75                    | 23                   |
| Total Monthly Benefits      | \$536,649         | \$3,867,971      | \$101,018             | \$49,524             |
| % of Total Monthly Benefits | 11.78%            | 84.91%           | 2.22%                 | 1.09%                |
| <b>Fiscal Year 2016</b>     |                   |                  |                       |                      |
| Average Benefit             | \$3,579           | \$3,135          | \$1,269               | \$2,008              |
| Number of Accounts          | 155               | 1,277            | 82                    | 25                   |
| Total Monthly Benefits      | \$554,743         | \$4,002,993      | \$104,056             | \$50,196             |
| % of Total Monthly Benefits | 11.77%            | 84.95%           | 2.21%                 | 1.07%                |
| <b>Fiscal Year 2017</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2018</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2019</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2020</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2021</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2022</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2023</b>     |                   |                  |                       |                      |
| 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%                |
| <b>Fiscal Year 2024</b>     |                   |                  |                       |                      |
| 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%                |

# Active Refunds

| Active Refunds Report For the Period ended June 30, 2024 (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<br>Nonhazardous   | 1            | 161                        | 2,497,333           | 79                   | 268,714           | 240               | 2,766,047           |
|  | 2            | 73                         | 506,667             | 14                   | 81,433            | 87                | 588,100             |
|  | 3            | 723                        | 7,939,370           | 11                   | 41,846            | 734               | 7,981,216           |
|  | <b>Total</b> | <b>957</b>                 | <b>10,943,370</b>   | <b>104</b>           | <b>391,993</b>    | <b>1,061</b>      | <b>11,335,363</b>   |
| KERS<br>Hazardous  | 1            | 13                         | 201,697             | 2                    | 5,579             | 15                | 207,276             |
|  | 2            | 16                         | 130,529             | 3                    | 8,477             | 19                | 139,006             |
|  | 3            | 223                        | 3,630,505           | 10                   | 68,691            | 233               | 3,699,196           |
|  | <b>Total</b> | <b>252</b>                 | <b>3,962,731</b>    | <b>15</b>            | <b>82,747</b>     | <b>267</b>        | <b>4,045,478</b>    |
| SPRS   | 1            | 1                          | 19,477              | -                    | -                 | 1                 | 19,477              |
|  | 2            | -                          | -                   | -                    | -                 | -                 | -                   |
|  | 3            | 5                          | 201,096             | -                    | -                 | 5                 | 201,096             |
|  | <b>Total</b> | <b>6</b>                   | <b>220,573</b>      | <b>-</b>             | <b>-</b>          | <b>6</b>          | <b>220,573</b>      |
| <b>TOTALS</b>  |              | <b>1,215</b>               | <b>\$15,126,674</b> | <b>119</b>           | <b>\$474,740</b>  | <b>1,334</b>      | <b>\$15,601,414</b> |



# Analysis of Initial Retirees

| Analysis of Initial Retirees As of June 30 (in Whole \$) |                      |                   |          |
|--|----------------------|-------------------|----------|
|  | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS     |
| <b>Fiscal Year 2015</b>                                  |                      |                   |          |
| Number of Accounts                                       | 2,078                | 191               | 55       |
| Average Service Credit (months)                          | 204                  | 164               | 251      |
| Average Final Compensation                               | \$47,187             | \$47,148          | \$67,862 |
| Average Monthly Benefit                                  | \$1,308              | \$1,280           | \$3,009  |
| Average System Payment for Health Insurance              | \$549                | \$906             | \$1,376  |
| <b>Fiscal Year 2016</b>                                  |                      |                   |          |
| Number of Accounts                                       | 2,043                | 205               | 57       |
| Average Service Credit (months)                          | 207                  | 160               | 234      |
| Average Final Compensation                               | \$47,429             | \$44,494          | \$65,535 |
| Average Monthly Benefit                                  | \$1,351              | \$1,225           | \$2,953  |
| Average System Payment for Health Insurance              | \$558                | \$870             | \$1,425  |
| <b>Fiscal Year 2017</b>                                  |                      |                   |          |
| 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  |
| <b>Fiscal Year 2018</b>                                  |                      |                   |          |
| 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  |
| <b>Fiscal Year 2019</b>                                  |                      |                   |          |
| 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  |
| <b>Fiscal Year 2020</b>                                  |                      |                   |          |
| 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  |
| Average System Payment for Health Insurance              | \$579                | \$1,013           | \$1,404  |
| <b>Fiscal Year 2021</b>                                  |                      |                   |          |
| 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  |
| <b>Fiscal Year 2022</b>                                  |                      |                   |          |
| 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  |

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

|   | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS     |
|---|----------------------|-------------------|----------|
| <b>Fiscal Year 2023</b>   |                      |                   |          |
| 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  |
| <b>Fiscal Year 2024</b>   |                      |                   |          |
| 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  |
| <i>Note: This table represents all individuals who had an initial retirement date within the fiscal year.</i> |                      |                   |          |

## Payment Options

### Payment Options Selected by Retired Members As of June 30, 2024 (in Whole \$)

|   | Basic        | Other    | Period<br>Certain | Pop Up       | Social<br>Security<br>Adjustment | Survivorship | Annuity |
|---|--------------|----------|-------------------|--------------|----------------------------------|--------------|---------|
| <b>KERS Nonhazardous</b>  |              |          |                   |              |                                  |              |         |
| Number of Accounts  | 19,521       | 23       | 6,745             | 10,142       | 3,174                            | 13,055       | 26      |
| Monthly Benefits  | \$28,708,579 | \$45,511 | \$10,402,173      | \$20,532,386 | \$5,504,498                      | \$21,414,771 | \$6,684 |
| <b>KERS Hazardous</b>   |              |          |                   |              |                                  |              |         |
| Number of Accounts  | 1,424        | 6        | 554               | 1,417        | 314                              | 1,364        | 5       |
| Monthly Benefits  | \$1,602,073  | \$5,498  | \$698,705         | \$2,142,484  | \$360,813                        | \$1,662,219  | \$1,387 |
| <b>SPRS</b>   |              |          |                   |              |                                  |              |         |
| Number of Accounts  | 187          | 1        | 132               | 756          | 178                              | 482          | -       |
| Monthly Benefits  | \$539,025    | \$3,084  | \$380,895         | \$2,616,641  | \$350,170                        | \$1,462,691  | \$-     |
| <b>KRS Total</b>  |              |          |                   |              |                                  |              |         |
| Number of Accounts  | 21,132       | 30       | 7,431             | 12,315       | 3,666                            | 14,901       | 31      |
| Monthly Benefits  | \$30,849,677 | \$54,093 | \$11,481,773      | \$25,291,511 | \$6,215,481                      | \$24,539,681 | \$8,071 |
| <i>The information in this table represents accounts administered by KPPA. A single member may have multiple accounts, which contribute to one pension.</i> |              |          |                   |              |                                  |              |         |

# Employer Contribution Rates

In 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 set 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 117 and 118 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  |        |        |        |        |         |         |         |         |        |        |
|--|--------|--------|--------|--------|---------|---------|---------|---------|--------|--------|
|  | 2015   | 2016   | 2017   | 2018   | 2019    | 2020    | 2021    | 2022    | 2023   | 2024   |
| <b>KERS Nonhazardous*</b>  |        |        |        |        |         |         |         |         |        |        |
| Actual Rate  | 38.77% | 38.77% | 48.59% | 49.47% | 83.43%  | 83.43%  | 84.43%  | 10.10%  | 9.97%  | 9.97%  |
| <b>KERS Hazardous</b>  |        |        |        |        |         |         |         |         |        |        |
| Actual Rate  | 26.34% | 26.34% | 23.82% | 23.70% | 36.85%  | 36.85%  | 36.00%  | 33.43%  | 31.82% | 31.82% |
| <b>SPRS</b>  |        |        |        |        |         |         |         |         |        |        |
| Actual Rate  | 75.76% | 75.76% | 89.21% | 91.24% | 146.28% | 146.28% | 143.48% | 146.06% | 99.43% | 99.43% |
| *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. |        |        |        |        |         |         |         |         |        |        |

# 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, 2024 (in Whole \$)

|   | KERS<br>Nonhazardous | KERS<br>Hazardous | SPRS        |
|---|----------------------|-------------------|-------------|
| Number  | 31,088               | 3,100             | 1,768       |
| Average Service Credit (Months)                     | 311                  | 264               | 318         |
| Average Monthly System Payment for Health Insurance | \$290                | \$691             | \$914       |
| Average Monthly Member Payment for Health Insurance | \$36                 | \$34              | \$24        |
| Total Monthly Payment for Health Insurance          | \$9,543,037          | \$1,841,985       | \$1,277,999 |

## Insurance Contracts by Type As of June 30

| KERS Nonhazardous             |        |        |        |        |        |        |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
|                               | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
| KEHP Parent Plus              | 452    | 441    | 411    | 460    | 441    | 433    | 428    | 434    | 433    | 395    |
| KEHP Couple/Family            | 714    | 656    | 663    | 696    | 700    | 666    | 633    | 612    | 553    | 473    |
| KEHP Single                   | 9,251  | 8,876  | 8,627  | 8,638  | 8,304  | 7,942  | 7,415  | 7,141  | 6,693  | 6,334  |
| Medicare without Prescription | 1,303  | 1,286  | 1,229  | 1,179  | 1,141  | 1,089  | 1,026  | 989    | 957    | 939    |
| Medicare with Prescription    | 18,577 | 19,447 | 20,215 | 21,117 | 21,713 | 22,271 | 22,648 | 22,903 | 22,976 | 22,947 |
| KERS Hazardous                |        |        |        |        |        |        |        |        |        |        |
|                               | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
| KEHP Parent Plus              | 110    | 97     | 88     | 96     | 103    | 112    | 104    | 116    | 118    | 108    |
| KEHP Couple/Family            | 448    | 439    | 432    | 478    | 493    | 491    | 491    | 477    | 470    | 462    |
| KEHP Single                   | 656    | 663    | 667    | 686    | 699    | 677    | 667    | 686    | 653    | 621    |
| Medicare without Prescription | 62     | 66     | 72     | 73     | 83     | 82     | 82     | 84     | 72     | 66     |
| Medicare with Prescription    | 1,177  | 1,302  | 1,401  | 1,495  | 1,584  | 1,662  | 1,693  | 1,746  | 1,796  | 1,843  |
| SPRS                          |        |        |        |        |        |        |        |        |        |        |
|                               | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
| KEHP Parent Plus              | 81     | 77     | 79     | 74     | 77     | 85     | 89     | 90     | 92     | 79     |
| KEHP Couple/Family            | 441    | 447    | 420    | 426    | 454    | 459    | 448    | 454    | 434    | 415    |
| KEHP Single                   | 265    | 246    | 251    | 253    | 224    | 226    | 221    | 217    | 230    | 239    |
| Medicare without Prescription | 16     | 18     | 17     | 21     | 16     | 16     | 13     | 14     | 17     | 16     |
| Medicare with Prescription    | 777    | 850    | 897    | 941    | 975    | 998    | 1003   | 1,016  | 1,022  | 1,019  |
| KRS Total                     |        |        |        |        |        |        |        |        |        |        |
|                               | 2015   | 2016   | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024   |
| KEHP Parent Plus              | 643    | 615    | 578    | 630    | 621    | 630    | 621    | 640    | 643    | 582    |
| KEHP Couple/Family            | 1,603  | 1,542  | 1,515  | 1,600  | 1,647  | 1,616  | 1,572  | 1,543  | 1,457  | 1,350  |
| KEHP Single                   | 10,172 | 9,785  | 9,545  | 9,577  | 9,227  | 8,845  | 8,303  | 8,044  | 7,576  | 7,194  |
| Medicare without Prescription | 1,381  | 1,370  | 1,318  | 1,273  | 1,240  | 1,187  | 1,121  | 1,087  | 1,046  | 1,021  |
| Medicare with Prescription    | 20,531 | 21,599 | 22,513 | 23,553 | 24,272 | 24,931 | 25,344 | 25,665 | 25,794 | 25,809 |

## Acronym Glossary for Kentucky Retirement Systems As of December 5, 2024

| Phrase                                       | Acronym      |
|--|--------------|
| Actuarially Determined Contribution          | ADC          |
| Actuarial Accrued Liability                  | AAL          |
| Annual Comprehensive Financial Report        | ACFR         |
| Board of Trustees                            | Board        |
| Collateralized Mortgage Obligations          | CMO          |
| Commonwealth of Kentucky                     | Commonwealth |
| Consumer Price Index                         | CPI          |
| County Employees Retirement System           | CERS         |
| Cost of Living Adjustment                    | COLA         |
| Department of Employee Insurance             | DEI          |
| Emerging Market Debt                         | EMD          |
| Entry Age Normal Cost Method                 | EANC         |
| Exchange Traded Funds                        | ETFs         |
| Fair Value                                   | FV           |
| Fiscal Year (Ended)                          | FY(E)        |
| Gabriel, Roeder, Smith & Co.                 | GRS          |
| Generally Accepted Accounting Principles     | GAAP         |
| Geometric Average Net Investment Return      | GANIR        |
| Governmental Accounting Standards Board      | GASB         |
| House Bill                                   | HB           |
| Investment Management Agreement              | IMA          |
| Investment Policy Statement                  | IPS          |
| Internal Revenue Service                     | IRS          |
| Information Technology                       | IT           |
| Judicial Form Retirement System              | JFRS         |
| Kentucky Administrative Regulations          | KAR          |
| Kentucky Employees' Health Plan              | KEHP         |
| Kentucky Employees Retirement Systems        | KERS         |
| Kentucky Public Pensions Authority           | KPPA         |
| Kohlberg, Kravis, Roberts                    | KKR          |
| Management's Discussion and Analysis         | MD&A         |
| Net Asset Value                              | NAV          |
| Net OPEB Liability                           | NOL          |
| Net Pension Liability                        | NPL          |
| Not Rated                                    | NR           |
| Other Post-Employment 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          |





KENTUCKY RETIREMENT SYSTEMS  
1260 LOUISVILLE ROAD, FRANKFORT, KY 40601

*KRS members are current and former employees of state and quasi-governmental agencies and Kentucky State Police officers.*

Photo, back cover: Louisville, KY downtown skyline on the river, dry brush stylized.