

# **TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY**



## **Annual Valuation of the Retiree Health and Life Insurance Trusts**

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**Prepared as of June 30, 2025**



November 11, 2025

Board of Trustees  
Teachers' Retirement System of the  
State of Kentucky  
479 Versailles Road  
Frankfort, KY 40601-3800

Members of the Board:

This report covers the Retiree Medical Plan funded by the Health Insurance Trust (health trust) and OPEB liabilities related to the Life Insurance Plan funded by the Life Insurance Trust (life trust). CavMac has submitted the results of the annual actuarial valuation prepared as of June 30, 2025. While not verifying the data at source, the actuary performed tests for consistency and reasonability.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

The valuation covers benefits for TRS 1 (members hired before July 1, 2002), TRS 2 (members hired between July 1, 2002 and June 30, 2008), TRS 3 (members hired between July 1, 2008 and December 31, 2021), and TRS 4 (members hired on/after January 1, 2022).

The valuation indicates a total actuarially determined contribution of 2.99% as a percentage of active member payroll for the health trust payable for the fiscal year ending June 30, 2026 is required to support the benefits of the Kentucky Employees' Health Plan (KEHP) and the Medicare Eligible Health Plan (MEHP). This actuarially determined contribution reflects the actuarial value of assets of the health trust and a 7.10% discount rate for valuing liabilities.



The initial per capita costs of health care and the rates of health care inflation used to project the per capita health care costs have been revised since the previous valuation. The health care trend assumption has been increased for the next few years starting at 7.00% while continuing to step down to an ultimate health care trend assumption of 4.50%, which is 2.00% higher than our price inflation assumption. The increase in trend is due to continuing high expectations for both medical and prescription drug costs and utilization. In addition, we note that expected 2026 per member per month (PMPM) costs for the Medicare medical and the stand alone Medicare Part D prescription drug plan are less than expected in spite of the plan changes due to the Inflation Reduction Act, including the \$2,000 out of pocket maximum (\$2,100 for 2026), because of increased Federal reimbursements and the additional \$15 per member per month (PMPM) premium stabilization contribution (\$10 PMPM for 2026). We have made no additional specific changes to the valuation results due to the Inflation Reduction Act, but we have included scenarios in our sensitivity analysis section in Schedule G to illustrate the potential impact of changes to the Medicare plan design, such as the elimination of the premium stabilization contribution or decreased Federal reimbursements.

The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID- 19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

We recommend that the Life Insurance Plan valuation maintain a total actuarially determined contribution of 0.08% of active member payroll payable for the fiscal year ending June 30, 2028 to support the benefits of the life trust. This actuarially determined contribution reflects the actuarial value of assets of the life trust and a 7.10% discount rate for valuing liabilities.

The promised benefits of the Retiree Medical and Life Insurance Plans are included in the actuarially calculated contribution rates that are developed using the entry age normal actuarial cost method. Five-year market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded actuarial accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 15-year period for the Retiree Medical Plan and a 19-year period for the Life Insurance Plan, on the assumption that payroll will increase by 2.75% annually. The assumptions recommended by the actuary and adopted by the Board are in aggregate reasonably related to the experience under the Retiree Medical and Life Insurance Plans and to reasonable expectations of anticipated experience under the Retiree Medical and Life Insurance Plans.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Retiree



Medical and Life Insurance Plans and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plans.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

This actuarial valuation was performed to determine the recommended funding amount for the system. The asset values used to determine unfunded liabilities and funded ratios are not market values, but less volatile market-related values. A smoothing technique is applied to market values to determine the market-related values. The unfunded liability amounts and funded ratios using the market value of assets would be different. The interest rate used for determining liabilities is based on the expected return of assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

In our opinion, if the contributions to the Health Insurance Trust continue at the current statutorily required levels, the funded ratio of the Retiree Medical Plan will continue to increase, and the ability of the health trust to fund the benefits called for under the Retiree Medical Plan will improve.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Alisa Bennett'.

Alisa Bennett, FSA, EA, FCA, MAAA  
President

A handwritten signature in blue ink, appearing to read 'Edward J. Koebel'.

Edward J. Koebel, EA, FCA, MAAA  
Chief Executive Officer

A handwritten signature in blue ink, appearing to read 'Jessica Fain'.

Jessica Fain, EA, ACA, MAAA  
Associate Actuary

AB/EK: jf

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## SECTION I – SUMMARY OF PRINCIPAL RESULTS



### TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY REPORT OF THE ACTUARY ON THE ANNUAL VALUATION OF THE RETIREE HEALTH AND LIFE INSURANCE TRUSTS PREPARED AS OF JUNE 30, 2025

- For convenience of reference, the principal results of the valuation and a comparison with the results of the previous valuation are summarized below:

| HEALTH INSURANCE TRUST<br>(Dollar amounts in \$1,000s)                                    |               |               |
|-------------------------------------------------------------------------------------------|---------------|---------------|
| Valuation Date                                                                            | June 30, 2025 | June 30, 2024 |
| Number of Active Members                                                                  | 77,024        | 76,014        |
| Number of Active Members after Adjustment<br>for Duplicates and Retirees Returned to Work | 72,186        | 71,213        |
| Annual Salaries                                                                           | \$ 4,473,010  | \$ 4,308,468  |
| Number of Deferred Vested Members                                                         | 8,512         | 8,409         |
| Number of Annuitants in Medical Plans                                                     | 41,033        | 41,000        |
| Number of Spouses and Beneficiaries in Medical Plans*                                     | 6,233         | 6,322         |
| Total                                                                                     | 47,266        | 47,322        |
| Assets:                                                                                   |               |               |
| Market Value                                                                              | \$ 3,951,268  | \$ 3,317,711  |
| Actuarial Value                                                                           | \$ 3,784,696  | \$ 3,246,186  |
| Actuarial Accrued Liability                                                               | \$ 4,245,673  | \$ 4,035,741  |
| Unfunded Actuarial Accrued Liability                                                      | \$ 460,977    | \$ 789,555    |
| Funded Ratio Based on Actuarial Value of Assets                                           | 89.1%         | 80.4%         |
| Amortization Period (Years)                                                               | 15            | 16            |
| Discount Rate                                                                             | 7.10%         | 7.10%         |

\* Spouses of post-65 retirees and surviving spouses of deceased retirees with a date of death on or after July 1, 2002 pay 100% of the full contribution. The full contribution for non-Medicare eligible dependents is paid through a combination of payments from beneficiaries and the State. There are 1,054 Surviving Spouses reflected in these headcounts.



## SECTION I – SUMMARY OF PRINCIPAL RESULTS



| HEALTH INSURANCE TRUST CONTRIBUTION RATES FOR UNIVERSITY MEMBERS |               |         |         |               |         |         |
|------------------------------------------------------------------|---------------|---------|---------|---------------|---------|---------|
| Valuation Date                                                   | June 30, 2025 |         |         | June 30, 2024 |         |         |
| Contribution for fiscal year ending:                             | June 30, 2026 |         |         | June 30, 2025 |         |         |
|                                                                  | TRS 1 & TRS 2 | TRS 3   | TRS 4   | TRS 1 & TRS 2 | TRS 3   | TRS 4   |
| Normal                                                           | 2.09 %        | 2.09 %  | 2.09 %  | 2.01 %        | 2.01 %  | 2.01 %  |
| Accrued liability                                                | 0.90          | 0.90    | 0.90    | 1.53          | 1.53    | 1.53    |
| Total                                                            | 2.99 %        | 2.99 %  | 2.99 %  | 3.54 %        | 3.54 %  | 3.54 %  |
| Member                                                           | 2.775 %       | 2.775 % | 2.775 % | 2.775 %       | 2.775 % | 2.775 % |
| Employer                                                         | 2.775         | 2.775   | 2.000   | 2.775         | 2.775   | 2.000   |
| State*                                                           | 2.030         | 2.030   | 2.030   | 1.740         | 1.740   | 1.740   |
| Statutorily Required Prefunding**                                | (4.590)       | (4.590) | (3.815) | (3.750)       | (3.750) | (2.975) |
| Total                                                            | 2.990 %       | 2.990 % | 2.990 % | 3.540 %       | 3.540 % | 3.540 % |

\* This represents funding by the State to pay the cost of health insurance for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are otherwise required to be paid by the retirees under KRS 161.675. See KRS 161.550(2).

\*\* This represents funding by active members, local school districts, universities, and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).

| HEALTH INSURANCE TRUST CONTRIBUTION RATES FOR SCHOOL DISTRICT EMPLOYEES (NON-FEDERAL) |               |         |         |               |         |         |
|---------------------------------------------------------------------------------------|---------------|---------|---------|---------------|---------|---------|
| Valuation Date                                                                        | June 30, 2025 |         |         | June 30, 2024 |         |         |
| Contribution for fiscal year ending:                                                  | June 30, 2026 |         |         | June 30, 2025 |         |         |
|                                                                                       | TRS 1 & TRS 2 | TRS 3   | TRS 4   | TRS 1 & TRS 2 | TRS 3   | TRS 4   |
| Normal                                                                                | 2.09 %        | 2.09 %  | 2.09 %  | 2.01 %        | 2.01 %  | 2.01 %  |
| Accrued liability                                                                     | 0.90          | 0.90    | 0.90    | 1.53          | 1.53    | 1.53    |
| Total                                                                                 | 2.99 %        | 2.99 %  | 2.99 %  | 3.54 %        | 3.54 %  | 3.54 %  |
| Member                                                                                | 3.750 %       | 3.750 % | 3.750 % | 3.750 %       | 3.750 % | 3.750 % |
| Employer                                                                              | 3.000         | 3.000   | 3.000   | 3.000         | 3.000   | 3.000   |
| State*                                                                                | 2.780         | 2.780   | 2.780   | 2.490         | 2.490   | 2.490   |
| Statutorily Required Prefunding**                                                     | (6.540)       | (6.540) | (6.540) | (5.700)       | (5.700) | (5.700) |
| Total                                                                                 | 2.990 %       | 2.990 % | 2.990 % | 3.540 %       | 3.540 % | 3.540 % |

\* This represents funding by the State to pay the cost of health insurance for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are otherwise required to be paid by the retirees under KRS 161.675. See KRS 161.550(2). Includes the State contribution of 0.75% on behalf of Non-Federal School District employees.

\*\* This represents funding by active members, local school districts, universities, and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SECTION I – SUMMARY OF PRINCIPAL RESULTS



| HEALTH INSURANCE TRUST CONTRIBUTION RATES FOR OTHER EMPLOYEES |               |         |         |               |         |         |
|---------------------------------------------------------------|---------------|---------|---------|---------------|---------|---------|
| Valuation Date                                                | June 30, 2025 |         |         | June 30, 2024 |         |         |
| Contribution for fiscal year ending:                          | June 30, 2026 |         |         | June 30, 2025 |         |         |
|                                                               | TRS 1 & TRS 2 | TRS 3   | TRS 4   | TRS 1 & TRS 2 | TRS 3   | TRS 4   |
| Normal                                                        | 2.09 %        | 2.09 %  | 2.09 %  | 2.01 %        | 2.01 %  | 2.01 %  |
| Accrued liability                                             | 0.90          | 0.90    | 0.90    | 1.53          | 1.53    | 1.53    |
| Total                                                         | 2.99 %        | 2.99 %  | 2.99 %  | 3.54 %        | 3.54 %  | 3.54 %  |
| Member                                                        | 3.750 %       | 3.750 % | 3.750 % | 3.750 %       | 3.750 % | 3.750 % |
| Employer                                                      | 3.750         | 3.750   | 3.750   | 3.750         | 3.750   | 3.750   |
| State*                                                        | 2.030         | 2.030   | 2.030   | 1.740         | 1.740   | 1.740   |
| Statutorily Required Prefunding**                             | (6.540)       | (6.540) | (6.540) | (5.700)       | (5.700) | (5.700) |
| Total                                                         | 2.990 %       | 2.990 % | 2.990 % | 3.540 %       | 3.540 % | 3.540 % |

\* This represents funding by the State to pay the cost of health insurance for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are otherwise required to be paid by the retirees under KRS 161.675. See KRS 161.550(2).

\*\* This represents funding by active members, local school districts, universities, and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).





## SECTION I – SUMMARY OF PRINCIPAL RESULTS



We recommend maintaining the Total Employer Contribution rate to the Life Insurance Trust at 0.08% by rounding the Normal Contribution up to 0.03% for FY 2028 (from actual amount of 0.025%) and holding the Accrued Liability Contribution at 0.05%. The resulting contribution is equivalent to using an effective amortization period of 12 years.

| LIFE INSURANCE TRUST<br>(Dollar amounts in \$1,000s)                                      |                      |                      |
|-------------------------------------------------------------------------------------------|----------------------|----------------------|
| Valuation Date                                                                            | June 30, 2025        | June 30, 2024        |
| Number of Active Members                                                                  | 77,024               | 76,014               |
| Number of Active Members after Adjustment<br>for Duplicates and Retirees Returned to Work | 71,706               | 70,712               |
| Annual Salaries                                                                           | \$ 4,473,010         | \$ 4,308,468         |
| Number of Vested Former Members                                                           | 12,239               | 11,845               |
| Number of Retirees in Life Insurance Plan                                                 | 54,731               | 54,048               |
| Assets:                                                                                   |                      |                      |
| Market Value                                                                              | \$ 111,332           | \$ 101,559           |
| Actuarial Value                                                                           | \$ 108,719           | \$ 102,760           |
| Actuarial Accrued Liability                                                               | \$ 128,369           | \$ 125,526           |
| Unfunded Actuarial Accrued Liability*                                                     | \$ 19,650            | \$ 22,766            |
| Funded Ratio Based on Actuarial Value of Assets                                           | 84.7%                | 81.9%                |
| Amortization Period (Years)                                                               | 19                   | 20                   |
| Effective Amortization Period (Years)                                                     | 12                   | 14                   |
| Discount Rate                                                                             | 7.10%                | 7.10%                |
| <b>Contribution for fiscal year ending:</b>                                               | <b>June 30, 2028</b> | <b>June 30, 2027</b> |
| Normal                                                                                    | 0.03 %               | 0.03 %               |
| Accrued Liability                                                                         | 0.05                 | 0.05                 |
| Total                                                                                     | 0.08 %               | 0.08 %               |

\* Includes liability for death in active service. This amount could be segregated from the OPEB liability, and assets could be split for active and post-employment purposes. However, since this could be administratively burdensome and since death in active service liabilities can be considered de minimis, we will consider the entire liability an OPEB liability under GASB 74 and 75.



## SECTION I – SUMMARY OF PRINCIPAL RESULTS



2. The valuation indicates combined member, employer, and State contributions of 2.99% of active member payroll would be sufficient to support the current benefits of the Retiree Medical Plan and State contributions of 0.08% of active member payroll would be sufficient to support the current benefits of the Life Insurance Plan. Comments on the valuation results as of June 30, 2025 are given in Section IV and further discussion of the contribution levels is set out in Sections VI and VII.
3. Schedule B shows the development of the actuarial value of assets. The assumed investment rate of return is 7.10% for the health trust and 7.10% for the life trust.
4. Schedule D of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. The initial per capita costs of health care and the rates of health care inflation used to project the per capita health care costs have been revised since the previous valuation. The health care trend assumption has been increased for the next few years starting at 7.00% while continuing to step down to an ultimate health care trend assumption of 4.50%, which is 2.00% higher than our price inflation assumption. The increase in trend is due to continuing high expectations for both medical and prescription drug costs and utilization.
5. The impacts of the COVID-19 pandemic, the ACA and the Inflation Reduction Act were considered in this valuation. We note that expected 2026 per member per month (PMPM) costs for the Medicare medical and the stand alone Medicare Part D prescription drug plan are less than expected in spite of the plan changes due to the Inflation Reduction Act, including the \$2,000 out of pocket maximum (\$2,100 for 2026), because of increased Federal reimbursements and the additional \$15 per member per month (PMPM) premium stabilization contribution (\$10 PMPM for 2026). We have made no additional specific changes to the valuation results due to the Inflation Reduction Act, but we have included scenarios in our sensitivity analysis section in Schedule G to illustrate the potential impact of changes to the Medicare plan design, such as the elimination of the premium stabilization contribution or decreased Federal reimbursements. We also considered scenarios regarding economic factors and healthcare trend in our sensitivity analysis in Schedule G. Continued monitoring of the impact of these and any future such events on the Plan's liability will be required.
6. Provisions of the system, as summarized in Schedule E, were taken into account in the current valuation.
7. The funded ratio shown in the Summary of Principal Results is the ratio of actuarial value of assets to the actuarial accrued liability. The funded status would be different based on the market value of assets. The funded ratio is an indication of progress in funding the promised benefits. Since the ratio is less than 100%, there is a need for additional contributions toward the payment of the unfunded actuarial accrued liability. In addition, this funded ratio does not have any relationship to measuring the sufficiency if the plan had to settle its liabilities.



## SECTION II – MEMBERSHIP DATA



- Data regarding the membership of the Retiree Medical and Life Insurance Plans for use as a basis of the valuation were furnished by the system's office. The following tables summarize the membership of the system as of June 30, 2025, upon which the valuation was based. Detailed tabulations of the data are given in Schedule F.

| ACTIVE MEMBERS AS OF JUNE 30, 2025   |        |                            |
|--------------------------------------|--------|----------------------------|
| Group                                | Number | Annual Salaries (\$1,000s) |
| <u>University Active Members</u>     |        |                            |
| TRS 1 and TRS 2 Members              | 1,133  | \$ 90,131                  |
| TRS 3 Members                        | 1,220  | 80,835                     |
| TRS 4 Members                        | 489    | 25,249                     |
| Total University Active Members      | 2,842  | \$ 196,215                 |
| <u>Non-University Active Members</u> |        |                            |
| Full Time TRS 1 and TRS 2 Members    | 24,070 | \$ 1,969,797               |
| Full Time TRS 3 Members              | 28,308 | 1,801,771                  |
| Full Time TRS 4 Members              | 8,231  | 399,567                    |
| Part Time TRS 1 and TRS 2 Members    | 948    | 8,731                      |
| Part Time TRS 3 Members              | 4,715  | 48,638                     |
| Part Time TRS 4 Members              | 7,910  | 48,291                     |
| Total Non-University Members         | 74,182 | \$ 4,276,795               |
| Grand Total                          | 77,024 | \$ 4,473,010               |

- The following tables show the number of retired members and their beneficiaries receiving health care as of the valuation date, as well as average ages.

| RETIREES RECEIVING HEALTH BENEFITS AS OF JUNE 30, 2025 |              |          |        |
|--------------------------------------------------------|--------------|----------|--------|
|                                                        | Non-Medicare | Medicare | Total  |
| Number                                                 | 8,321        | 32,712   | 41,033 |
| Average Age                                            | 59.65        | 76.17    | 72.82  |

| SPOUSES RECEIVING HEALTH BENEFITS AS OF JUNE 30, 2025 |              |          |       |
|-------------------------------------------------------|--------------|----------|-------|
|                                                       | Non-Medicare | Medicare | Total |
| Number                                                | 1,092        | 5,141    | 6,233 |
| Average Age                                           | 59.98        | 75.76    | 72.99 |



## SECTION II – MEMBERSHIP DATA



3. The Retiree Medical Plan valuation includes 72,186 active members eligible for postemployment health care and the Life Insurance Plan valuation includes 71,706 active members eligible for life insurance. There were initially 77,024 active members eligible for postemployment health care and life insurance. However, 4,838 were ultimately excluded from the Retiree Medical Plan active headcounts and 5,318 from the Life Insurance Plan active headcounts, as they are either retirees returning to work or members working an additional active position. The adjusted amounts are shown in the active or retiree headcounts on pages 1 and 4.
4. The Retiree Medical Plan valuation includes 8,512 deferred vested members eligible for postemployment health care at age 60, and the Life Insurance Plan valuation includes 12,239 deferred vested members eligible for retiree life insurance at age 60. There were initially 8,576 deferred vested members eligible for postemployment health care at age 60 and 12,354 deferred vested members eligible for retiree life insurance at age 60. However, 64 were ultimately excluded from the Retiree Medical Plan deferred vested headcounts and 115 from the Life Insurance Plan deferred vested headcounts, as they are either retirees returning to work or members working an additional active position.
5. The Life Insurance Plan valuation includes 54,731 retired members eligible for life insurance. There were initially 56,237 retired members eligible for life insurance. However, 1,506 were ultimately excluded from the Life Insurance Plan retiree headcounts as they were listed multiple times, reflecting different pension benefits earned under multiple roles as an employee.





1. As of June 30, 2025, the market value of the health trust assets held by the Retiree Medical Plan amounted to \$3,951,267,870 and the market value of the life trust assets held by the Life Insurance Plan amounted to \$111,331,590. The market investment return for the plan year was 12.27% for the health trust and 12.05% for the life trust.
2. The five-year market related actuarial value of the health trust assets used for valuation purposes as of June 30, 2025 was \$3,784,695,855 and the five-year market related actuarial value of the life trust assets used for valuation purposes as of June 30, 2025 was \$108,718,680. Schedule B shows the development of the actuarial value of assets as of June 30, 2025.
3. Schedule C shows the receipts and disbursements for the year preceding the valuation date and a reconciliation of the asset balances for the health trust and the life trust.





1. Schedule A of this report outlines the results of the actuarial valuation. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule D.
2. The valuation shows the Retiree Medical Plan has an actuarial accrued liability of \$2,395,355,683 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of deferred vested members amounts to \$93,536,315. The liability on account of benefits payable to retirees and covered spouses amounts to \$1,756,781,358. The total actuarial accrued liability of the Retiree Medical Plan amounts to \$4,245,673,356. Against these liabilities, the Retiree Medical Plan has present assets for valuation purposes of \$3,784,695,855. When this amount is deducted from the actuarial accrued liability of \$4,245,673,356, there remains \$460,977,501 as the unfunded actuarial accrued liability for the Retiree Medical Plan.
3. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the Retiree Medical Plan is determined to be \$93,286,881, or 2.09% of payroll.
4. The valuation shows that the Life Insurance Plan has an actuarial accrued liability of \$17,233,729 for benefits expected to be paid on account of the present active membership, based on service to the valuation date. The liability on account of deferred vested members amounts to \$5,094,514. The liability on account of benefits payable to retirees amounts to \$106,041,214. The total actuarial accrued liability of the Life Insurance Plan amounts to \$128,369,457. This amount includes liability for death in active service. The liability for death in active service could be segregated from the OPEB liability, and assets could be split for active and post-employment purposes. As this could be administratively burdensome, and as death in active service liabilities can be considered de minimis, we will consider the entire liability an OPEB liability under GASB 74 and 75. Against these liabilities, the Life Insurance Plan has present assets for valuation purposes of \$108,718,680. When this amount is deducted from the actuarial accrued liability of \$128,369,457, there remains \$19,650,777 as the unfunded actuarial accrued liability for the life insurance plan.
5. The normal contribution is equal to the actuarial present value of benefits accruing during the current year. The normal contribution for the life insurance plan is determined to be \$1,101,528, which is rounded up to 0.03% of payroll.



## SECTION V – DERIVATION OF EXPERIENCE GAINS AND LOSSES



Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is assumed that gains and losses will be in balance over a period of years, but sizable year-to-year fluctuations are common. Detail on the derivation of the experience gain/(loss) for the year ended June 30, 2025 is shown below (\$1,000s).

| Experience (Gain)/Loss of the: |                                                                                                        | Health Insurance Trust | Life Insurance Trust |
|--------------------------------|--------------------------------------------------------------------------------------------------------|------------------------|----------------------|
| (1)                            | UAAL as of 6/30/2024                                                                                   | \$ 789,555             | \$ 22,766            |
| (2)                            | Normal cost from last valuation                                                                        | 86,569                 | 1,048                |
| (3)                            | Expected employer contributions                                                                        | 152,520                | 3,447                |
| (4)                            | Interest accrual:<br>[(1) + (2)] x .071 - (3) x (.071)/2                                               | <u>56,790</u>          | <u>1,568</u>         |
| (5)                            | Expected UAAL before changes:<br>(1) + (2) - (3) + (4)                                                 | \$ 780,394             | \$ 21,935            |
| (6)                            | Change due to updated health care trend rates                                                          | 49,995                 | 0                    |
| (7)                            | Change due to claims experience                                                                        | <u>(75,234)</u>        | <u>0</u>             |
| (8)                            | Expected UAAL after changes:<br>(5) + (6) + (7)                                                        | \$ 755,155             | \$ 21,935            |
| (9)                            | Actual UAAL as of 6/30/2025                                                                            | <u>460,977</u>         | <u>19,650</u>        |
| (10)                           | Total (gain)/loss: (9) - (8)                                                                           | (294,178)              | (2,285)              |
|                                | (a) Contribution and investment (gain)/loss                                                            | <u>(329,306)</u>       | <u>(1,125)</u>       |
|                                | (b) Experience (gain)/loss<br>(10) - (10a)                                                             | 35,128                 | (1,160)              |
| (11)                           | Accrued liabilities as of 6/30/2024                                                                    | \$ 4,035,741           | \$ 125,526           |
| (12)                           | Experience (gain)/loss as percent of<br>actuarial accrued liabilities at start of year<br>(10b) / (11) | 0.87%                  | (0.92%)              |



## SECTION VI – CONTRIBUTIONS PAYABLE UNDER THE PLANS



- Sections 161.420 and 161.550 of the Kentucky Revised Statutes provide the amounts employers and the State are required to contribute to the Health Insurance Trust. These contribution amounts vary by date of membership and employee type.

| Employer Percentage of Payroll Contribution Made to Health Insurance Trust |       |       |                                             |       |       |                  |       |       |
|----------------------------------------------------------------------------|-------|-------|---------------------------------------------|-------|-------|------------------|-------|-------|
| University Employees                                                       |       |       | School District Employees<br>(Non-Federal)* |       |       | Other Employees  |       |       |
| TRS 1 &<br>TRS 2                                                           | TRS 3 | TRS 4 | TRS 1 &<br>TRS 2                            | TRS 3 | TRS 4 | TRS 1 &<br>TRS 2 | TRS 3 | TRS 4 |
| 2.775                                                                      | 2.775 | 2.000 | 3.000                                       | 3.000 | 3.000 | 3.750            | 3.750 | 3.750 |

\* In addition to the amounts contributed by School Districts on behalf of Non-Federal employees, the State contributes 0.75%.

- For the fiscal year ending June 30, 2025, member contributions will be 2.775% for University employees and 3.750% for all other members. Based upon the amortization of the unfunded actuarial accrued liability over a 15-year period as a level percentage of payroll, the valuation indicates employer and State contributions of 0.215% of payroll for University employees and (0.760)% of payroll for all other members.
- The State is scheduled to contribute 0.08% of salary to the Life Insurance Trust for the fiscal year ending June 30, 2027. We recommend maintaining this rate for the fiscal year ending June 30, 2028 to sufficiently support the benefits of the Life Insurance Plan.





## SECTION VI – CONTRIBUTIONS PAYABLE UNDER THE PLANS



| REQUIRED CONTRIBUTION RATES             |                      |                |                |                                            |                |                |                  |                |                |
|-----------------------------------------|----------------------|----------------|----------------|--------------------------------------------|----------------|----------------|------------------|----------------|----------------|
| Health Insurance Trust                  |                      |                |                |                                            |                |                |                  |                |                |
| For Fiscal Year Ending June 30, 2026    |                      |                |                |                                            |                |                |                  |                |                |
| Normal                                  | 2.09 %               |                |                |                                            |                |                |                  |                |                |
| Accrued Liability                       | <u>0.90</u>          |                |                |                                            |                |                |                  |                |                |
| Total                                   | 2.99 %               |                |                |                                            |                |                |                  |                |                |
|                                         | University Employees |                |                | School District Employees<br>(Non-Federal) |                |                | Other Employees  |                |                |
|                                         | TRS 1 &<br>TRS 2     | TRS 3          | TRS 4          | TRS 1 &<br>TRS 2                           | TRS 3          | TRS 4          | TRS 1 &<br>TRS 2 | TRS 3          | TRS 4          |
| Member                                  | 2.775%               | 2.775%         | 2.775%         | 3.750%                                     | 3.750%         | 3.750%         | 3.750%           | 3.750%         | 3.750%         |
| Employer                                | 2.775                | 2.775          | 2.000          | 3.000                                      | 3.000          | 3.000          | 3.750            | 3.750          | 3.750          |
| State*                                  | 2.030                | 2.030          | 2.030          | 2.780                                      | 2.780          | 2.780          | 2.030            | 2.030          | 2.030          |
| Statutorily<br>Required<br>Prefunding** | <u>(4.590)</u>       | <u>(4.590)</u> | <u>(3.815)</u> | <u>(6.540)</u>                             | <u>(6.540)</u> | <u>(6.540)</u> | <u>(6.540)</u>   | <u>(6.540)</u> | <u>(6.540)</u> |
| Total                                   | 2.990%               | 2.990%         | 2.990%         | 2.990%                                     | 2.990%         | 2.990%         | 2.990%           | 2.990%         | 2.990%         |

| REQUIRED CONTRIBUTION RATE           |             |
|--------------------------------------|-------------|
| Life Insurance Trust                 |             |
| For Fiscal Year Ending June 30, 2028 |             |
| Normal                               | 0.03 %      |
| Accrued Liability                    | <u>0.05</u> |
| Total                                | 0.08 %      |
| Member                               | 0.00 %      |
| State                                | <u>0.08</u> |
| Total                                | 0.08 %      |

\* This represents funding by the State to pay the cost of health insurance for retirees who are not eligible for Medicare and who retire on or after July 1, 2010, less the amounts that are otherwise required to be paid by the retirees under KRS 161.675. See KRS 161.550(2). Includes the State contribution of 0.75% on behalf of Non-Federal School District employees.

\*\* This represents funding by active members, local school districts, universities, and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SECTION VI – CONTRIBUTIONS PAYABLE UNDER THE PLANS



4. The valuation indicates that a total normal contribution of 2.09% of payroll is required to meet the cost of benefits currently accruing under the Retiree Medical Plan, and 0.03% of payroll is required to meet the cost of benefits currently accruing under the Life Insurance Plan. The difference between the total contribution and the normal contribution remains to be applied toward the liquidation of the unfunded actuarial accrued liability. This accrued liability payment is 0.90% of payroll for the Retiree Medical Plan and 0.05% of payroll for the Life Insurance Plan.
5. The unfunded actuarial accrued liability amounts to \$460,977,501 for the Retiree Medical Plan and \$19,650,777 for the Life Insurance Plan as of the valuation date. An accrued liability contribution rate of 0.90% of payroll for the Retiree Medical Plan and 0.05% of payroll for the Life Insurance Plan is sufficient to amortize the unfunded actuarial accrued liabilities over a 15-year period for the Retiree Medical Plan and a 19-year period for the Life Insurance Plan, based on the assumption that the payroll will increase by 2.75% annually.





1. Beneficiary contributions and the system's monthly contribution for retirees who opt into the Retiree Medical Plan are based upon date of hire, date of attaining age 65, years of service at retirement, plan election, Medicare eligibility, and tobacco use. Beneficiary contributions for dependents are targeted to be 100% of the cost of expected claims and/or insured premiums for spouses age 65 and older. Historically, this target has been achieved. 100% of the full cost for non-Medicare eligible dependents is paid through a combination of payments from beneficiaries and the State on a current disbursement basis. Current employer and State contributions have been determined to be sufficient to fund the cost of the benefits to be provided. Benefits for university, school district (non-Federal), and other members are identical, although active employee contributions collected from university, school district (non-Federal), and other members differ. A listing of active member Retiree Medical Plan contributions by fiscal year, date of membership, and employer type is provided in Schedule E.
2. This valuation provides the contributions required to sufficiently fund the Retiree Medical Plan and to ensure the future solvency of the Health Insurance Trust. For all membership, a combined member contribution together with employer and State contributions totaling 2.99% of payroll is required to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability over a period of 15 years.



## SECTION VIII – ACCOUNTING INFORMATION



1. The information required under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75 will be issued in separate reports. The following information is provided for informational purposes only.

| NUMBER OF ACTIVE AND RETIRED MEMBERS<br>IN RETIREE MEDICAL PLAN AS OF JUNE 30, 2025 |               |
|-------------------------------------------------------------------------------------|---------------|
| GROUP                                                                               | NUMBER        |
| Retirees currently<br>receiving health benefits                                     | 41,033        |
| Spouses of retirees currently<br>receiving health benefits                          | 6,233         |
| Terminated employees entitled to benefits<br>but not yet receiving benefits         | 8,512         |
| Active plan members                                                                 | <u>72,186</u> |
| Total                                                                               | 127,964       |

| NUMBER OF ACTIVE AND RETIRED MEMBERS<br>IN LIFE INSURANCE PLAN AS OF JUNE 30, 2025 |               |
|------------------------------------------------------------------------------------|---------------|
| GROUP                                                                              | NUMBER        |
| Retirees                                                                           | 54,731        |
| Terminated employees                                                               | 12,239        |
| Active plan members                                                                | <u>71,706</u> |
| Total                                                                              | 138,676       |



## SECTION VIII – ACCOUNTING INFORMATION



| <b>SCHEDULE OF FUNDING PROGRESS</b><br><b>Health Insurance Trust</b><br>(Dollar amounts in \$1,000s) |                               |                                       |                             |                      |                   |                                                       |
|------------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------|-----------------------------|----------------------|-------------------|-------------------------------------------------------|
| Actuarial Valuation Date                                                                             | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Annual Salary (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
| 6/30/2017                                                                                            | \$ 985,694                    | \$ 3,691,719                          | \$ 2,706,025                | 26.7 %               | \$ 3,563,584      | 75.9 %                                                |
| 6/30/2018                                                                                            | 1,213,918                     | 3,340,709                             | 2,126,791                   | 36.3                 | 3,605,116         | 58.9                                                  |
| 6/30/2019                                                                                            | 1,442,522                     | 3,133,202                             | 1,690,680                   | 46.0                 | 3,648,428         | 46.3                                                  |
| 6/30/2020                                                                                            | 1,700,968                     | 2,757,653                             | 1,056,685                   | 61.7                 | 3,723,482         | 28.4                                                  |
| 6/30/2021                                                                                            | 2,072,648                     | 3,456,677                             | 1,384,029                   | 60.0                 | 3,784,400         | 36.6                                                  |
| 6/30/2022                                                                                            | 2,401,147                     | 3,768,713                             | 1,367,566                   | 63.7                 | 4,033,509         | 33.9                                                  |
| 6/30/2023                                                                                            | 2,788,970                     | 3,909,612                             | 1,120,642                   | 71.3                 | 4,138,909         | 27.1                                                  |
| 6/30/2024                                                                                            | 3,246,186                     | 4,035,741                             | 789,555                     | 80.4                 | 4,308,468         | 18.3                                                  |
| 6/30/2025                                                                                            | 3,784,696                     | 4,245,673                             | 460,977                     | 89.1                 | 4,473,010         | 10.3                                                  |

| <b>SCHEDULE OF FUNDING PROGRESS</b><br><b>Life Insurance Trust</b><br>(Dollar amounts in \$1,000s) |                               |                                       |                             |                      |                   |                                                       |
|----------------------------------------------------------------------------------------------------|-------------------------------|---------------------------------------|-----------------------------|----------------------|-------------------|-------------------------------------------------------|
| Actuarial Valuation Date                                                                           | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b - a) | Funded Ratio (a / b) | Annual Salary (c) | UAAL as a Percentage of Covered Payroll ((b - a) / c) |
| 6/30/2017                                                                                          | \$ 95,730                     | \$ 109,069                            | \$ 13,339                   | 87.8 %               | \$ 3,563,584      | 0.37 %                                                |
| 6/30/2018                                                                                          | 93,808                        | 112,471                               | 18,663                      | 83.4                 | 3,605,116         | 0.52                                                  |
| 6/30/2019                                                                                          | 92,506                        | 117,485                               | 24,979                      | 78.7                 | 3,648,428         | 0.68                                                  |
| 6/30/2020                                                                                          | 92,229                        | 122,194                               | 29,965                      | 75.5                 | 3,723,482         | 0.80                                                  |
| 6/30/2021                                                                                          | 95,483                        | 116,656                               | 21,173                      | 81.9                 | 3,784,400         | 0.56                                                  |
| 6/30/2022                                                                                          | 96,926                        | 119,197                               | 22,271                      | 81.3                 | 4,033,509         | 0.55                                                  |
| 6/30/2023                                                                                          | 99,027                        | 122,611                               | 23,584                      | 80.8                 | 4,138,909         | 0.57                                                  |
| 6/30/2024                                                                                          | 102,760                       | 125,526                               | 22,766                      | 81.9                 | 4,308,468         | 0.53                                                  |
| 6/30/2025                                                                                          | 108,719                       | 128,369                               | 19,650                      | 84.7                 | 4,473,010         | 0.44                                                  |



## SECTION VIII – ACCOUNTING INFORMATION



2. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2025. Additional information as of the latest actuarial valuation follows.

|                               |                                                               |
|-------------------------------|---------------------------------------------------------------|
| Valuation Date                | 6/30/2025                                                     |
| Actuarial Cost Method         | Entry Age                                                     |
| Amortization Method           | Level Percent of Pay, Closed                                  |
| Remaining Amortization Period | 15 Years Retiree Medical Plan<br>19 Years Life Insurance Plan |
| Asset Valuation Method        | 5-Year Smoothed Market                                        |
| Actuarial Assumptions:        |                                                               |
| Investment Rate of Return*    | 7.10% Retiree Medical Plan<br>7.10% Life Insurance Plan       |
| Medical Trend Assumption**    | 7.00%                                                         |
| Ultimate Trend Rate           | 4.50%                                                         |
| Year of Ultimate Trend Rate   | 2036                                                          |

\*Includes price inflation at 2.50%.

\*\*Alternate trend rates were used for Medicare Part B premiums and are disclosed in Schedule D. The DEI Fee was assumed to increase with inflation.





| SCHEDULE OF EMPLOYER CONTRIBUTIONS |                                                |                                           |                                                            |
|------------------------------------|------------------------------------------------|-------------------------------------------|------------------------------------------------------------|
| Health Insurance Trust             |                                                |                                           |                                                            |
| Fiscal Year<br>Ending<br>Date      | Statutorily<br>Required<br>Contribution<br>(a) | Actual<br>Employer<br>Contribution<br>(b) | Percentage<br>of Statutory<br>Contributed<br>( (b) / (a) ) |
| 6/30/2018                          | \$ 187,102,413                                 | \$ 187,102,413                            | 100.0 %                                                    |
| 6/30/2019                          | 183,146,155                                    | 183,146,155                               | 100.0                                                      |
| 6/30/2020                          | 184,625,474                                    | 184,625,474                               | 100.0                                                      |
| 6/30/2021                          | 184,887,065                                    | 184,887,065                               | 100.0                                                      |
| 6/30/2022                          | 200,235,203                                    | 151,765,145                               | 75.8                                                       |
| 6/30/2023                          | 208,815,818                                    | 208,815,818                               | 100.0                                                      |
| 6/30/2024                          | 224,320,176                                    | 224,320,176                               | 100.0                                                      |
| 6/30/2025                          | 238,078,275                                    | 238,078,275                               | 100.0                                                      |

| SCHEDULE OF EMPLOYER CONTRIBUTIONS |                                                  |                                           |                                                      |
|------------------------------------|--------------------------------------------------|-------------------------------------------|------------------------------------------------------|
| Life Insurance Trust               |                                                  |                                           |                                                      |
| Fiscal Year<br>Ending<br>Date      | Actuarially<br>Determined<br>Contribution<br>(a) | Actual<br>Employer<br>Contribution<br>(b) | Percentage<br>of ADC<br>Contributed<br>( (b) / (a) ) |
| 6/30/2018                          | \$ 1,075,305                                     | \$ 1,058,329                              | 98.4 %                                               |
| 6/30/2019                          | 1,081,535                                        | 1,421,227                                 | 131.4                                                |
| 6/30/2020                          | 1,842,977                                        | 1,796,389                                 | 97.5                                                 |
| 6/30/2021                          | 2,252,365                                        | 2,138,375                                 | 94.9                                                 |
| 6/30/2022                          | 2,736,268                                        | 2,754,863                                 | 100.7                                                |
| 6/30/2023                          | 3,268,967                                        | 3,223,560                                 | 98.6                                                 |
| 6/30/2024                          | 3,311,127                                        | 3,356,772                                 | 101.4                                                |
| 6/30/2025                          | 3,446,774                                        | 3,526,383                                 | 102.3                                                |



# SCHEDULE A – RESULTS OF THE VALUATION AND SOLVENCY TEST



| RESULTS OF THE VALUATION AS OF JUNE 30, 2025                                                       |                                         |                                         |
|----------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| (Dollar amounts in \$1,000s)                                                                       |                                         |                                         |
|                                                                                                    | Health Insurance Trust                  | Life Insurance Trust                    |
| <b>PAYROLL</b>                                                                                     | \$ 4,473,010                            | \$ 4,473,010                            |
| <b>ACTUARIAL ACCRUED LIABILITY</b><br>Present value of prospective benefits payable in respect of: |                                         |                                         |
| (a) Present active members                                                                         | \$ 2,395,356                            | \$ 17,234                               |
| (b) Present terminated vested members                                                              | 93,536                                  | 5,095                                   |
| (c) Present retired members and covered spouses                                                    | 1,756,781                               | 106,040                                 |
| (d) Total actuarial accrued liability                                                              | \$ 4,245,673                            | \$ 128,369                              |
| <b>PRESENT ASSETS FOR VALUATION PURPOSES</b>                                                       | \$ 3,784,696                            | \$ 108,719                              |
| <b>UNFUNDED ACTUARIAL ACCRUED LIABILITY</b>                                                        | \$ 460,977                              | \$ 19,650                               |
| <b>CONTRIBUTIONS:</b>                                                                              | <b>Fiscal Year Ending June 30, 2026</b> | <b>Fiscal Year Ending June 30, 2028</b> |
| Normal                                                                                             | 2.09 %                                  | 0.03 %                                  |
| Accrued Liability                                                                                  | <u>0.90</u>                             | <u>0.05</u>                             |
| Total                                                                                              | 2.99 %                                  | 0.08 %                                  |





# SCHEDULE A – RESULTS OF THE VALUATION AND SOLVENCY TEST



| HEALTH INSURANCE TRUST<br>SOLVENCY TEST<br>(Dollar amounts in millions) |                                              |                                                           |                                                        |                     |                                                      |      |     |  |
|-------------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|---------------------|------------------------------------------------------|------|-----|--|
| Valuation<br>Date                                                       | (1)<br><br>Active<br>Member<br>Contributions | (2)                                                       | (3)                                                    | Valuation<br>Assets | Portion of<br>Accrued Liabilities<br>Coved by Assets |      |     |  |
|                                                                         |                                              | Accrued Liabilities                                       |                                                        |                     | (1)                                                  | (2)  | (3) |  |
|                                                                         |                                              | Deferred<br>Vested,<br>Retirants,<br>And<br>Beneficiaries | Active<br>Members<br>(Employer<br>Financed<br>Portion) |                     |                                                      |      |     |  |
| 6/30/2018                                                               | n/a                                          | \$ 1,692.3                                                | \$ 1,648.4                                             | \$ 1,213.9          | n/a                                                  | 72 % | 0 % |  |
| 6/30/2019                                                               | n/a                                          | 1,604.3                                                   | 1,528.9                                                | 1,442.5             | n/a                                                  | 90   | 0   |  |
| 6/30/2020                                                               | n/a                                          | 1,354.0                                                   | 1,403.7                                                | 1,701.0             | n/a                                                  | 100  | 25  |  |
| 6/30/2021                                                               | n/a                                          | 1,690.3                                                   | 1,766.3                                                | 2,072.6             | n/a                                                  | 100  | 22  |  |
| 6/30/2022                                                               | n/a                                          | 1,832.1                                                   | 1,936.6                                                | 2,401.1             | n/a                                                  | 100  | 29  |  |
| 6/30/2023                                                               | n/a                                          | 1,836.8                                                   | 2,072.8                                                | 2,789.0             | n/a                                                  | 100  | 46  |  |
| 6/30/2024                                                               | n/a                                          | 1,865.9                                                   | 2,169.8                                                | 3,246.2             | n/a                                                  | 100  | 64  |  |
| 6/30/2025                                                               | n/a                                          | 1,850.3                                                   | 2,395.4                                                | 3,784.7             | n/a                                                  | 100  | 81  |  |

| LIFE INSURANCE TRUST<br>SOLVENCY TEST<br>(Dollar amounts in millions) |                                              |                                                           |                                                        |                     |                                                      |      |     |  |
|-----------------------------------------------------------------------|----------------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|---------------------|------------------------------------------------------|------|-----|--|
| Valuation<br>Date                                                     | (1)<br><br>Active<br>Member<br>Contributions | (2)                                                       | (3)                                                    | Valuation<br>Assets | Portion of<br>Accrued Liabilities<br>Coved by Assets |      |     |  |
|                                                                       |                                              | Accrued Liabilities                                       |                                                        |                     | (1)                                                  | (2)  | (3) |  |
|                                                                       |                                              | Deferred<br>Vested,<br>Retirants,<br>And<br>Beneficiaries | Active<br>Members<br>(Employer<br>Financed<br>Portion) |                     |                                                      |      |     |  |
| 6/30/2018                                                             | n/a                                          | \$ 94.2                                                   | \$ 18.3                                                | \$ 93.8             | n/a                                                  | 99 % | 0 % |  |
| 6/30/2019                                                             | n/a                                          | 99.1                                                      | 18.4                                                   | 92.5                | n/a                                                  | 93   | 0   |  |
| 6/30/2020                                                             | n/a                                          | 103.5                                                     | 18.7                                                   | 92.2                | n/a                                                  | 89   | 0   |  |
| 6/30/2021                                                             | n/a                                          | 100.7                                                     | 16.0                                                   | 95.5                | n/a                                                  | 95   | 0   |  |
| 6/30/2022                                                             | n/a                                          | 102.8                                                     | 16.4                                                   | 96.9                | n/a                                                  | 94   | 0   |  |
| 6/30/2023                                                             | n/a                                          | 106.1                                                     | 16.5                                                   | 99.0                | n/a                                                  | 93   | 0   |  |
| 6/30/2024                                                             | n/a                                          | 108.7                                                     | 16.8                                                   | 102.8               | n/a                                                  | 95   | 0   |  |
| 6/30/2025                                                             | n/a                                          | 111.1                                                     | 17.2                                                   | 108.7               | n/a                                                  | 98   | 0   |  |



## SCHEDULE B – DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS



| HEALTH INSURANCE TRUST<br>AS OF JUNE 30, 2025                                  |                  |
|--------------------------------------------------------------------------------|------------------|
| (1) Actuarial Value of Assets Beginning of Year                                | \$ 3,246,185,590 |
| (2) Market Value of Assets End of Year                                         | \$ 3,951,267,870 |
| (3) Market Value of Assets Beginning of Year                                   | \$ 3,317,710,858 |
| (4) Cash Flow                                                                  |                  |
| a. Contributions                                                               | \$ 583,257,573   |
| b. Benefit Payments                                                            | 356,819,919      |
| c. Administrative Expense                                                      | 2,222,010        |
| d. Net: (4)a - (4)b - (4)c                                                     | \$ 224,215,644   |
| (5) Investment Income                                                          |                  |
| a. Market Total: (2) - (3) - (4)d                                              | \$ 409,341,368   |
| b. Assumed Rate                                                                | 7.10%            |
| c. Amount for Immediate Recognition:<br>[ (3) x (5)b ] + [ (4)d x (5)b x 0.5 ] | 243,517,126      |
| d. Amount for Phased-In Recognition: 5(a) - 5(c)                               | \$ 165,824,242   |
| (6) Phased-In Recognition of Investment Income                                 |                  |
| a. Current Year: 0.20 x (5)d                                                   | \$ 33,164,848    |
| b. First Prior Year                                                            | 27,440,779       |
| c. Second Prior Year                                                           | 14,746,739       |
| d. Third Prior Year                                                            | (77,903,191)     |
| e. Fourth Prior Year                                                           | 73,328,320       |
| f. Total Recognized Investment Gain/(Loss)                                     | \$ 70,777,495    |
| (7) Actuarial Value of Assets End of Year:<br>(1) + (4)d + (5)c + (6)f         | \$ 3,784,695,855 |
| (8) Difference Between Market & Actuarial Values: (2) - (7)                    | \$ 166,572,015   |
| (9) Rate of Return on Actuarial Value                                          | 9.36%            |



## SCHEDULE B – DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS



| LIFE INSURANCE TRUST<br>AS OF JUNE 30, 2025                                    |                |
|--------------------------------------------------------------------------------|----------------|
| (1) Actuarial Value of Assets Beginning of Year                                | \$ 102,759,762 |
| (2) Market Value of Assets End of Year                                         | \$ 111,331,590 |
| (3) Market Value of Assets Beginning of Year                                   | \$ 101,559,122 |
| (4) Cash Flow                                                                  |                |
| a. Contributions                                                               | \$ 3,526,383   |
| b. Benefit Payments                                                            | 5,825,052      |
| c. Administrative Expense                                                      | 33,593         |
| d. Net: (4)a - (4)b - (4)c                                                     | \$ (2,332,262) |
| (5) Investment Income                                                          |                |
| a. Market Total: (2) - (3) - (4)d                                              | \$ 12,104,730  |
| b. Assumed Rate                                                                | 7.10%          |
| c. Amount for Immediate Recognition:<br>[ (3) x (5)b ] + [ (4)d x (5)b x 0.5 ] | 7,127,902      |
| d. Amount for Phased-In Recognition: 5(a) - 5(c)                               | \$ 4,976,828   |
| (6) Phased-In Recognition of Investment Income                                 |                |
| a. Current Year: 0.20 x (5)d                                                   | \$ 995,366     |
| b. First Prior Year                                                            | 747,572        |
| c. Second Prior Year                                                           | 503,029        |
| d. Third Prior Year                                                            | (4,617,322)    |
| e. Fourth Prior Year                                                           | 3,534,633      |
| f. Total Recognized Investment Gain/(Loss)                                     | \$ 1,163,278   |
| (7) Actuarial Value of Assets End of Year:<br>(1) + (4)d + (5)c + (6)f         | \$ 108,718,680 |
| (8) Difference Between Market & Actuarial Values: (2) - (7)                    | \$ 2,612,910   |
| (9) Rate of Return on Actuarial Value                                          | 8.16%          |



## SCHEDULE C – SUMMARY OF RECEIPTS AND DISBURSEMENTS



| HEALTH INSURANCE TRUST<br>SUMMARY OF RECEIPTS AND DISBURSEMENTS<br>(Market Value) |                     |                  |
|-----------------------------------------------------------------------------------|---------------------|------------------|
|                                                                                   | For the Year Ending |                  |
|                                                                                   | June 30, 2025       | June 30, 2024    |
| <b>Receipts for the Year</b>                                                      |                     |                  |
| Contributions                                                                     |                     |                  |
| Members Statutory                                                                 | \$ 161,425,326      | \$ 155,327,151   |
| Payment by Retired Members                                                        | 63,924,175          | 62,939,581       |
| Total Members                                                                     | \$ 225,349,501      | \$ 218,266,732   |
| State Statutory Contributions                                                     | \$ 27,818,606       | \$ 26,039,273    |
| Employer Contributions                                                            | 133,429,904         | 127,901,507      |
| State's Shared Responsibility                                                     | 76,829,765          | 70,379,396       |
| Total Employer                                                                    | \$ 238,078,275      | \$ 224,320,176   |
| Grand Total                                                                       | \$ 463,427,776      | \$ 442,586,908   |
| Recovery Income                                                                   | 183,753,972         | 156,776,530      |
| Net Investment Income                                                             | 409,341,368         | 340,293,378      |
| TOTAL RECEIPTS                                                                    | \$ 1,056,523,116    | \$ 939,656,816   |
| <b>Disbursements for the Year</b>                                                 |                     |                  |
| Administrative Expense                                                            | \$ 2,222,010        | \$ 2,120,996     |
| Medical Insurance Expense                                                         | 420,744,094         | 363,238,043      |
| TOTAL DISBURSEMENTS                                                               | \$ 422,966,104      | \$ 365,359,039   |
| <b>Excess of Receipts over Disbursements</b>                                      | \$ 633,557,012      | \$ 574,297,777   |
| <b>Reconciliation of Asset Balances</b>                                           |                     |                  |
| Asset Balance as of the Beginning of the Year                                     | \$ 3,317,710,858    | \$ 2,743,413,081 |
| Excess of Receipts over Disbursements                                             | 633,557,012         | 574,297,777      |
| Asset Balance as of the End of the Year                                           | \$ 3,951,267,870    | \$ 3,317,710,858 |
| <b>Investment Rate of Return on Market Value</b>                                  | 12.27%              | 12.37%           |



## SCHEDULE C – SUMMARY OF RECEIPTS AND DISBURSEMENTS



| LIFE INSURANCE TRUST<br>SUMMARY OF RECEIPTS AND DISBURSEMENTS<br>(Market Value) |                      |                      |
|---------------------------------------------------------------------------------|----------------------|----------------------|
|                                                                                 | For the Year Ending  |                      |
|                                                                                 | June 30, 2025        | June 30, 2024        |
| <b>Receipts for the Year</b>                                                    |                      |                      |
| Contributions                                                                   |                      |                      |
| Members                                                                         | \$ 0                 | \$ 0                 |
| State                                                                           | 3,007,320            | 2,777,522            |
| Employer                                                                        | 519,063              | 579,250              |
| Total                                                                           | \$ 3,526,383         | \$ 3,356,772         |
| Net Investment Income                                                           | 12,104,730           | 10,315,085           |
| <b>TOTAL RECEIPTS</b>                                                           | <b>\$ 15,631,113</b> | <b>\$ 13,671,857</b> |
| <b>Disbursements for the Year</b>                                               |                      |                      |
| Benefit Payments                                                                | \$ 5,825,052         | \$ 6,106,000         |
| Miscellaneous, including expenses                                               | 33,593               | 36,650               |
| <b>TOTAL DISBURSEMENTS</b>                                                      | <b>\$ 5,858,645</b>  | <b>\$ 6,142,650</b>  |
| <b>Excess of Receipts over Disbursements</b>                                    | <b>\$ 9,772,468</b>  | <b>\$ 7,529,207</b>  |
| <b>Reconciliation of Asset Balances</b>                                         |                      |                      |
| Asset Balance as of the Beginning of the Year                                   | \$ 101,559,122       | \$ 94,029,915        |
| Excess of Receipts over Disbursements                                           | 9,772,468            | 7,529,207            |
| Asset Balance as of the End of the Year                                         | \$ 111,331,590       | \$ 101,559,122       |
| <b>Investment Rate of Return on Market Value</b>                                | <b>12.05%</b>        | <b>11.18%</b>        |



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



The rates of retirement, disability, mortality, termination, salary increases, and rates of future benefit participation used in the valuation were selected based on the actuarial experience study prepared as of June 30, 2020, submitted to, and adopted by the Board on September 20, 2021. The health care cost trend rates and expected plan costs were determined by the actuary based on recent experience.

VALUATION DATE: June 30, 2025

DISCOUNT RATE: 7.10% per annum, compounded annually for the Health Insurance Trust  
7.10% per annum, compounded annually for the Life Insurance Trust

HEALTH CARE COST TREND RATES: Following is a chart detailing health care trend assumptions.

| Fiscal Year Ended | Medicare Part B | Medical |
|-------------------|-----------------|---------|
| 2026              | 8.58%           | 7.00%   |
| 2027              | 5.83            | 6.75    |
| 2028              | 6.40            | 6.50    |
| 2029              | 6.98            | 6.25    |
| 2030              | 6.68            | 6.00    |
| 2031              | 6.61            | 5.75    |
| 2032              | 7.61            | 5.50    |
| 2033              | 7.45            | 5.25    |
| 2034              | 6.43            | 5.00    |
| 2035              | 6.12            | 4.75    |
| 2036              | 5.87            | 4.50    |
| 2037              | 5.62            | 4.50    |
| 2038              | 5.37            | 4.50    |
| 2039              | 5.12            | 4.50    |
| 2040              | 4.87            | 4.50    |
| 2041              | 4.62            | 4.50    |
| 2041 and Beyond   | 4.50            | 4.50    |

The DEI Fee was assumed to increase with inflation.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



**EXPECTED ANNUAL CLAIMS:** For retirees ages 65 and older, per capita costs are adjusted to reflect expected cost changes related to age. The relative value factors used were developed from the Society of Actuaries' June 2013 research report Health Care Costs—From Birth to Death by Dale Yamamoto and from the ASOP 6 practice note developed by the American Academy of Actuaries. Representative values of the expected annual claims based on a blended 2026 MEHP rate of \$200 per month, or \$2,400 per year, are as follows:

| Age | Male    | Female  |
|-----|---------|---------|
| 65  | \$1,615 | \$1,539 |
| 70  | 1,963   | 1,892   |
| 75  | 2,331   | 2,210   |
| 80  | 2,706   | 2,546   |
| 85  | 3,049   | 2,872   |
| 90  | 3,348   | 3,119   |

For the retiree health care liabilities of those under age 65, the current premium charged by the Kentucky Employees' Health Plan (KEHP) is used as the base cost and is projected forward using the health care trend assumption. No implicit rate subsidy is calculated or recognized, as the implicit rate subsidy is deemed the responsibility of the KEHP. Under Actuarial Standard of Practice No. 6 (ASOP No. 6), aging subsidies (or implicit rate subsidies) should be recognized, as the differences in health care utilization and cost due to age have been demonstrated and well quantified.

The impact of aging on a valuation's results can be as significant as the use of mortality, trend, and discounting. It has been the long-standing position that the responsibility for costs that relate to KEHP implicit subsidies rests with KEHP, not the system, as the system has no operational authority over KEHP. As such, KEHP implicit subsidies are excluded from the OPEB funding valuation process of the Retiree Medical Plan. However, GASB 74 and 75 prohibit such a deviation from ASOP No. 6 and therefore the KEHP implicit subsidies will be valued and will increase the actuarial accrued liability for GASB 74 and 75 purposes. The information required under Governmental Accounting Standards Board (GASB) Statements No. 74 and 75 will be issued in separate reports.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



RETIREE MEDICAL PLAN COSTS: Assumed per capita health care costs were based on past experience and trended based on the assumptions. Following are charts detailing retiree per capita assumptions. These amounts include medical, drug, and administrative costs and represent the amount that the system pays as the full contribution amount. An additional \$8.00 per month is paid to the Department of Employee Insurance (DEI) and is not included in the under age 65 costs listed below.

|              | Monthly Under Age 65 KEHP Full Costs as of January 1, 2026 |                |                       |               |
|--------------|------------------------------------------------------------|----------------|-----------------------|---------------|
| Tier Elected | LivingWell CDHP                                            | LivingWell PPO | LivingWell Basic CDHP | LivingWell HD |
| Single       | \$1,090.42                                                 | \$1,105.54     | \$1,059.88            | \$983.66      |
| Parent Plus  | \$1,475.34                                                 | \$1,514.46     | \$1,447.24            | \$1,343.02    |
| Couple       | \$2,144.14                                                 | \$2,238.22     | \$2,150.90            | \$1,996.16    |
| Family       | \$2,383.68                                                 | \$2,453.16     | \$2,385.14            | \$2,213.58    |
| Family C-R*  | \$1,247.34                                                 | \$1,300.24     | \$1,244.12            | \$1,153.50    |

\* Per employee/retiree. Family Cross-Reference is not an available payment option if hired on January 1, 2025 or after.

RETIREE MEDICAL PLAN CONTRIBUTION: The portion of the medical plan premiums paid by participants is composed of a Plan Option Cost, a Time-Specific Adjustment Cost and a Shared Responsibility Cost. Retirees under the age of 65 who do not complete their LivingWell Promise will be charged an additional \$40 per month above the Plan Option Cost detailed below. An additional contribution is required to be paid by retirees under the age of 65 who use tobacco (\$40 for Single or Family Cross-Reference, and \$80 for Parent Plus, Couple or Family).

|                      | Monthly Under Age 65 KEHP Plan Option Costs as of January 1, 2026 |                |                       |               |
|----------------------|-------------------------------------------------------------------|----------------|-----------------------|---------------|
| Tier Elected         | LivingWell CDHP                                                   | LivingWell PPO | LivingWell Basic CDHP | LivingWell HD |
| Single               | \$53.46                                                           | \$89.14        | \$28.34               | \$20.88       |
| Parent Plus          | \$137.06                                                          | \$254.10       | \$67.52               | \$56.10       |
| Couple               | \$339.34                                                          | \$571.76       | \$281.42              | \$250.46      |
| Family               | \$398.92                                                          | \$716.64       | \$337.68              | \$301.30      |
| Family C-R*          | \$86.90                                                           | \$170.48       | \$31.50               | \$29.20       |
| Spouse – Single      | \$1,098.42                                                        | \$1,113.54     | \$1,067.88            | \$991.66      |
| Spouse – Parent Plus | \$1,483.34                                                        | \$1,522.46     | \$1,455.24            | \$1,351.02    |

\* Per employee/retiree. Family Cross-Reference is not an available payment option if hired on January 1, 2025 or after.





## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



TIME-SPECIFIC ADJUSTMENT PLUS SHARED RESPONSIBILITY COST: The chart below and on the page following are the Time-Specific Adjustment costs paid by Retirees in addition to the Plan Option Costs shown prior.

### Abbreviations for Time-Specific Adjustment Charts:

LW CDHP = LivingWell CDHP

LW PPO = LivingWell PPO

LW Basic = LivingWell Basic CDHP

LW HD = LivingWell HD

| Time-Specific Adjustment for Retirees Employed Before July 1, 2002<br>as of January 1, 2026 |                  |          |             |            |            |             |
|---------------------------------------------------------------------------------------------|------------------|----------|-------------|------------|------------|-------------|
| Plan                                                                                        | Years of Service | Single   | Parent Plus | Couple     | Family     | Family C-R* |
| LW<br>CDHP                                                                                  | 5 – 9.99         | \$829.35 | \$1,130.67  | \$1,597.19 | \$1,777.15 | \$952.83    |
|                                                                                             | 10 – 14.99       | 621.73   | 923.05      | 1,389.57   | 1,569.53   | 745.21      |
|                                                                                             | 15 – 19.99       | 414.12   | 715.44      | 1,181.96   | 1,361.92   | 537.60      |
|                                                                                             | 20 or More       | 206.50   | 507.82      | 974.34     | 1,154.30   | 329.98      |
| LW<br>PPO                                                                                   | 5 – 9.99         | \$813.93 | \$1,052.75  | \$1,458.85 | \$1,528.91 | \$922.15    |
|                                                                                             | 10 – 14.99       | 611.45   | 845.13      | 1,251.23   | 1,321.29   | 714.53      |
|                                                                                             | 15 – 19.99       | 408.98   | 637.52      | 1,043.62   | 1,113.68   | 506.92      |
|                                                                                             | 20 or More       | 206.50   | 429.90      | 836.00     | 906.06     | 299.30      |
| LW<br>Basic                                                                                 | 5 – 9.99         | \$825.28 | \$1,172.11  | \$1,661.87 | \$1,839.85 | \$1,005.01  |
|                                                                                             | 10 – 14.99       | 619.02   | 964.49      | 1,454.25   | 1,632.23   | 797.39      |
|                                                                                             | 15 – 19.99       | 412.76   | 756.88      | 1,246.64   | 1,424.62   | 589.78      |
|                                                                                             | 20 or More       | 206.50   | 549.26      | 1,039.02   | 1,217.00   | 382.16      |
| LW<br>HD                                                                                    | 5 – 9.99         | \$773.71 | \$1,079.31  | \$1,538.09 | \$1,704.67 | \$916.69    |
|                                                                                             | 10 – 14.99       | 584.64   | 871.69      | 1,330.47   | 1,497.05   | 709.07      |
|                                                                                             | 15 – 19.99       | 395.57   | 664.08      | 1,122.86   | 1,289.44   | 501.46      |
|                                                                                             | 20 or More       | 206.50   | 456.46      | 915.24     | 1,081.82   | 293.84      |

\* Per employee/retiree. Family Cross-Reference is not an available payment option if hired on January 1, 2025 or after.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



| Time-Specific Adjustment for Retirees Employed On/After July 1, 2002<br>as of January 1, 2026 |                  |          |             |            |            |             |
|-----------------------------------------------------------------------------------------------|------------------|----------|-------------|------------|------------|-------------|
| Plan                                                                                          | Years of Service | Single   | Parent Plus | Couple     | Family     | Family C-R* |
| LW<br>CDHP                                                                                    | 5 – 9.99         | \$953.91 | \$1,255.23  | \$1,721.75 | \$1,901.71 | \$1,077.39  |
|                                                                                               | 10 – 14.99       | 829.35   | 1,130.67    | 1,597.19   | 1,777.15   | 952.83      |
|                                                                                               | 15 – 19.99       | 663.26   | 964.58      | 1,431.10   | 1,611.06   | 786.74      |
|                                                                                               | 20 – 24.99       | 497.17   | 798.49      | 1,265.01   | 1,444.97   | 620.65      |
|                                                                                               | 25 – 25.99       | 289.55   | 590.87      | 1,057.39   | 1,237.35   | 413.03      |
|                                                                                               | 26 – 26.99       | 248.03   | 549.35      | 1,015.87   | 1,195.83   | 371.51      |
|                                                                                               | 27 or More       | 206.50   | 507.82      | 974.34     | 1,154.30   | 329.98      |
| LW<br>PPO                                                                                     | 5 – 9.99         | \$935.41 | \$1,177.31  | \$1,583.41 | \$1,653.47 | \$1,046.71  |
|                                                                                               | 10 – 14.99       | 813.93   | 1,052.75    | 1,458.85   | 1,528.91   | 922.15      |
|                                                                                               | 15 – 19.99       | 651.95   | 886.66      | 1,292.76   | 1,362.82   | 756.06      |
|                                                                                               | 20 – 24.99       | 489.97   | 720.57      | 1,126.67   | 1,196.73   | 589.97      |
|                                                                                               | 25 – 25.99       | 287.49   | 512.95      | 919.05     | 989.11     | 382.35      |
|                                                                                               | 26 – 26.99       | 247.00   | 471.43      | 877.53     | 947.59     | 340.83      |
|                                                                                               | 27 or More       | 206.50   | 429.90      | 836.00     | 906.06     | 299.30      |
| LW<br>Basic                                                                                   | 5 – 9.99         | \$949.04 | \$1,296.67  | \$1,786.43 | \$1,964.41 | \$1,129.57  |
|                                                                                               | 10 – 14.99       | 825.28   | 1,172.11    | 1,661.87   | 1,839.85   | 1,005.01    |
|                                                                                               | 15 – 19.99       | 660.28   | 1,006.02    | 1,495.78   | 1,673.76   | 838.92      |
|                                                                                               | 20 – 24.99       | 495.27   | 839.93      | 1,329.69   | 1,507.67   | 672.83      |
|                                                                                               | 25 – 25.99       | 289.00   | 632.31      | 1,122.07   | 1,300.05   | 465.21      |
|                                                                                               | 26 – 26.99       | 247.76   | 590.79      | 1,080.55   | 1,258.53   | 423.69      |
|                                                                                               | 27 or More       | 206.50   | 549.26      | 1,039.02   | 1,217.00   | 382.16      |
| LW<br>HD                                                                                      | 5 – 9.99         | \$887.15 | \$1,203.87  | \$1,662.65 | \$1,829.23 | \$1,041.25  |
|                                                                                               | 10 – 14.99       | 773.71   | 1,079.31    | 1,538.09   | 1,704.67   | 916.69      |
|                                                                                               | 15 – 19.99       | 622.46   | 913.22      | 1,372.00   | 1,538.58   | 750.60      |
|                                                                                               | 20 – 24.99       | 471.20   | 747.13      | 1,205.91   | 1,372.49   | 584.51      |
|                                                                                               | 25 – 25.99       | 282.13   | 539.51      | 998.29     | 1,164.87   | 376.89      |
|                                                                                               | 26 – 26.99       | 244.32   | 497.99      | 956.77     | 1,123.35   | 335.37      |
|                                                                                               | 27 or More       | 206.50   | 456.46      | 915.24     | 1,081.82   | 293.84      |

\* Per employee/retiree. Family Cross-Reference is not an available payment option if hired on January 1, 2025 or after.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



**CURRENT RETIREE MEDICAL PLAN PARTICIPATION:** Actual census data and current plan elections (including waivers) provided by the system were used for those retirees currently participating in the Retiree Medical Plan. Current participants are assumed to maintain their current Retiree Medical Plan coverage until they are no longer eligible.

**ANTICIPATED RETIREE MEDICAL PLAN PARTICIPATION:** The assumed annual rates of health care plan participation for future retirees are as follows:

| Years of Service | Member Participation |       |               |
|------------------|----------------------|-------|---------------|
|                  | TRS 1                | TRS 2 | TRS 3 & TRS 4 |
| 5 – 9.99         | 20%                  | 20%   | Not Eligible  |
| 10 – 14.99       | 40                   | 20    | Not Eligible  |
| 15 – 19.99       | 70                   | 40    | 40%           |
| 20 – 24.99       | 90                   | 50    | 50            |
| 25 – 25.99       | 90                   | 80    | 80            |
| 26 – 26.99       | 90                   | 85    | 85            |
| 27 or More       | 90                   | 90    | 90            |

**ANTICIPATED RETIREE MEDICAL PLAN ELECTIONS:** The assumed rates of plan election for future retirees participating in the KEHP plans are provided in the following table. As the assumed plan election rates are estimates and actual results may be materially different, this assumption will need to be revised as experience evolves.

| LivingWell CDHP | LivingWell PPO | LivingWell Basic CDHP | LivingWell HD |
|-----------------|----------------|-----------------------|---------------|
| 59%             | 38%            | 3%                    | 0%            |

**SPOUSE COVERAGE IN RETIREE MEDICAL PLAN:** Actual census data and current plan elections were used for MEHP and KEHP covered spouses (including beneficiaries) of current retirees. For spouses of future retirees, 30% of future male retirees are assumed to cover their spouse and 25% of future female retirees are assumed to cover their spouse. Male retirees are assumed to be three years older than their spouse and female retirees are assumed to be one year younger than their spouse.

**DISABLED DEPENDENT CHILDREN IN RETIREE MEDICAL PLAN:** The liability associated with disabled dependent children was determined to be de minimis and was therefore excluded from this valuation.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



**WITHDRAWAL ASSUMPTION:** Future vested members who terminate employment prior to retirement are assumed to elect to withdraw their contributions based upon their age and service at termination of employment as follows:

| Rates of Withdrawal Upon Termination of Employment |                  |         |     |
|----------------------------------------------------|------------------|---------|-----|
| Age at Termination of Employment                   | Years of Service |         |     |
|                                                    | 5 - 9            | 10 - 14 | 15+ |
| Under Age 55                                       | 20%              | 15%     | 10% |
| Ages 55+                                           | 10%              | 10%     | 10% |

All vested members who terminate employment prior to retirement are assumed to elect to withdraw their contributions prior to receiving a pension benefit based upon their service as follows:

| Rates of Withdrawal Prior to Receiving a Pension Benefit |         |         |     |
|----------------------------------------------------------|---------|---------|-----|
| Years of Service                                         |         |         |     |
| 5 - 9                                                    | 10 - 14 | 15 - 26 | 27+ |
| 25%                                                      | 15%     | 10%     | 25% |

All vested members who terminate employment prior to retirement and who are assumed to elect to receive a pension benefit are assumed to begin receiving their benefit at age 60.

**SALARY INCREASES:** Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 2.75% per annum:

| Service | Annual Rate |
|---------|-------------|
| 1       | 7.50%       |
| 2       | 5.50%       |
| 3       | 5.00%       |
| 4       | 5.00%       |
| 5       | 5.00%       |
| 6       | 4.75%       |
| 7       | 4.50%       |
| 8       | 4.25%       |
| 9       | 4.00%       |
| 10      | 4.00%       |
| 11      | 4.00%       |
| 12      | 3.75%       |
| 13      | 3.50%       |
| 14      | 3.50%       |
| 15      | 3.25%       |
| 16      | 3.25%       |
| >=17    | 3.00%       |



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



PAYROLL GROWTH: 2.75% per annum, compounded annually.

PRICE INFLATION: 2.50% per annum, compounded annually.

FEDERAL LEGISLATION: The impacts of the Affordable Care Act (ACA) and the Inflation Reduction Act (IRA) were addressed in this valuation. Review of the information currently available did not identify any specific provisions of the legislation that are anticipated to directly impact results at this time other than plan design features and fees currently mandated by the ACA and incorporated in the plan designs, which are included in the current baseline claims costs, and the anticipation of potential changes to Medicare due to the IRA, which are included in our trend assumption and considered in our sensitivity analysis section in Schedule G. Continued monitoring of the impact on the Plan's liability due to this and other legislation, if applicable, will be required.

COVID-19: The impact of the COVID-19 pandemic was considered in this valuation; however, no changes were incorporated at this time due to the level of uncertainty regarding the impact on both plan costs and contribution levels going forward. Given the uncertainty regarding COVID-19 (e.g., the impact of routine care being deferred, direct COVID-19 treatment and prevention costs, changes in contribution and budget projections), continued monitoring of the impact on the Plan's liability will be required.

ASSET VALUATION METHOD: Five-year market related actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the ultimate assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The ultimate assumed valuation rate of return is assumed to be 7.10% for the Health Insurance Trust and 7.10% for the Life Insurance Trust.





**ACTUARIAL COST METHOD:** The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future, of each active member's expected benefit at retirement or death is determined, based on his/her age, service, and gender. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his/her terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries and deferred vested members to obtain the present value of all expected benefits payable from the system on account of the present group of members and beneficiaries.

The employer contributions required to support the benefits of the system are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.

The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his/her anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his/her behalf.

The unfunded actuarial accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the system.



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



SEPARATIONS FROM SERVICE: Representative values of the assumed annual rates of death, disability, and withdrawal are as follows:

| Age | Annual Rates for Males |            |                  |       |       |
|-----|------------------------|------------|------------------|-------|-------|
|     | Death*                 | Disability | Withdrawal       |       |       |
|     |                        |            | Years of Service |       |       |
|     |                        |            | 0 – 4            | 5 – 9 | 10+   |
| 20  | 0.030%                 | 0.01%      | 20.00%           |       |       |
| 25  | 0.017                  | 0.01       | 11.00            | 3.25% |       |
| 30  | 0.024                  | 0.01       | 10.00            | 3.60  | 2.80% |
| 35  | 0.032                  | 0.02       | 11.00            | 3.60  | 1.55  |
| 40  | 0.046                  | 0.07       | 12.50            | 4.00  | 1.25  |
| 45  | 0.074                  | 0.18       | 11.50            | 4.00  | 1.10  |
| 50  | 0.122                  | 0.28       | 14.25            | 4.50  | 1.10  |
| 55  | 0.187                  | 0.40       | 15.00            | 6.00  | 1.25  |
| 60  | 0.291                  | 0.50       | 15.00            | 0.00  | 0.00  |
| 62  | 0.354                  | 0.50       | 15.00            | 0.00  | 0.00  |
| 65  | 0.481                  | 0.50       | 20.00            | 0.00  | 0.00  |
| 70  | 0.774                  | 0.50       | 20.00            | 0.00  | 0.00  |
| 75  | 1.234                  | 0.50       | 20.00            | 0.00  | 0.00  |

\* Base Rates

| Age | Annual Rates for Females |            |                  |       |       |
|-----|--------------------------|------------|------------------|-------|-------|
|     | Death*                   | Disability | Withdrawal       |       |       |
|     |                          |            | Years of Service |       |       |
|     |                          |            | 0 – 4            | 5 – 9 | 10+   |
| 20  | 0.013%                   | 0.01%      | 13.00%           |       |       |
| 25  | 0.009                    | 0.01       | 9.00             | 4.50% |       |
| 30  | 0.011                    | 0.02       | 11.00            | 4.25  | 1.00% |
| 35  | 0.017                    | 0.06       | 11.00            | 3.50  | 1.60  |
| 40  | 0.026                    | 0.10       | 12.50            | 4.00  | 1.20  |
| 45  | 0.040                    | 0.24       | 13.50            | 4.00  | 1.00  |
| 50  | 0.062                    | 0.38       | 15.00            | 4.50  | 1.25  |
| 55  | 0.090                    | 0.50       | 15.00            | 5.00  | 1.60  |
| 60  | 0.132                    | 0.60       | 17.50            | 0.00  | 0.00  |
| 62  | 0.158                    | 0.62       | 17.50            | 0.00  | 0.00  |
| 65  | 0.213                    | 0.65       | 25.00            | 0.00  | 0.00  |
| 70  | 0.372                    | 0.65       | 25.00            | 0.00  | 0.00  |
| 75  | 0.696                    | 0.65       | 25.00            | 0.00  | 0.00  |

\* Base Rates



## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



SEPARATIONS FROM SERVICE: Representative values of the assumed annual rates of retirement are as follows:

| TRS 1, TRS 2 & TRS 3 Members |                            |                            |                            |                             |
|------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------|
| Age                          | Annual Rates for Males     |                            | Annual Rates for Females   |                             |
|                              | Before 27 Years of Service | After 27 Years of Service* | Before 27 Years of Service | After 27 Years of Service** |
| 45                           |                            | 17.0%                      |                            | 17.0%                       |
| 50                           |                            | 25.0                       |                            | 20.0                        |
| 55                           | 5.25%                      | 40.0                       | 5.0%                       | 50.0                        |
| 60                           | 13.50                      | 33.0                       | 15.0                       | 40.0                        |
| 62                           | 15.00                      | 30.0                       | 15.0                       | 40.0                        |
| 65                           | 20.00                      | 30.0                       | 25.0                       | 40.0                        |
| 70                           | 25.00                      | 30.0                       | 30.0                       | 35.0                        |
| 75                           | 100.00                     | 100.0                      | 100.0                      | 100.0                       |

\* Plus 8.5% in year when first eligible for unreduced retirement with 27 years of service

\*\* Plus 10.0% in year when first eligible for unreduced retirement with 27 years of service

| TRS 4 Members |                            |                        |                              |                            |                        |                              |
|---------------|----------------------------|------------------------|------------------------------|----------------------------|------------------------|------------------------------|
| Age           | Annual Rates for Males     |                        |                              | Annual Rates for Females   |                        |                              |
|               | Before 20 Years of Service | 20-29 Years of Service | 30 or More Years of Service* | Before 20 Years of Service | 20-29 Years of Service | 30 or More Years of Service* |
| 57            | 3.0%                       | 5.0%                   | 25.0%                        | 3.0%                       | 5.0%                   | 30.0%                        |
| 60            | 8.5                        | 13.5                   | 25.0                         | 10.0                       | 15.0                   | 30.0                         |
| 62            | 12.0                       | 15.0                   | 25.0                         | 12.0                       | 15.0                   | 30.0                         |
| 65            | 20.0                       | 20.0                   | 25.0                         | 25.0                       | 25.0                   | 30.0                         |
| 70            | 25.0                       | 25.0                   | 25.0                         | 30.0                       | 30.0                   | 30.0                         |
| 75            | 100.0                      | 100.0                  | 100.0                        | 100.0                      | 100.0                  | 100.0                        |

\* Plus 20.0% in the first year attaining 30 years of service; plus 25% at age 65 in the first year attaining 30 years of service





## SCHEDULE D – ACTUARIAL ASSUMPTIONS AND METHODS



### DEATHS AFTER RETIREMENT:

Mortality Assumption: Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality table, projected generationally based on Projection Scale MP-2020, with various set-forwards, set-backs, and adjustments for each of the groups. Below is a summary of the specific mortality tables and adjustments for each of the groups:

| <b>Group</b>          | <b>Membership Table</b>   | <b>Set Forward (+)/<br/>Setback (-)</b> | <b>Adjustment to Rates</b>  | <b>Projection Scale</b> |
|-----------------------|---------------------------|-----------------------------------------|-----------------------------|-------------------------|
| Service Retirees      | Teachers Benefit-Weighted | Male: +2<br>Female: +2                  | Male: 102%,<br>Female: 98%  | 75% of MP-2020          |
| Contingent Annuitants | Teachers Benefit-Weighted | Male: +2<br>Female: None                | Male: 101%,<br>Female: 100% | 75% of MP-2020          |
| Disabled Retirees     | Teachers Benefit-Weighted | Male: +1<br>Female: -2                  | Male: 96%,<br>Female: 94%   | 75% of MP-2020          |
| Actives               | Teachers Benefit-Weighted | Male: +1<br>Female: -2                  | Male: 100%,<br>Female: 98%  | 75% of MP-2020          |

Representative values of the assumed annual rates of death for service retirees, contingent annuitants, and disability retirees are shown below:

| Age | Annual Base Rates of Death For |         |                       |         |                     |         |
|-----|--------------------------------|---------|-----------------------|---------|---------------------|---------|
|     | Service Retirees               |         | Contingent Annuitants |         | Disability Retirees |         |
|     | Male                           | Female  | Male                  | Female  | Male                | Female  |
| 45  | 0.0836%                        | 0.0568% | 0.6020%               | 0.2620% | 1.0646%             | 0.7755% |
| 50  | 0.1357                         | 0.0843  | 0.7545                | 0.3200  | 1.6435              | 1.1910  |
| 55  | 0.2744                         | 0.2215  | 0.8959                | 0.4460  | 2.1130              | 1.5416  |
| 60  | 0.4427                         | 0.3322  | 1.1413                | 0.6220  | 2.4806              | 1.7616  |
| 65  | 0.7579                         | 0.5351  | 1.6443                | 0.8990  | 3.0653              | 1.9834  |
| 70  | 1.4066                         | 0.9682  | 2.5876                | 1.3530  | 3.9485              | 2.4149  |
| 75  | 2.6816                         | 1.8649  | 4.1006                | 2.1510  | 5.3155              | 3.2562  |
| 80  | 5.0500                         | 3.5819  | 6.5630                | 3.5730  | 7.6118              | 4.7705  |
| 85  | 9.4585                         | 6.8071  | 10.7717               | 6.3160  | 11.2109             | 7.3423  |
| 90  | 16.9116                        | 12.6077 | 17.7306               | 11.3290 | 16.9738             | 11.1653 |
| 95  | 26.9423                        | 21.5110 | 26.8670               | 18.5900 | 24.2170             | 15.7356 |



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS



The Teachers' Retirement System of the State of Kentucky was established on July 1, 1940. The valuation took into account amendments to the system effective through June 30, 2025. The following summary describes the main benefit and contribution provisions of the system as interpreted for the valuation.

### ELIGIBILITY FOR ACCESS TO RETIREE MEDICAL PLAN COVERAGE:

#### Service Retirement:

|                         |                                                                                                                                          |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| TRS 1 and TRS 2 Members | Completion of 27 years of service, or<br>Attainment of age 55 and 5 years of service                                                     |
| TRS 3 Members           | Completion of 27 years of service, or<br>Attainment of age 55 and 10 years of service, or<br>Attainment of age 60 and 5 years of service |
| TRS 4 Members           | Attainment of age 57 and 10 years of service, or<br>Attainment of age 65 and 5 years of service                                          |

For TRS 1 and TRS 2 employees, Retiree Medical Plan coverage eligibility is attained when an employee retires, as described above. All other employees must be eligible to retire and additionally have completed a minimum of 15 years of service to be eligible for Retiree Medical Plan coverage.

**Disability Retirement:** Disabled TRS 1 and TRS 2 employees with at least 5 years of service, who are totally and permanently incapable of being employed as a teacher, are eligible for Retiree Medical Plan coverage upon approval for TRS disability retirement benefits. Disabled TRS 3 and TRS 4 employees must have 15 years of service to be eligible for Retiree Medical Plan coverage upon approval for TRS disability retirement benefits.

Members and dependents under age 65 and eligible for Medicare due to a disability after January 1, 2013 are only eligible to enroll in the MEHP. Under age 65 members who retired prior to January 1, 2013 are grandfathered from this requirement and allowed a choice of KEHP or MEHP coverage. Actual census data and current plan elections were used for current disabled retirees. All future disabled members under the age of 65 with Medicare are placed on the MEHP and not the KEHP. This has been consistently applied since 2013.

**Survivors:** Spouses of employees who die in service while eligible to retire, as well as survivors of service and disabled retirees, are eligible for Retiree Medical Plan coverage if elected within 30 days of the employee's/retiree's death with no future remarriage. Otherwise, survivor is not eligible for Retiree Medical Plan coverage.

**Spousal Shared Risk Waiver for MEHP:** Beginning in 2013, eligible spouses who waive the MEHP coverage will no longer have the opportunity to enroll during any annual MEHP open



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS

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enrollment, so most spousal waivers on the MEHP are now permanent waivers unless a TRS specific qualifying event is met. This does not apply to the KEHP. This MEHP eligibility rule became necessary to mitigate spousal adverse selection with zero premium Medicare Advantage plans on the individual and open market.

**Termination:** For TRS 1 and TRS 2 employees who terminated with at least 5 years of service, Retiree Medical Plan coverage is assumed to begin at age 60. For TRS 3 and TRS 4 employees who terminated with at least 15 years of service, Retiree Medical Plan coverage is assumed to begin at age 60.

**Reemployed Retirees:** Effective January 1, 2019 and because of the Affordable Care Act (ACA) and Medicare secondary payer (MSP) federal rules, if a TRS retiree returns to work and is offered the same health insurance coverage as any full time employee (whether the KEHP, MEHP, or another plan), then the member must waive coverage through TRS. For valuation purposes, active employees identified as currently receiving retiree health care through the system are valued as retirees. Retirees making active contributions into a second account do not qualify for insurance on that second account.



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS



### COVERED MEMBER RETIREE MEDICAL PLAN CONTRIBUTIONS:

Under Age 65 Retiree Shared Responsibility Contribution: Effective July 1, 2010, retirees under the age of 65 began a three-year phase-in of the Shared Responsibility Contribution. This contribution reduces the applicable amount of the full contribution provided by the system to retirees, by adjusting the Shared Responsibility Contribution amount by 100% less the appropriate percentage from the Retiree Percentage Contribution table below. Effective July 1, 2012, the full Shared Responsibility Contribution equals the Standard Medicare Part B premium paid by retirees ages 65 and older.

| Monthly Under Age 65 Shared Responsibility Contribution Timeline |                              |                         |                                    |
|------------------------------------------------------------------|------------------------------|-------------------------|------------------------------------|
| Effective Date                                                   | Medicare Part B Monthly Cost | Formula                 | Shared Responsibility Contribution |
| July 1, 2010                                                     | \$110.50                     | $(1/3 \times \$110.50)$ | \$ 37.00                           |
| January 1, 2011                                                  | 115.40                       | $(1/3 \times 115.40)$   | 39.00                              |
| July 1, 2011                                                     | 115.40                       | $(2/3 \times 115.40)$   | 77.00                              |
| January 1, 2012                                                  | 99.90                        | $(2/3 \times 99.90)$    | 66.00                              |
| July 1, 2012                                                     | 99.90                        | 99.90                   | 99.90                              |
| January 1, 2013                                                  | 104.90                       | 104.90                  | 104.90                             |
| January 1, 2014                                                  | 104.90                       | 104.90                  | 104.90                             |
| January 1, 2015                                                  | 104.90                       | 104.90                  | 104.90                             |
| January 1, 2016                                                  | 121.80                       | 121.80                  | 121.80                             |
| January 1, 2017                                                  | 134.00                       | 134.00                  | 134.00                             |
| January 1, 2018                                                  | 134.00                       | 134.00                  | 134.00                             |
| January 1, 2019                                                  | 135.50                       | 135.50                  | 135.50                             |
| January 1, 2020                                                  | 144.60                       | 144.60                  | 144.60                             |
| January 1, 2021                                                  | 148.50                       | 148.50                  | 148.50                             |
| January 1, 2022                                                  | 170.10                       | 170.10                  | 170.10                             |
| January 1, 2023                                                  | 164.90                       | 164.90                  | 164.90                             |
| January 1, 2024                                                  | 174.70                       | 174.70                  | 174.70                             |
| January 1, 2025                                                  | 185.00                       | 185.00                  | 185.00                             |
| January 1, 2026                                                  | 206.50                       | 206.50                  | 206.50                             |



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS



Retiree Years of Service Percentage Contribution: Retirees contribute the following percentages based on years of service at retirement, which are then applied to the Retiree Contribution Rate Basis:

| Retiree Percentage Contribution* |                                             |                                          |       |               |
|----------------------------------|---------------------------------------------|------------------------------------------|-------|---------------|
| Years of Service                 | TRS 1                                       |                                          | TRS 2 | TRS 3 & TRS 4 |
|                                  | Age 65 or Older and Covered Before 1/1/2005 | Age 65 After or Covered After 12/31/2004 |       |               |
| 5 – 9.99                         | 30%                                         | 75%                                      | 90%   | Not Eligible  |
| 10 – 14.99                       | 20                                          | 50                                       | 75    | Not Eligible  |
| 15 – 19.99                       | 10                                          | 25                                       | 55    | 55%           |
| 20 – 24.99                       | 0                                           | 0                                        | 35    | 35            |
| 25 – 25.99                       | 0                                           | 0                                        | 10    | 10            |
| 26 – 26.99                       | 0                                           | 0                                        | 5     | 5             |
| 27 or more                       | 0                                           | 0                                        | 0     | 0             |

\* 0% for disabled retirees that retired prior to 1/1/2002

### COVERED MEMBER RETIREE MEDICAL PLAN CONTRIBUTIONS (CONTINUED):

For January 1, 2026, the TRS Board of Trustees approved a single contribution amount of up to \$1,036.96 as well as an additional \$8.00 per month paid to the Department of Employee Insurance (DEI) for participants on the Kentucky Employees' Health Plan (KEHP). TRS will contribute this amount towards insurance costs, less the Shared Responsibility cost of \$206.50. Under-65 retirees who are not Medicare eligible and continue on the KEHP are responsible for the remaining costs left from the total premium costs. The total premium costs are shown below.

| Monthly Full Costs<br>Effective January 1, 2026 |                      |                |                       |               |                          |
|-------------------------------------------------|----------------------|----------------|-----------------------|---------------|--------------------------|
| Tier Elected                                    | Under Age 65 (KEHP)* |                |                       |               | Ages 65 and Older (MEHP) |
|                                                 | LivingWell CDHP      | LivingWell PPO | LivingWell Basic CDHP | LivingWell HD |                          |
| Single                                          | \$1,090.42           | \$1,105.54     | \$1,059.88            | \$983.66      | \$200.00                 |
| Parent Plus                                     | 1,475.34             | 1,514.46       | 1,447.24              | 1,343.02      | n/a                      |
| Couple                                          | 2,144.14             | 2,238.22       | 2,150.90              | 1,996.16      | n/a                      |
| Family                                          | 2,383.68             | 2,453.16       | 2,385.14              | 2,213.58      | n/a                      |
| Family C-R**                                    | 1,247.34             | 1,300.24       | 1,244.12              | 1,153.50      | n/a                      |

\* Does not include the additional contribution required to be paid by retirees under the age of 65 who use tobacco (\$40 for Single or Family Cross-Reference, and \$80 for Parent Plus, Couple or Family). Also, this does not include the additional contribution required to be paid by retirees under the age of 65 who do not complete their LivingWell Promise, which is an additional \$40 per month for all levels of coverage—single, parent +, couple, and family. For valuation purposes, it is conservatively assumed that, over time, 100% of KEHP retirees will complete their LivingWell Promise. This assumption will be monitored in future experience studies.

\*\* Per employee/retiree. Family Cross-Reference is not an available payment option if hired on January 1, 2025 or after.



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS



**Spouse Contributions:** The full cost for non-Medicare eligible dependents is paid through a combination of payments from beneficiaries and the State. Neither the State nor TRS will pay any subsidy for family style coverage.

**Survivors:** Spouses of employees who die in service while eligible to retire, as well as survivors of service and disabled retirees, are eligible for Retiree Medical Plan coverage if elected within 30 days of the employee's/retiree's death with no future remarriage. Otherwise, the survivor is not eligible for Retiree Medical Plan coverage.

**Spousal Shared Risk Waiver for MEHP:** Beginning in 2013, eligible spouses who waive the MEHP coverage will no longer have the opportunity to enroll during any annual MEHP open enrollment, so most spousal waivers on the MEHP are now permanent waivers unless a TRS specific qualifying event is met. This does not apply to the KEHP. This MEHP eligibility rule became necessary to mitigate spousal adverse selection with zero premium Medicare Advantage plans on the individual and open market.

| Monthly Surviving Spouse Contribution<br>Effective January 1, 2026 |                     |                   |                          |                  |                             |
|--------------------------------------------------------------------|---------------------|-------------------|--------------------------|------------------|-----------------------------|
| Tier Elected<br>by Surviving<br>Spouse                             | Under Age 65 (KEHP) |                   |                          |                  | Ages 65 and<br>Older (MEHP) |
|                                                                    | LivingWell<br>CDHP  | LivingWell<br>PPO | LivingWell<br>Basic CDHP | LivingWell<br>HD |                             |
| Single                                                             | \$1,098.42          | \$1,113.54        | \$1,067.88               | \$991.66         | \$200.00                    |
| Parent Plus                                                        | 1,483.34            | 1,522.46          | 1,455.24                 | 1,351.02         | n/a                         |



## SCHEDULE E – SUMMARY OF MAIN PLAN PROVISIONS



### SYSTEM RETIREE MEDICAL PLAN CONTRIBUTIONS:

The System Contribution Rate Basis is determined annually by the system, and the full cost is projected based on historical claims data. For retirees, the following percentages are based on years of service at retirement and are then applied to the System Contribution Rate Basis:

| Percentage of System Contribution Rate Provided to Retirees* |                                             |                                          |       |               |
|--------------------------------------------------------------|---------------------------------------------|------------------------------------------|-------|---------------|
| Years of Service                                             | TRS 1                                       |                                          | TRS 2 | TRS 3 & TRS 4 |
|                                                              | Age 65 or Older and Covered Before 1/1/2005 | Age 65 After or Covered After 12/31/2004 |       |               |
| 5 – 9.99                                                     | 70%                                         | 25%                                      | 10%   | Not Eligible  |
| 10 – 14.99                                                   | 80                                          | 50                                       | 25    | Not Eligible  |
| 15 – 19.99                                                   | 90                                          | 75                                       | 45    | 45%           |
| 20 – 24.99                                                   | 100                                         | 100                                      | 65    | 65            |
| 25 – 25.99                                                   | 100                                         | 100                                      | 90    | 90            |
| 26 – 26.99                                                   | 100                                         | 100                                      | 95    | 95            |
| 27 or more                                                   | 100                                         | 100                                      | 100   | 100           |

\* 100% for disabled retirees that retired prior to 1/1/2002

### ACTIVE MEMBER RETIREE MEDICAL PLAN CONTRIBUTIONS:

Actively employed members make payroll contributions to the Health Insurance Trust based upon the following schedule:

| Active Member Percentage of Payroll Contribution Made to Health Insurance Trust |       |       |                                         |       |       |                 |       |       |
|---------------------------------------------------------------------------------|-------|-------|-----------------------------------------|-------|-------|-----------------|-------|-------|
| University Employees                                                            |       |       | School District Employees (Non-Federal) |       |       | Other Employees |       |       |
| TRS 1 & TRS 2                                                                   | TRS 3 | TRS 4 | TRS 1 & TRS 2                           | TRS 3 | TRS 4 | TRS 1 & TRS 2   | TRS 3 | TRS 4 |
| 2.775                                                                           | 2.775 | 2.775 | 3.750                                   | 3.750 | 3.750 | 3.750           | 3.750 | 3.750 |





### LIFE INSURANCE PLAN BENEFITS:

(1) Effective July 1, 2000, the Teachers' Retirement System shall:

- (a) Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its TRS 1, TRS 2, and TRS 3 members who are retired for service or disability. Provide a life insurance benefit in a minimum amount of ten thousand dollars (\$10,000) for its TRS 4 members who are retired for service or disability. This life insurance benefit shall be payable upon the death of a member retired for service or disability to the member's estate or to a party designated by the member on a form prescribed by the retirement system; and
- (b) Provide a life insurance benefit in a minimum amount of two thousand dollars (\$2,000) for its active contributing TRS 1, TRS 2, and TRS 3 members. Provide a life insurance benefit in a minimum amount of five thousand dollars (\$5,000) for its active contributing TRS 4 members. This life insurance benefit shall be payable upon the death of an active contributing member to the member's estate or to a party designated by the member on a form prescribed by the retirement system.

**Note:** Members employed on a substitute or part-time basis and working at least 69% of a full contract year in a single fiscal year will be eligible for a life insurance benefit for the balance of the fiscal year or the immediately succeeding fiscal year under certain conditions. For non-vested members employed on a substitute or part-time basis, the life insurance benefit is provided if death occurs as the result of a physical injury on the job. For vested members employed on a substitute or part-time basis, death does not have to be the result of a physical injury on the job for life insurance benefits to be provided.





## SCHEDULE F – TABLE OF MEMBER DATA



| <b>TABLE 1<br/>DISTRIBUTION OF ACTIVE MEMBERS<br/>BY ATTAINED AGE AND SERVICE GROUPS<br/>AS OF JUNE 30, 2025</b> |                            |               |               |                |                |                |                |                |                |                 |               |                         |
|------------------------------------------------------------------------------------------------------------------|----------------------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|---------------|-------------------------|
| Age                                                                                                              | Completed Years of Service |               |               |                |                |                |                |                |                |                 | Total         |                         |
|                                                                                                                  | Less<br>Than<br>1          | 1<br>to<br>4  | 5<br>to<br>9  | 10<br>to<br>14 | 15<br>to<br>19 | 20<br>to<br>24 | 25<br>to<br>26 | 27<br>to<br>29 | 30<br>to<br>34 | 35<br>&<br>Over | No.           | Payroll                 |
| Under 25                                                                                                         | 2,671                      | 2,188         | 7             |                |                |                |                |                |                |                 | 4,866         | \$ 113,730,474          |
| 25 to 29                                                                                                         | 963                        | 4,760         | 2,099         | 4              |                |                |                |                |                |                 | 7,826         | 356,737,705             |
| 30 to 34                                                                                                         | 673                        | 2,084         | 3,975         | 1,422          |                |                |                |                |                |                 | 8,154         | 436,840,616             |
| 35 to 39                                                                                                         | 661                        | 1,603         | 1,995         | 3,820          | 1,383          | 3              |                |                |                |                 | 9,465         | 569,901,142             |
| 40 to 44                                                                                                         | 671                        | 1,460         | 1,546         | 1,990          | 4,030          | 1,541          | 3              |                |                |                 | 11,241        | 751,630,735             |
| 45 to 49                                                                                                         | 440                        | 1,130         | 1,147         | 1,234          | 1,941          | 4,058          | 1,066          | 154            | 2              |                 | 11,172        | 816,302,229             |
| 50 to 54                                                                                                         | 627                        | 968           | 792           | 970            | 1,316          | 1,943          | 1,353          | 1,618          | 454            | 2               | 10,043        | 734,363,390             |
| 55 to 59                                                                                                         | 873                        | 1,181         | 488           | 525            | 840            | 1,059          | 524            | 559            | 383            | 45              | 6,477         | 401,230,898             |
| 60 to 64                                                                                                         | 678                        | 1,087         | 378           | 277            | 399            | 465            | 164            | 171            | 138            | 54              | 3,811         | 184,887,595             |
| 65 to 69                                                                                                         | 514                        | 752           | 270           | 131            | 83             | 145            | 53             | 66             | 63             | 45              | 2,122         | 67,673,415              |
| 70 & Over                                                                                                        | 441                        | 770           | 294           | 95             | 52             | 62             | 24             | 35             | 30             | 44              | 1,847         | 39,711,886              |
| <b>Total</b>                                                                                                     | <b>9,212</b>               | <b>17,983</b> | <b>12,991</b> | <b>10,468</b>  | <b>10,044</b>  | <b>9,276</b>   | <b>3,187</b>   | <b>2,603</b>   | <b>1,070</b>   | <b>190</b>      | <b>77,024</b> | <b>\$ 4,473,010,085</b> |

Average Age: 43.8

Average Service: 11.1

Retirement Eligible: 10,277

The active counts above reflect the totals before adjusting for duplicates and return to work status.





| TABLE 2<br>SCHEDULE OF TOTAL ACTIVE MEMBER VALUATION DATA |        |                  |                        |                                    |
|-----------------------------------------------------------|--------|------------------|------------------------|------------------------------------|
| Valuation Date                                            | Number | Annual Payroll   | Annual Average Payroll | Percentage Increase in Average Pay |
| 6/30/2025                                                 | 77,024 | \$ 4,473,010,085 | \$ 58,073              | 2.46 %                             |
| 6/30/2024                                                 | 76,014 | 4,308,468,045    | 56,680                 | 3.59                               |
| 6/30/2023                                                 | 75,644 | 4,138,908,992    | 54,716                 | 1.45                               |
| 6/30/2022                                                 | 74,785 | 4,033,509,178    | 53,935                 | (1.30)                             |
| 6/30/2021                                                 | 69,256 | 3,784,400,223    | 54,644                 | 7.35                               |
| 6/30/2020                                                 | 73,151 | 3,723,481,576    | 50,901                 | 1.35                               |
| 6/30/2019                                                 | 72,647 | 3,648,427,710    | 50,221                 | 0.58                               |
| 6/30/2018                                                 | 72,205 | 3,605,115,787    | 49,929                 | 1.06                               |
| 6/30/2017                                                 | 72,130 | 3,563,584,342    | 49,405                 | 0.35                               |
| 6/30/2016                                                 | 71,848 | 3,537,226,348    | 49,232                 | 1.19                               |

The active counts above reflect the totals before adjusting for duplicates and return to work status.

| TABLE 3<br>ELIGIBLE DEFERRED VESTED MEMBERS AS OF JUNE 30, 2025<br>MALE AND FEMALE DEMOGRAPHIC BREAKDOWN |                        |              |              |                      |              |               |
|----------------------------------------------------------------------------------------------------------|------------------------|--------------|--------------|----------------------|--------------|---------------|
| Attained Age                                                                                             | Health Insurance Trust |              |              | Life Insurance Trust |              |               |
|                                                                                                          | Number of              |              | Total Number | Number of            |              | Total Number  |
|                                                                                                          | Male                   | Female       |              | Male                 | Female       |               |
| Under 30                                                                                                 | 0                      | 0            | 0            | 32                   | 103          | 135           |
| 30 - 34                                                                                                  | 11                     | 41           | 52           | 189                  | 722          | 911           |
| 35 - 39                                                                                                  | 161                    | 466          | 627          | 366                  | 1,163        | 1,529         |
| 40 - 44                                                                                                  | 391                    | 1,221        | 1,612        | 506                  | 1,618        | 2,124         |
| 45 - 49                                                                                                  | 406                    | 1,256        | 1,662        | 512                  | 1,623        | 2,135         |
| 50 - 54                                                                                                  | 394                    | 1,433        | 1,827        | 502                  | 1,705        | 2,207         |
| 55 - 59                                                                                                  | 266                    | 1,102        | 1,368        | 322                  | 1,306        | 1,628         |
| 60 & Over                                                                                                | 294                    | 1,070        | 1,364        | 361                  | 1,209        | 1,570         |
| <b>Total</b>                                                                                             | <b>1,923</b>           | <b>6,589</b> | <b>8,512</b> | <b>2,790</b>         | <b>9,449</b> | <b>12,239</b> |





| TABLE 4<br>ALL RETIREES AND SPOUSES RECEIVING<br>HEALTH CARE BENEFITS AS OF JUNE 30, 2025<br>MALE AND FEMALE DEMOGRAPHIC BREAKDOWN |               |               |               |
|------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|
| Attained Age                                                                                                                       | Number of     |               | Total Number  |
|                                                                                                                                    | Male          | Female        |               |
| Under 40                                                                                                                           | 0             | 0             | 0             |
| 40 - 44                                                                                                                            | 2             | 16            | 18            |
| 45 - 49                                                                                                                            | 19            | 74            | 93            |
| 50 - 54                                                                                                                            | 309           | 783           | 1,092         |
| 55 - 59                                                                                                                            | 941           | 2,375         | 3,316         |
| 60 - 64                                                                                                                            | 1,540         | 3,507         | 5,047         |
| 65 - 69                                                                                                                            | 2,011         | 5,225         | 7,236         |
| 70 - 74                                                                                                                            | 3,133         | 7,348         | 10,481        |
| 75 - 79                                                                                                                            | 3,317         | 6,999         | 10,316        |
| 80 - 84                                                                                                                            | 1,962         | 3,749         | 5,711         |
| 85 - 89                                                                                                                            | 853           | 1,757         | 2,610         |
| 90 - 94                                                                                                                            | 298           | 744           | 1,042         |
| 95 - 99                                                                                                                            | 51            | 211           | 262           |
| 100 & Over                                                                                                                         | 4             | 38            | 42            |
| <b>Total</b>                                                                                                                       | <b>14,440</b> | <b>32,826</b> | <b>47,266</b> |





| <b>TABLE 5</b><br><b>SCHEDULE OF RETIRANTS, BENEFICIARIES AND SURVIVORS</b><br><b>ADDED TO AND REMOVED FROM ROLLS*</b><br><b>Health Insurance Trust</b> |                                 |                                   |                            |                                     |                                       |                                |                                                  |                                                    |                                             |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|-----------------------------------|----------------------------|-------------------------------------|---------------------------------------|--------------------------------|--------------------------------------------------|----------------------------------------------------|---------------------------------------------|
| Fiscal Year Ending June 30                                                                                                                              | Number of Members Added to Rols | Number of Spouses** Added to Rols | Total Number Added to Rols | Number of Members Removed from Rols | Number of Spouses** Removed from Rols | Total Number Removed from Rols | Number of Members on Rols at the End of the Year | Number of Spouses** on Rols at the End of the Year | Total Number on Rols at the End of the Year |
| 2017                                                                                                                                                    | 1,835                           | 699                               | 2,534                      | 1,153                               | 691                                   | 1,844                          | 39,497                                           | 7,189                                              | 46,686                                      |
| 2018                                                                                                                                                    | 1,903                           | 828                               | 2,731                      | 1,170                               | 422                                   | 1,592                          | 40,230                                           | 7,595                                              | 47,825                                      |
| 2019                                                                                                                                                    | 1,701                           | 666                               | 2,367                      | 1,220                               | 692                                   | 1,912                          | 40,711                                           | 7,569                                              | 48,280                                      |
| 2020                                                                                                                                                    | 1,500                           | 487                               | 1,987                      | 1,057                               | 1,173                                 | 2,230                          | 41,154                                           | 6,883                                              | 48,037                                      |
| 2021                                                                                                                                                    | 1,548                           | 448                               | 1,996                      | 1,527                               | 603                                   | 2,130                          | 41,175                                           | 6,728                                              | 47,903                                      |
| 2022                                                                                                                                                    | 1,600                           | 466                               | 2,066                      | 1,598                               | 533                                   | 2,131                          | 41,177                                           | 6,661                                              | 47,838                                      |
| 2023                                                                                                                                                    | 1,619                           | 369                               | 1,988                      | 1,741                               | 475                                   | 2,216                          | 41,055                                           | 6,555                                              | 47,610                                      |
| 2024                                                                                                                                                    | 1,500                           | 267                               | 1,767                      | 1,555                               | 500                                   | 2,055                          | 41,000                                           | 6,322                                              | 47,322                                      |
| 2025                                                                                                                                                    | 1,539                           | 290                               | 1,829                      | 1,506                               | 379                                   | 1,885                          | 41,033                                           | 6,233                                              | 47,266                                      |

\* Reflects members, spouses, and beneficiaries participating in a health care plan.

\*\* Includes spouses, beneficiaries, and surviving spouses.

| <b>TABLE 6</b><br><b>SCHEDULE OF RETIRANTS, BENEFICIARIES AND SURVIVORS</b><br><b>ADDED TO AND REMOVED FROM ROLLS*</b><br><b>Life Insurance Trust</b> |                      |                                   |                          |                                   |                                       |                                   |                                    |                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------------|--------------------------|-----------------------------------|---------------------------------------|-----------------------------------|------------------------------------|--------------------------------|
| Fiscal Year Ending June 30                                                                                                                            | Number Added to Rols | Life Insurance Benefit (\$1,000s) | Number Removed from Rols | Life Insurance Benefit (\$1,000s) | Number on Rols at the End of the Year | Life Insurance Benefit (\$1,000s) | Increase in Life Insurance Benefit | Average Life Insurance Benefit |
| 2017                                                                                                                                                  | 2,175                | 10,875                            | 1,021                    | 5,105                             | 48,225                                | 241,125                           | 2.45 %                             | 5,000                          |
| 2018                                                                                                                                                  | 2,605                | 13,025                            | 1,408                    | 7,040                             | 49,422                                | 247,110                           | 2.48                               | 5,000                          |
| 2019                                                                                                                                                  | 2,226                | 11,130                            | 210                      | 1,050                             | 51,438                                | 257,190                           | 4.08                               | 5,000                          |
| 2020                                                                                                                                                  | 2,003                | 10,015                            | 1,179                    | 5,895                             | 52,262                                | 261,310                           | 1.60                               | 5,000                          |
| 2021                                                                                                                                                  | 1,886                | 9,430                             | 2,417                    | 12,085                            | 51,731                                | 258,655                           | (1.02)                             | 5,000                          |
| 2022                                                                                                                                                  | 2,213                | 11,065                            | 1,731                    | 8,655                             | 52,213                                | 261,065                           | 0.93                               | 5,000                          |
| 2023                                                                                                                                                  | 2,600                | 13,000                            | 1,434                    | 7,170                             | 53,379                                | 266,895                           | 2.23                               | 5,000                          |
| 2024                                                                                                                                                  | 2,036                | 10,180                            | 1,367                    | 6,835                             | 54,048                                | 270,240                           | 1.25                               | 5,000                          |
| 2025                                                                                                                                                  | 2,104                | 10,520                            | 1,421                    | 7,105                             | 54,731                                | 273,655                           | 1.26                               | 5,000                          |

\* Beginning with the June 30, 2021 valuation date, the counts in the exhibit above reflect all adjustments, which resulted in a larger number removed from rolls. Prior to June 30, 2021, the exhibit reflected the initial member counts.



## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



The June 30, 2025 valuation results of the Health Insurance Trust (health trust) are projections based on the actuarial assumptions. Actual experience will differ from these assumptions, either increasing or decreasing cost. The charts on the following pages provide a simple analysis on how the costs are sensitive to changes to the assumed discount rate, the assumed inflation rate, the assumed rate of payroll growth, and the assumed rates of health care costs due to inflation (trend) and/or Federal legislation. The charts show the actuarial accrued liability, the unfunded liability, the funded ratio, and the employer contribution rate under the following scenarios:

- The discount rate assumption sensitivity analysis shows the valuation results with the baseline discount rate assumption, 7.10%, together with a decrease in the discount rate to 6.10% and an increase in the discount rate to 8.10%. Under this scenario, the underlying inflation rate assumption is held constant at 2.50% and the payroll growth assumption is held constant at 2.75%.
- The inflation assumption sensitivity analysis shows the valuation results with the baseline underlying inflation rate assumption, 2.50%, together with decreases in the inflation rate to 2.25% and 2.00%. Under this scenario, the decrease in the underlying inflation rate assumption leads to corresponding decreases in the discount rate, the payroll growth assumption, the assumed rates of salary increase for active members, and the ultimate health care trend.
- The wage inflation assumption sensitivity analysis shows the valuation results with the baseline underlying payroll growth assumption, 2.75%, together with decreases in the wage inflation assumption to 1.25% and 0.00%. Under this scenario, all other assumptions, including the individual member salary scale, are held constant so that the only impact is in the amortization of the unfunded liability, leading to higher employer contribution rates.
- The health care inflation (trend) assumption sensitivity analysis shows the valuation results with the baseline trend assumption along with a 1.00% increase in all assumed trend rates and a 1.00% decrease in all assumed trend rates.
- The MEHP cost sensitivity analysis shows the valuation results with the baseline costs along with cost scenarios reflecting the risk of trust income disruption if income sources beyond the control of the state and TRS – such as prescription medication rebates and subsidies – are eliminated. We illustrate the impact of potential changes due to the Inflation Reduction Act on Medicare Part D costs and/or changes to Medicare Advantage plans under Medicare Part C.



## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>HEALTH INSURANCE TRUST<br>ASSUMED DISCOUNT RATE SENSITIVITY ANALYSIS<br>(\$1,000s) |                           |                      |                           |
|-------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|---------------------------|
|                                                                                                                               | Decrease<br>Discount Rate | Valuation<br>Results | Increase<br>Discount Rate |
| Actuarial Accrued Liability                                                                                                   | \$ 4,842,070              | \$ 4,245,673         | \$ 3,756,805              |
| Actuarial Value of Assets                                                                                                     | 3,784,696                 | 3,784,696            | 3,784,696                 |
| Unfunded Liability                                                                                                            | \$ 1,057,374              | \$ 460,977           | \$ (27,891)               |
| Funded Ratio                                                                                                                  | 78.16%                    | 89.14%               | 100.74%                   |
| Contributions                                                                                                                 |                           |                      |                           |
| Normal Cost                                                                                                                   | 2.75%                     | 2.09%                | 1.59%                     |
| Accrued Liability                                                                                                             | 1.95%                     | 0.90%                | (0.06%)                   |
| Total                                                                                                                         | 4.70%                     | 2.99%                | 1.53%                     |
| Member                                                                                                                        | (3.71%)                   | (3.71%)              | (3.71%)                   |
| Employer                                                                                                                      | (2.99%)                   | (2.99%)              | (2.99%)                   |
| State                                                                                                                         | (2.75%)                   | (2.75%)              | (2.75%)                   |
| Statutorily Required Prefunding*                                                                                              | (4.75%)                   | (6.46%)              | (7.92%)                   |
| Discount Rate                                                                                                                 | 6.10%                     | 7.10%                | 8.10%                     |
| Payroll Growth                                                                                                                | 2.75%                     | 2.75%                | 2.75%                     |
| Inflation Rate                                                                                                                | 2.50%                     | 2.50%                | 2.50%                     |
| Ultimate Health Care Trend                                                                                                    | 4.50%                     | 4.50%                | 4.50%                     |

\* This represents funding by active members, local school districts, universities and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>HEALTH INSURANCE TRUST<br>INFLATION ASSUMPTION SENSITIVITY ANALYSIS<br>(\$1,000s) |                      |                                     |                                     |
|------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------|-------------------------------------|
|                                                                                                                              | Valuation<br>Results | Decrease<br>Inflation Rate<br>0.25% | Decrease<br>Inflation Rate<br>0.50% |
| Actuarial Accrued Liability                                                                                                  | \$ 4,245,673         | \$ 4,330,813                        | \$ 4,424,068                        |
| Actuarial Value of Assets                                                                                                    | 3,784,696            | 3,784,696                           | 3,784,696                           |
| Unfunded Liability                                                                                                           | \$ 460,977           | \$ 546,117                          | \$ 639,372                          |
| Funded Ratio                                                                                                                 | 89.14%               | 87.39%                              | 85.55%                              |
| Contributions                                                                                                                |                      |                                     |                                     |
| Normal Cost                                                                                                                  | 2.09%                | 2.13%                               | 2.18%                               |
| Accrued Liability                                                                                                            | 0.90%                | 1.07%                               | 1.26%                               |
| Total                                                                                                                        | 2.99%                | 3.20%                               | 3.44%                               |
| Member                                                                                                                       | (3.71%)              | (3.71%)                             | (3.71%)                             |
| Employer                                                                                                                     | (2.99%)              | (2.99%)                             | (2.99%)                             |
| State                                                                                                                        | (2.75%)              | (2.75%)                             | (2.75%)                             |
| Statutorily Required Prefunding*                                                                                             | (6.46%)              | (6.25%)                             | (6.01%)                             |
| Discount Rate                                                                                                                | 7.10%                | 6.85%                               | 6.60%                               |
| Payroll Growth                                                                                                               | 2.75%                | 2.50%                               | 2.25%                               |
| Inflation Rate                                                                                                               | 2.50%                | 2.25%                               | 2.00%                               |
| Ultimate Health Care Trend                                                                                                   | 4.50%                | 4.25%                               | 4.00%                               |

\* This represents funding by active members, local school districts, universities and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>HEALTH INSURANCE TRUST<br>WAGE INFLATION ASSUMPTION SENSITIVITY ANALYSIS<br>(\$1,000s) |                      |                                     |                      |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------|----------------------|
|                                                                                                                                   | Valuation<br>Results | Decrease Wage<br>Inflation to 1.25% | No Wage<br>Inflation |
| Actuarial Accrued Liability                                                                                                       | \$ 4,245,673         | \$ 4,245,673                        | \$ 4,245,673         |
| Actuarial Value of Assets                                                                                                         | 3,784,696            | 3,784,696                           | 3,784,696            |
| Unfunded Liability                                                                                                                | \$ 460,977           | \$ 460,977                          | \$ 460,977           |
| Funded Ratio                                                                                                                      | 89.14%               | 89.14%                              | 89.14%               |
| Contributions                                                                                                                     |                      |                                     |                      |
| Normal Cost                                                                                                                       | 2.09%                | 2.09%                               | 2.09%                |
| Accrued Liability                                                                                                                 | 0.90%                | 0.99%                               | 1.06%                |
| Total                                                                                                                             | 2.99%                | 3.08%                               | 3.15%                |
| Member                                                                                                                            | (3.71%)              | (3.71%)                             | (3.71%)              |
| Employer                                                                                                                          | (2.99%)              | (2.99%)                             | (2.99%)              |
| State                                                                                                                             | (2.75%)              | (2.75%)                             | (2.75%)              |
| Statutorily Required Prefunding*                                                                                                  | (6.46%)              | (6.37%)                             | (6.30%)              |
| Discount Rate                                                                                                                     | 7.10%                | 7.10%                               | 7.10%                |
| Payroll Growth                                                                                                                    | 2.75%                | 1.25%                               | 0.00%                |
| Inflation Rate                                                                                                                    | 2.50%                | 2.50%                               | 2.50%                |
| Ultimate Health Care Trend                                                                                                        | 4.50%                | 4.50%                               | 4.50%                |

\* This represents funding by active members, local school districts, universities and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).





## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>HEALTH INSURANCE TRUST<br>HEALTH CARE TREND ASSUMPTION SENSITIVITY ANALYSIS<br>(\$1,000s) |                                  |                      |                                  |
|--------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|----------------------------------|
|                                                                                                                                      | Decrease<br>Trend Rates<br>1.00% | Valuation<br>Results | Increase<br>Trend Rates<br>1.00% |
| Actuarial Accrued Liability                                                                                                          | \$ 3,706,143                     | \$ 4,245,673         | \$ 4,919,256                     |
| Actuarial Value of Assets                                                                                                            | 3,784,696                        | 3,784,696            | 3,784,696                        |
| Unfunded Liability                                                                                                                   | \$ (78,553)                      | \$ 460,977           | \$ 1,134,560                     |
| Funded Ratio                                                                                                                         | 102.12%                          | 89.14%               | 76.94%                           |
| Contributions                                                                                                                        |                                  |                      |                                  |
| Normal Cost                                                                                                                          | 1.66%                            | 2.09%                | 2.66%                            |
| Accrued Liability                                                                                                                    | (0.15%)                          | 0.90%                | 2.22%                            |
| Total                                                                                                                                | 1.51%                            | 2.99%                | 4.88%                            |
| Member                                                                                                                               | (3.71%)                          | (3.71%)              | (3.71%)                          |
| Employer                                                                                                                             | (2.99%)                          | (2.99%)              | (2.99%)                          |
| State                                                                                                                                | (2.75%)                          | (2.75%)              | (2.75%)                          |
| Statutorily Required Prefunding*                                                                                                     | (7.94%)                          | (6.46%)              | (4.57%)                          |
| Discount Rate                                                                                                                        | 7.10%                            | 7.10%                | 7.10%                            |
| Payroll Growth                                                                                                                       | 2.75%                            | 2.75%                | 2.75%                            |
| Inflation Rate                                                                                                                       | 2.50%                            | 2.50%                | 2.50%                            |
| Ultimate Health Care Trend                                                                                                           | 3.50%                            | 4.50%                | 5.50%                            |

\* This represents funding by active members, local school districts, universities and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SCHEDULE G – HEALTH INSURANCE TRUST SENSITIVITY ANALYSIS



The 2026 monthly TRS MEHP rate of \$200 includes EGWP prescription drug costs and Medicare medical costs. The EGWP prescription drug costs are based on projected total drug costs minus projected reimbursements from CMS and drug manufacturers for Medicare Part D rebates, subsidies, and reinsurance. The medical costs are based on total medical costs minus projected reimbursements from CMS. If these reimbursements were not to continue at the current rate, and/or if Medicare eligible medical and prescription drug costs were to increase significantly, it is estimated that TRS MEHP costs could increase to as much as \$900 per member per month. In this case, the statutory contribution rates will be less than the actuarially determined contribution rates, the unfunded actuarial accrued liability will not be paid off in the scheduled 15 year timeframe, and the health insurance fund may not reach 100% funded. To illustrate the potential impact of this risk, the chart below shows the valuation results under the baseline scenario of the monthly TRS MEHP rate of \$200, the projected medium risk scenario of \$550 per month, and the projected worst-case scenario of \$900 per month.

| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>HEALTH INSURANCE TRUST<br>MEHP COST SENSITIVITY ANALYSIS<br>(\$1,000s) |                |              |               |
|-------------------------------------------------------------------------------------------------------------------|----------------|--------------|---------------|
| Incremental Step Scenario                                                                                         | Baseline<br>0% | 50%          | 100%          |
| MA Rate                                                                                                           | \$200.00       | \$550.00     | \$900.00      |
| Actuarial Accrued Liability                                                                                       | \$ 4,245,673   | \$ 8,033,738 | \$ 11,822,002 |
| Actuarial Value of Assets                                                                                         | 3,784,696      | 3,784,696    | 3,784,696     |
| Unfunded Liability                                                                                                | \$ 460,977     | \$ 4,249,042 | \$ 8,037,306  |
| Funded Ratio                                                                                                      | 89.14%         | 47.11%       | 32.01%        |
| Contributions                                                                                                     |                |              |               |
| Normal Cost                                                                                                       | 2.09%          | 3.28%        | 4.48%         |
| Accrued Liability                                                                                                 | 0.90%          | 8.33%        | 15.76%        |
| Total                                                                                                             | 2.99%          | 11.61%       | 20.24%        |
| Member                                                                                                            | (3.71%)        | (3.71%)      | (3.71%)       |
| Employer                                                                                                          | (2.99%)        | (2.99%)      | (2.99%)       |
| State                                                                                                             | (2.75%)        | (2.75%)      | (2.75%)       |
| Statutorily Required Prefunding*                                                                                  | (6.46%)        | 2.16%        | 10.79%        |
| Discount Rate                                                                                                     | 7.10%          | 7.10%        | 7.10%         |
| Payroll Growth                                                                                                    | 2.75%          | 2.75%        | 2.75%         |
| Inflation Rate                                                                                                    | 2.50%          | 2.50%        | 2.50%         |
| Ultimate Health Care Trend                                                                                        | 4.50%          | 4.50%        | 4.50%         |

\* This represents funding by active members, local school districts, universities and other employers toward the unfunded liability of the health trust. See KRS 161.540(1)(c)(3) & 161.550(5).



## SCHEDULE H – LIFE INSURANCE TRUST SENSITIVITY ANALYSIS



The June 30, 2025 valuation results of the Life Insurance Trust (life trust) are projections based on the actuarial assumptions. Actual experience will differ from these assumptions, either increasing or decreasing cost. The charts on the following pages provide a simple analysis on how the costs are sensitive to changes to the assumed discount rate, the assumed inflation rate, and the assumed rate of payroll growth. The charts show the actuarial accrued liability, the unfunded liability, the funded ratio and the employer contribution rate under the following scenarios. Please note that we maintain a minimum total employer contribution rate of 0.08% for all scenarios except the 1% increase in the discount rate scenario:

- The discount rate assumption sensitivity analysis shows the valuation results with the baseline discount rate assumption 7.10%, together with a decrease in the discount rate to 6.10% and an increase in the discount rate to 8.10%. Under this scenario, the underlying inflation rate assumption is held constant at 2.50% and the payroll growth assumption is held constant at 2.75%.
- The inflation assumption sensitivity analysis shows the valuation results with the baseline underlying inflation rate assumption, 2.50%, together with decreases in the inflation rate to 2.25% and 2.00%. Under this scenario, the decrease in the underlying inflation rate assumption leads to corresponding decreases in the discount rate, the payroll growth assumption, and the assumed rates of salary increase for active members.
- The wage inflation assumption sensitivity analysis shows the valuation results with the baseline underlying wage inflation assumption, 2.75%, together with decreases in the wage inflation assumption to 1.25% and 0.00%. Under this scenario, all other assumptions, including the individual member salary scale, are held constant so that the only impact is in the amortization of the unfunded liability, leading to higher employer contribution rates.





| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>LIFE INSURANCE TRUST<br>ASSUMED DISCOUNT RATE SENSITIVITY ANALYSIS<br>(\$1,000s) |                           |                      |                           |
|-----------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|---------------------------|
|                                                                                                                             | Decrease<br>Discount Rate | Valuation<br>Results | Increase<br>Discount Rate |
| Actuarial Accrued Liability                                                                                                 | \$ 146,198                | \$ 128,369           | \$ 113,940                |
| Actuarial Value of Assets                                                                                                   | 108,719                   | 108,719              | 108,719                   |
| Unfunded Liability                                                                                                          | \$ 37,479                 | \$ 19,650            | \$ 5,221                  |
| Funded Ratio                                                                                                                | 74.36%                    | 84.69%               | 95.42%                    |
| Contributions                                                                                                               |                           |                      |                           |
| Normal Cost                                                                                                                 | 0.03%                     | 0.03%                | 0.02%                     |
| Accrued Liability                                                                                                           | 0.06%                     | 0.05%                | 0.01%                     |
| Total                                                                                                                       | 0.09%                     | 0.08%                | 0.03%                     |
| Member                                                                                                                      | (0.00%)                   | (0.00%)              | (0.00%)                   |
| Employer/State                                                                                                              | 0.09%                     | 0.08%                | 0.03%                     |
| Discount Rate                                                                                                               | 6.10%                     | 7.10%                | 8.10%                     |
| Payroll Growth                                                                                                              | 2.75%                     | 2.75%                | 2.75%                     |
| Inflation Rate                                                                                                              | 2.50%                     | 2.50%                | 2.50%                     |



## SCHEDULE H – LIFE INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>LIFE INSURANCE TRUST<br>INFLATION ASSUMPTION SENSITIVITY ANALYSIS<br>(\$1,000s) |                      |                                     |                                     |
|----------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------|-------------------------------------|
|                                                                                                                            | Valuation<br>Results | Decrease<br>Inflation Rate<br>0.25% | Decrease<br>Inflation Rate<br>0.50% |
| Actuarial Accrued Liability                                                                                                | \$ 128,369           | \$ 132,630                          | \$ 137,143                          |
| Actuarial Value of Assets                                                                                                  | 108,719              | 108,719                             | 108,719                             |
| Unfunded Liability                                                                                                         | \$ 19,650            | \$ 23,911                           | \$ 28,424                           |
| Funded Ratio                                                                                                               | 84.69%               | 81.97%                              | 79.27%                              |
| Contributions*                                                                                                             |                      |                                     |                                     |
| Normal Cost                                                                                                                | 0.03%                | 0.03%                               | 0.03%                               |
| Accrued Liability                                                                                                          | 0.05%                | 0.05%                               | 0.05%                               |
| Total                                                                                                                      | 0.08%                | 0.08%                               | 0.08%                               |
| Member                                                                                                                     | (0.00%)              | (0.00%)                             | (0.00%)                             |
| Employer/State                                                                                                             | 0.08%                | 0.08%                               | 0.08%                               |
| Effective Amortization Period (Years)                                                                                      | 12                   | 15                                  | 19                                  |
| Discount Rate                                                                                                              | 7.10%                | 6.85%                               | 6.60%                               |
| Payroll Growth                                                                                                             | 2.75%                | 2.50%                               | 2.25%                               |
| Inflation Rate                                                                                                             | 2.50%                | 2.25%                               | 2.00%                               |

\* Recommended contributions actuarially determined, but not less than 0.08%



## SCHEDULE H – LIFE INSURANCE TRUST SENSITIVITY ANALYSIS



| TEACHERS' RETIREMENT SYSTEM OF KENTUCKY<br>LIFE INSURANCE TRUST<br>WAGE INFLATION ASSUMPTION SENSITIVITY ANALYSIS<br>(\$1,000s) |                      |                                     |                      |
|---------------------------------------------------------------------------------------------------------------------------------|----------------------|-------------------------------------|----------------------|
|                                                                                                                                 | Valuation<br>Results | Decrease Wage<br>Inflation to 1.25% | No Wage<br>Inflation |
| Actuarial Accrued Liability                                                                                                     | \$ 128,369           | \$ 128,369                          | \$ 128,369           |
| Actuarial Value of Assets                                                                                                       | 108,719              | 108,719                             | 108,719              |
| Unfunded Liability                                                                                                              | \$ 19,650            | \$ 19,650                           | \$ 19,650            |
| Funded Ratio                                                                                                                    | 84.69%               | 84.69%                              | 84.69%               |
| Contributions*                                                                                                                  |                      |                                     |                      |
| Normal Cost                                                                                                                     | 0.03%                | 0.03%                               | 0.03%                |
| Accrued Liability                                                                                                               | 0.05%                | 0.05%                               | 0.05%                |
| Total                                                                                                                           | 0.08%                | 0.08%                               | 0.08%                |
| Member                                                                                                                          | (0.00%)              | (0.00%)                             | (0.00%)              |
| Employer/State                                                                                                                  | 0.08%                | 0.08%                               | 0.08%                |
| Effective Amortization Period (Years)                                                                                           | 12                   | 13                                  | 15                   |
| Discount Rate                                                                                                                   | 7.10%                | 7.10%                               | 7.10%                |
| Payroll Growth                                                                                                                  | 2.75%                | 1.25%                               | 0.00%                |
| Inflation Rate                                                                                                                  | 2.50%                | 2.50%                               | 2.50%                |

\* Recommended contributions actuarially determined, but not less than 0.08%



## SCHEDULE I – HEALTH TRUST 30-YEAR BASELINE PROJECTION



The results of actuarial valuations are a “snapshot” of the financial position on the valuation date, based on the assumed number of active employees and current beneficiaries. Projections simulate future actuarial valuation results over a forecast period (thirty years in this case) by “creating” future new hires and performing valuations using the projected membership. The following items are assumed for the projected results provided on the following page.

- Active Employee Growth Rate: 0.00%
- Valuation Discount Rate: 7.10%
- Investment Rate of Return: 7.10% each year
- Actuarial Value of Assets: 5-year smoothing, No Corridor
- Amortization Method: Level Percent of Payroll, Closed
- Amortization Period: 15-year period as of Valuation Date
- Future Contributions: Based on the contribution rates defined in statute

All other demographic and economic changes are assumed to occur in accordance with the actuarial assumptions used for the actuarial valuation.



## SCHEDULE I – HEALTH TRUST 30-YEAR BASELINE PROJECTION



Projections assume all actuarial assumptions are met and do not include any adjustment for adverse experience due to COVID-19 (either impacting claims or demographics), changes in the ACA, larger than expected increases to Medicare costs, or lower than expected investment return or payroll growth.

| Baseline - MEHP rate = \$200 PMPM<br>(Dollar Amounts in \$1,000s) |                          |                            |                        |                   |                                |                  |                                                         |
|-------------------------------------------------------------------|--------------------------|----------------------------|------------------------|-------------------|--------------------------------|------------------|---------------------------------------------------------|
| Valuation Year                                                    | Contribution Fiscal Year | Non-University Payroll (1) | University Payroll (2) | Total Payroll (3) | Unfunded Accrued Liability (4) | Funded Ratio (5) | Total Contribution (Including Member Contributions) (6) |
| 2025                                                              | 2026                     | \$4,276,794                | \$196,216              | \$4,473,010       | \$460,977                      | 89.1%            | \$422,265                                               |
| 2026                                                              | 2027                     | 4,326,362                  | 193,635                | 4,519,997         | 149,581                        | 96.7%            | 435,517                                                 |
| 2027                                                              | 2028                     | 4,379,913                  | 194,288                | 4,574,201         | 0                              | 100.0%           | 96,751                                                  |
| 2028                                                              | 2029                     | 4,440,415                  | 196,495                | 4,636,910         | 0                              | 100.0%           | 98,737                                                  |
| 2029                                                              | 2030                     | 4,504,654                  | 199,464                | 4,704,118         | 0                              | 100.0%           | 100,909                                                 |
| 2030                                                              | 2031                     | 4,570,795                  | 202,997                | 4,773,792         | 0                              | 100.0%           | 103,253                                                 |
| 2031                                                              | 2032                     | 4,637,789                  | 206,730                | 4,844,519         | 0                              | 100.0%           | 105,755                                                 |
| 2032                                                              | 2033                     | 4,707,895                  | 210,773                | 4,918,668         | 0                              | 100.0%           | 108,433                                                 |
| 2033                                                              | 2034                     | 4,779,162                  | 215,382                | 4,994,544         | 0                              | 100.0%           | 111,250                                                 |
| 2034                                                              | 2035                     | 4,855,553                  | 219,965                | 5,075,518         | 0                              | 100.0%           | 114,251                                                 |
| 2035                                                              | 2036                     | 4,935,713                  | 224,711                | 5,160,424         | 0                              | 100.0%           | 117,441                                                 |
| 2036                                                              | 2037                     | 5,020,551                  | 230,303                | 5,250,854         | 0                              | 100.0%           | 120,798                                                 |
| 2037                                                              | 2038                     | 5,110,833                  | 236,161                | 5,346,994         | 0                              | 100.0%           | 124,365                                                 |
| 2038                                                              | 2039                     | 5,207,242                  | 242,692                | 5,449,934         | 0                              | 100.0%           | 128,165                                                 |
| 2039                                                              | 2040                     | 5,309,901                  | 249,814                | 5,559,715         | 0                              | 100.0%           | 132,184                                                 |
| 2040                                                              | 2041                     | 5,418,853                  | 257,726                | 5,676,579         | 0                              | 100.0%           | 136,437                                                 |
| 2041                                                              | 2042                     | 5,533,652                  | 266,322                | 5,799,974         | 0                              | 100.0%           | 140,933                                                 |
| 2042                                                              | 2043                     | 5,653,215                  | 275,322                | 5,928,537         | 0                              | 100.0%           | 145,628                                                 |
| 2043                                                              | 2044                     | 5,780,831                  | 285,147                | 6,065,978         | 0                              | 100.0%           | 150,592                                                 |
| 2044                                                              | 2045                     | 5,914,842                  | 295,668                | 6,210,510         | 0                              | 100.0%           | 155,806                                                 |
| 2045                                                              | 2046                     | 6,055,607                  | 306,825                | 6,362,432         | 0                              | 100.0%           | 161,300                                                 |
| 2046                                                              | 2047                     | 6,202,038                  | 318,390                | 6,520,428         | 0                              | 100.0%           | 167,003                                                 |
| 2047                                                              | 2048                     | 6,355,714                  | 330,445                | 6,686,159         | 0                              | 100.0%           | 172,991                                                 |
| 2048                                                              | 2049                     | 6,516,594                  | 343,047                | 6,859,641         | 0                              | 100.0%           | 179,269                                                 |
| 2049                                                              | 2050                     | 6,684,735                  | 355,724                | 7,040,459         | 0                              | 100.0%           | 185,804                                                 |
| 2050                                                              | 2051                     | 6,867,093                  | 368,750                | 7,235,843         | 0                              | 100.0%           | 192,952                                                 |
| 2051                                                              | 2052                     | 7,060,883                  | 381,671                | 7,442,554         | 0                              | 100.0%           | 200,793                                                 |
| 2052                                                              | 2053                     | 7,264,238                  | 394,469                | 7,658,707         | 0                              | 100.0%           | 209,293                                                 |
| 2053                                                              | 2054                     | 7,472,841                  | 406,682                | 7,879,523         | 0                              | 100.0%           | 218,402                                                 |
| 2054                                                              | 2055                     | 7,688,340                  | 418,612                | 8,106,952         | 0                              | 100.0%           | 228,101                                                 |





## SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



The results of actuarial valuations are a “snapshot” of the financial position on the valuation date, based on the assumed number of active employees and current beneficiaries. Projections simulate future actuarial valuation results over a forecast period (thirty years in this case) by “creating” future new hires and performing valuations using the projected membership. The following items are assumed for the projected results provided on the following page.

- Active Employee Growth Rate: 0.00%
- Valuation Discount Rate: 7.10%
- Investment Rate of Return: 7.10% each year
- Actuarial Value of Assets: 5-year smoothing, No Corridor
- Amortization Method: Level Percent of Payroll, Closed
- Amortization Period: 15-year period as of Valuation Date
- Future Contributions: Based on the contribution rates defined in statute
- Healthcare Trend Rates: Increased by 1% from those disclosed on page 25

All other demographic and economic changes are assumed to occur in accordance with the actuarial assumptions used for the actuarial valuation.

Projections assume all actuarial assumptions are met and do not include any adjustment for adverse experience due to COVID-19 (either impacting claims or demographics), changes in the ACA, or lower than expected investment return or payroll growth. In this case, the statutory contribution rates would still be more than the actuarially determined contribution rates, the unfunded actuarial accrued liability would be paid off in the scheduled 15 year timeframe, and the health insurance fund would reach 100% funded, but it would take an additional 2 years to achieve.



# SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



| Trend Risk Scenario - 1% Increase<br>(Dollar Amounts in \$1,000s) |                          |                               |                           |                      |                                   |                     |                                                            |
|-------------------------------------------------------------------|--------------------------|-------------------------------|---------------------------|----------------------|-----------------------------------|---------------------|------------------------------------------------------------|
| Valuation Year                                                    | Contribution Fiscal Year | Non-University Payroll<br>(1) | University Payroll<br>(2) | Total Payroll<br>(3) | Unfunded Accrued Liability<br>(4) | Funded Ratio<br>(5) | Total Contribution (Including Member Contributions)<br>(6) |
| 2025                                                              | 2026                     | \$4,276,794                   | \$196,216                 | \$4,473,010          | \$1,134,560                       | 76.9%               | \$422,265                                                  |
| 2026                                                              | 2027                     | 4,326,362                     | 193,635                   | 4,519,997            | 898,621                           | 82.8%               | 436,453                                                    |
| 2027                                                              | 2028                     | 4,379,913                     | 194,288                   | 4,574,201            | 556,710                           | 89.9%               | 453,395                                                    |
| 2028                                                              | 2029                     | 4,440,415                     | 196,495                   | 4,636,910            | 196,886                           | 96.6%               | 471,927                                                    |
| 2029                                                              | 2030                     | 4,504,654                     | 199,464                   | 4,704,118            | 0                                 | 100.0%              | 133,822                                                    |
| 2030                                                              | 2031                     | 4,570,795                     | 202,997                   | 4,773,792            | 0                                 | 100.0%              | 138,380                                                    |
| 2031                                                              | 2032                     | 4,637,789                     | 206,730                   | 4,844,519            | 0                                 | 100.0%              | 143,284                                                    |
| 2032                                                              | 2033                     | 4,707,895                     | 210,773                   | 4,918,668            | 0                                 | 100.0%              | 148,565                                                    |
| 2033                                                              | 2034                     | 4,779,162                     | 215,382                   | 4,994,544            | 0                                 | 100.0%              | 154,210                                                    |
| 2034                                                              | 2035                     | 4,855,553                     | 219,965                   | 5,075,518            | 0                                 | 100.0%              | 160,248                                                    |
| 2035                                                              | 2036                     | 4,935,713                     | 224,711                   | 5,160,424            | 0                                 | 100.0%              | 166,691                                                    |
| 2036                                                              | 2037                     | 5,020,551                     | 230,303                   | 5,250,854            | 0                                 | 100.0%              | 173,516                                                    |
| 2037                                                              | 2038                     | 5,110,833                     | 236,161                   | 5,346,994            | 0                                 | 100.0%              | 180,784                                                    |
| 2038                                                              | 2039                     | 5,207,242                     | 242,692                   | 5,449,934            | 0                                 | 100.0%              | 188,533                                                    |
| 2039                                                              | 2040                     | 5,309,901                     | 249,814                   | 5,559,715            | 0                                 | 100.0%              | 196,758                                                    |
| 2040                                                              | 2041                     | 5,418,853                     | 257,726                   | 5,676,579            | 0                                 | 100.0%              | 205,491                                                    |
| 2041                                                              | 2042                     | 5,533,652                     | 266,322                   | 5,799,974            | 0                                 | 100.0%              | 214,770                                                    |
| 2042                                                              | 2043                     | 5,653,215                     | 275,322                   | 5,928,537            | 0                                 | 100.0%              | 224,568                                                    |
| 2043                                                              | 2044                     | 5,780,831                     | 285,147                   | 6,065,978            | 0                                 | 100.0%              | 234,966                                                    |
| 2044                                                              | 2045                     | 5,914,842                     | 295,668                   | 6,210,510            | 0                                 | 100.0%              | 245,951                                                    |
| 2045                                                              | 2046                     | 6,055,607                     | 306,825                   | 6,362,432            | 0                                 | 100.0%              | 257,583                                                    |
| 2046                                                              | 2047                     | 6,202,038                     | 318,390                   | 6,520,428            | 0                                 | 100.0%              | 269,818                                                    |
| 2047                                                              | 2048                     | 6,355,714                     | 330,445                   | 6,686,159            | 0                                 | 100.0%              | 282,739                                                    |
| 2048                                                              | 2049                     | 6,516,594                     | 343,047                   | 6,859,641            | 0                                 | 100.0%              | 296,377                                                    |
| 2049                                                              | 2050                     | 6,684,735                     | 355,724                   | 7,040,459            | 0                                 | 100.0%              | 310,733                                                    |
| 2050                                                              | 2051                     | 6,867,093                     | 368,750                   | 7,235,843            | 0                                 | 100.0%              | 326,139                                                    |
| 2051                                                              | 2052                     | 7,060,883                     | 381,671                   | 7,442,554            | 0                                 | 100.0%              | 342,690                                                    |
| 2052                                                              | 2053                     | 7,264,238                     | 394,469                   | 7,658,707            | 0                                 | 100.0%              | 360,383                                                    |
| 2053                                                              | 2054                     | 7,472,841                     | 406,682                   | 7,879,523            | 0                                 | 100.0%              | 379,285                                                    |
| 2054                                                              | 2055                     | 7,688,340                     | 418,612                   | 8,106,952            | 0                                 | 100.0%              | 399,365                                                    |



## SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



The results of actuarial valuations are a “snapshot” of the financial position on the valuation date, based on the assumed number of active employees and current beneficiaries. Projections simulate future actuarial valuation results over a forecast period (thirty years in this case) by “creating” future new hires and performing valuations using the projected membership. The following items are assumed for the projected results provided on the following page.

- Active Employee Growth Rate: 0.00%
- Valuation Discount Rate: 7.10%
- Investment Rate of Return: 7.10% each year
- Actuarial Value of Assets: 5-year smoothing, No Corridor
- Amortization Method: Level Percent of Payroll, Closed
- Amortization Period: 15-year period as of Valuation Date
- Future Contributions: Based on the contribution rates defined in statute
- MEHP Rate: \$550

All other demographic and economic changes are assumed to occur in accordance with the actuarial assumptions used for the actuarial valuation.

Projections assume all actuarial assumptions are met and do not include any adjustment for adverse experience due to COVID-19 (either impacting claims or demographics), changes in the ACA, larger than expected increases to MEHP premiums, or lower than expected investment return or payroll growth. The 2026 monthly TRS MEHP rate of \$200 includes EGWP prescription drug costs and Medicare medical costs. The EGWP prescription drug costs are based on projected total drug costs minus projected reimbursements from CMS and drug manufacturers for Medicare Part D rebates, subsidies, and reinsurance. The medical costs are based on total medical costs minus projected reimbursements from CMS. If 50% of these reimbursements were to discontinue, TRS MEHP costs could increase to as much as \$550. In this case, the statutory contribution rates will be less than the actuarially determined contribution rates, the unfunded actuarial accrued liability will not be paid off in the scheduled 15 year timeframe, and the health insurance fund will not reach 100% funded until almost 2050.



# SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



| 50% risk scenario - MEHP rate = \$550 PMPM<br>(Dollar Amounts in \$1,000s) |                          |                               |                           |                      |                                   |                     |                                                            |
|----------------------------------------------------------------------------|--------------------------|-------------------------------|---------------------------|----------------------|-----------------------------------|---------------------|------------------------------------------------------------|
| Valuation Year                                                             | Contribution Fiscal Year | Non-University Payroll<br>(1) | University Payroll<br>(2) | Total Payroll<br>(3) | Unfunded Accrued Liability<br>(4) | Funded Ratio<br>(5) | Total Contribution (Including Member Contributions)<br>(6) |
| 2025                                                                       | 2026                     | \$4,276,794                   | \$196,216                 | \$4,473,010          | \$4,249,042                       | 47.1%               | \$423,514                                                  |
| 2026                                                                       | 2027                     | 4,326,362                     | 193,635                   | 4,519,997            | 4,262,709                         | 49.6%               | 435,517                                                    |
| 2027                                                                       | 2028                     | 4,379,913                     | 194,288                   | 4,574,201            | 4,190,714                         | 52.8%               | 451,299                                                    |
| 2028                                                                       | 2029                     | 4,440,415                     | 196,495                   | 4,636,910            | 4,121,431                         | 55.7%               | 468,412                                                    |
| 2029                                                                       | 2030                     | 4,504,654                     | 199,464                   | 4,704,118            | 4,065,760                         | 58.2%               | 486,704                                                    |
| 2030                                                                       | 2031                     | 4,570,795                     | 202,997                   | 4,773,792            | 4,027,612                         | 60.4%               | 506,376                                                    |
| 2031                                                                       | 2032                     | 4,637,789                     | 206,730                   | 4,844,519            | 3,971,656                         | 62.6%               | 526,663                                                    |
| 2032                                                                       | 2033                     | 4,707,895                     | 210,773                   | 4,918,668            | 3,896,347                         | 64.7%               | 545,633                                                    |
| 2033                                                                       | 2034                     | 4,779,162                     | 215,382                   | 4,994,544            | 3,802,069                         | 66.9%               | 553,850                                                    |
| 2034                                                                       | 2035                     | 4,855,553                     | 219,965                   | 5,075,518            | 3,698,974                         | 69.0%               | 562,636                                                    |
| 2035                                                                       | 2036                     | 4,935,713                     | 224,711                   | 5,160,424            | 3,586,260                         | 71.1%               | 571,853                                                    |
| 2036                                                                       | 2037                     | 5,020,551                     | 230,303                   | 5,250,854            | 3,463,219                         | 73.1%               | 581,663                                                    |
| 2037                                                                       | 2038                     | 5,110,833                     | 236,161                   | 5,346,994            | 3,328,886                         | 75.1%               | 592,102                                                    |
| 2038                                                                       | 2039                     | 5,207,242                     | 242,692                   | 5,449,934            | 3,182,261                         | 77.0%               | 603,282                                                    |
| 2039                                                                       | 2040                     | 5,309,901                     | 249,814                   | 5,559,715            | 3,022,196                         | 79.0%               | 615,209                                                    |
| 2040                                                                       | 2041                     | 5,418,853                     | 257,726                   | 5,676,579            | 2,847,438                         | 80.9%               | 627,905                                                    |
| 2041                                                                       | 2042                     | 5,533,652                     | 266,322                   | 5,799,974            | 2,656,650                         | 82.8%               | 641,310                                                    |
| 2042                                                                       | 2043                     | 5,653,215                     | 275,322                   | 5,928,537            | 2,448,493                         | 84.7%               | 655,279                                                    |
| 2043                                                                       | 2044                     | 5,780,831                     | 285,147                   | 6,065,978            | 2,221,624                         | 86.6%               | 670,219                                                    |
| 2044                                                                       | 2045                     | 5,914,842                     | 295,668                   | 6,210,510            | 1,974,286                         | 88.6%               | 685,932                                                    |
| 2045                                                                       | 2046                     | 6,055,607                     | 306,825                   | 6,362,432            | 1,704,782                         | 90.5%               | 702,455                                                    |
| 2046                                                                       | 2047                     | 6,202,038                     | 318,390                   | 6,520,428            | 1,411,302                         | 92.4%               | 719,642                                                    |
| 2047                                                                       | 2048                     | 6,355,714                     | 330,445                   | 6,686,159            | 1,091,990                         | 94.3%               | 737,683                                                    |
| 2048                                                                       | 2049                     | 6,516,594                     | 343,047                   | 6,859,641            | 744,761                           | 96.3%               | 756,578                                                    |
| 2049                                                                       | 2050                     | 6,684,735                     | 355,724                   | 7,040,459            | 367,399                           | 98.2%               | 776,290                                                    |
| 2050                                                                       | 2051                     | 6,867,093                     | 368,750                   | 7,235,843            | 0                                 | 100.0%              | 351,670                                                    |
| 2051                                                                       | 2052                     | 7,060,883                     | 381,671                   | 7,442,554            | 0                                 | 100.0%              | 367,171                                                    |
| 2052                                                                       | 2053                     | 7,264,238                     | 394,469                   | 7,658,707            | 0                                 | 100.0%              | 383,656                                                    |
| 2053                                                                       | 2054                     | 7,472,841                     | 406,682                   | 7,879,523            | 0                                 | 100.0%              | 401,057                                                    |
| 2054                                                                       | 2055                     | 7,688,340                     | 418,612                   | 8,106,952            | 0                                 | 100.0%              | 419,372                                                    |



## SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



The results of actuarial valuations are a “snapshot” of the financial position on the valuation date, based on the assumed number of active employees and current beneficiaries. Projections simulate future actuarial valuation results over a forecast period (thirty years in this case) by “creating” future new hires and performing valuations using the projected membership. The following items are assumed for the projected results provided on the following page.

- Active Employee Growth Rate: 0.00%
- Valuation Discount Rate: 7.10%
- Investment Rate of Return: 7.10% each year
- Actuarial Value of Assets: 5-year smoothing, No Corridor
- Amortization Method: Level Percent of Payroll, Closed
- Amortization Period: 15-year period as of Valuation Date
- Future Contributions: Based on the contribution rates defined in statute
- MEHP Rate: \$900

All other demographic and economic changes are assumed to occur in accordance with the actuarial assumptions used for the actuarial valuation.

Projections assume all actuarial assumptions are met and do not include any adjustment for adverse experience due to COVID-19 (either impacting claims or demographics), changes in the ACA, larger than expected increases to MEHP premiums, or lower than expected investment return or payroll growth. The 2026 monthly TRS MEHP rate of \$200 includes EGWP prescription drug costs and Medicare medical costs. The EGWP prescription drug costs are based on projected total drug costs minus projected reimbursements from CMS and drug manufacturers for Medicare Part D rebates, subsidies, and reinsurance. The medical costs are based on total medical costs minus projected reimbursements from CMS. If none of these reimbursements were to continue at the current rate, and/or if Medicare eligible medical and prescription drug costs were to increase significantly, it is estimated that TRS MEHP costs could increase to as much as \$900 per member per month. In this case, the statutory contribution rates will be less than the actuarially determined contribution rates, the unfunded actuarial accrued liability will not be paid off in the scheduled 15 year timeframe, and the health insurance fund will not reach 100% funded in the 30-year period.



# SCHEDULE J – HEALTH TRUST 30-YEAR SENSITIVITY PROJECTIONS



| 100% risk scenario - MEHP rate = \$900 PMPM<br>(Dollar Amounts in \$1,000s) |                          |                            |                        |                   |                                |                  |                                                         |
|-----------------------------------------------------------------------------|--------------------------|----------------------------|------------------------|-------------------|--------------------------------|------------------|---------------------------------------------------------|
| Valuation Year                                                              | Contribution Fiscal Year | Non-University Payroll (1) | University Payroll (2) | Total Payroll (3) | Unfunded Accrued Liability (4) | Funded Ratio (5) | Total Contribution (Including Member Contributions) (6) |
| 2025                                                                        | 2026                     | \$4,276,794                | \$196,216              | \$4,473,010       | \$8,037,306                    | 32.0%            | \$424,763                                               |
| 2026                                                                        | 2027                     | 4,326,362                  | 193,635                | 4,519,997         | 8,376,054                      | 32.6%            | 435,517                                                 |
| 2027                                                                        | 2028                     | 4,379,913                  | 194,288                | 4,574,201         | 8,655,480                      | 33.7%            | 451,299                                                 |
| 2028                                                                        | 2029                     | 4,440,415                  | 196,495                | 4,636,910         | 8,964,628                      | 34.4%            | 468,412                                                 |
| 2029                                                                        | 2030                     | 4,504,654                  | 199,464                | 4,704,118         | 9,316,523                      | 34.9%            | 486,704                                                 |
| 2030                                                                        | 2031                     | 4,570,795                  | 202,997                | 4,773,792         | 9,717,329                      | 35.0%            | 506,376                                                 |
| 2031                                                                        | 2032                     | 4,637,789                  | 206,730                | 4,844,519         | 10,134,130                     | 35.0%            | 526,663                                                 |
| 2032                                                                        | 2033                     | 4,707,895                  | 210,773                | 4,918,668         | 10,567,961                     | 35.0%            | 545,633                                                 |
| 2033                                                                        | 2034                     | 4,779,162                  | 215,382                | 4,994,544         | 11,021,993                     | 34.9%            | 553,850                                                 |
| 2034                                                                        | 2035                     | 4,855,553                  | 219,965                | 5,075,518         | 11,509,366                     | 34.7%            | 562,636                                                 |
| 2035                                                                        | 2036                     | 4,935,713                  | 224,711                | 5,160,424         | 12,032,486                     | 34.3%            | 571,853                                                 |
| 2036                                                                        | 2037                     | 5,020,551                  | 230,303                | 5,250,854         | 12,594,080                     | 33.9%            | 581,663                                                 |
| 2037                                                                        | 2038                     | 5,110,833                  | 236,161                | 5,346,994         | 13,196,849                     | 33.3%            | 592,102                                                 |
| 2038                                                                        | 2039                     | 5,207,242                  | 242,692                | 5,449,934         | 13,843,738                     | 32.7%            | 603,282                                                 |
| 2039                                                                        | 2040                     | 5,309,901                  | 249,814                | 5,559,715         | 14,537,841                     | 32.0%            | 615,209                                                 |
| 2040                                                                        | 2041                     | 5,418,853                  | 257,726                | 5,676,579         | 15,282,445                     | 31.2%            | 627,905                                                 |
| 2041                                                                        | 2042                     | 5,533,652                  | 266,322                | 5,799,974         | 16,081,090                     | 30.4%            | 641,310                                                 |
| 2042                                                                        | 2043                     | 5,653,215                  | 275,322                | 5,928,537         | 16,937,677                     | 29.5%            | 655,279                                                 |
| 2043                                                                        | 2044                     | 5,780,831                  | 285,147                | 6,065,978         | 17,856,466                     | 28.5%            | 670,219                                                 |
| 2044                                                                        | 2045                     | 5,914,842                  | 295,668                | 6,210,510         | 18,841,724                     | 27.4%            | 685,932                                                 |
| 2045                                                                        | 2046                     | 6,055,607                  | 306,825                | 6,362,432         | 19,898,208                     | 26.3%            | 702,455                                                 |
| 2046                                                                        | 2047                     | 6,202,038                  | 318,390                | 6,520,428         | 21,031,037                     | 25.1%            | 719,642                                                 |
| 2047                                                                        | 2048                     | 6,355,714                  | 330,445                | 6,686,159         | 22,245,778                     | 23.9%            | 737,683                                                 |
| 2048                                                                        | 2049                     | 6,516,594                  | 343,047                | 6,859,641         | 23,548,316                     | 22.5%            | 756,578                                                 |
| 2049                                                                        | 2050                     | 6,684,735                  | 355,724                | 7,040,459         | 24,944,976                     | 21.2%            | 776,290                                                 |
| 2050                                                                        | 2051                     | 6,867,093                  | 368,750                | 7,235,843         | 26,442,543                     | 19.7%            | 797,644                                                 |
| 2051                                                                        | 2052                     | 7,060,883                  | 381,671                | 7,442,554         | 28,047,921                     | 18.2%            | 820,287                                                 |
| 2052                                                                        | 2053                     | 7,264,238                  | 394,469                | 7,658,707         | 29,768,926                     | 16.6%            | 844,008                                                 |
| 2053                                                                        | 2054                     | 7,472,841                  | 406,682                | 7,879,523         | 31,614,066                     | 15.0%            | 868,285                                                 |
| 2054                                                                        | 2055                     | 7,688,340                  | 418,612                | 8,106,952         | 33,592,899                     | 13.3%            | 893,325                                                 |



## SCHEDULE K – LIFE TRUST 30-YEAR BASELINE PROJECTION



The results of actuarial valuations are a “snapshot” of the financial position on the valuation date, based on the assumed number of active employees and current beneficiaries. Projections simulate future actuarial valuation results over a forecast period (thirty years in this case) by “creating” future new hires and performing valuations using the projected membership. The following items are assumed for the projected results provided on the following page.

- Active Employee Growth Rate: 0.00%
- Valuation Discount Rate: 7.10%
- Investment Rate of Return: 7.10% each year
- Actuarial Value of Assets: 5-year smoothing, No Corridor
- Amortization Method: Level Percent of Payroll, Closed
- Amortization Period: 19-year period as of Valuation Date
- Future Contributions: Based on Expected Actuarially Determined Contributions (not less than 0.08%) until the earlier of the amortization period end or 100% funding is achieved

All other demographic and economic changes are assumed to occur in accordance with the actuarial assumptions used for the actuarial valuation



# SCHEDULE K – LIFE TRUST 30-YEAR BASELINE PROJECTION



| (Dollar amounts in \$1,000s) |                          |                            |                        |                   |                                |                  |                                                    |
|------------------------------|--------------------------|----------------------------|------------------------|-------------------|--------------------------------|------------------|----------------------------------------------------|
| Valuation Year               | Contribution Fiscal Year | Non-University Payroll (1) | University Payroll (2) | Total Payroll (3) | Unfunded Accrued Liability (4) | Funded Ratio (5) | Actuarially Determined Contribution in Dollars (6) |
| 2025                         | 2028                     | \$4,276,794                | \$196,216              | \$4,473,010       | \$19,650                       | 84.7%            | \$3,659                                            |
| 2026                         | 2029                     | 4,326,362                  | 193,635                | 4,519,997         | 20,747                         | 84.2%            | 3,710                                              |
| 2027                         | 2030                     | 4,379,913                  | 194,288                | 4,574,201         | 17,179                         | 87.2%            | 3,763                                              |
| 2028                         | 2031                     | 4,440,415                  | 196,495                | 4,636,910         | 14,053                         | 89.7%            | 3,819                                              |
| 2029                         | 2032                     | 4,504,654                  | 199,464                | 4,704,118         | 11,599                         | 91.7%            | 3,876                                              |
| 2030                         | 2033                     | 4,570,795                  | 202,997                | 4,773,792         | 10,049                         | 92.9%            | 3,935                                              |
| 2031                         | 2034                     | 4,637,789                  | 206,730                | 4,844,519         | 8,393                          | 94.2%            | 3,996                                              |
| 2032                         | 2035                     | 4,707,895                  | 210,773                | 4,918,668         | 6,622                          | 95.5%            | 4,060                                              |
| 2033                         | 2036                     | 4,779,162                  | 215,382                | 4,994,544         | 4,720                          | 96.8%            | 4,128                                              |
| 2034                         | 2037                     | 4,855,553                  | 219,965                | 5,075,518         | 2,676                          | 98.2%            | 4,201                                              |
| 2035                         | 2038                     | 4,935,713                  | 224,711                | 5,160,424         | 470                            | 99.7%            | 4,278                                              |
| 2036                         | 2039                     | 5,020,551                  | 230,303                | 5,250,854         | 0                              | 100.0%           | 1,784                                              |
| 2037                         | 2040                     | 5,110,833                  | 236,161                | 5,346,994         | 0                              | 100.0%           | 1,827                                              |
| 2038                         | 2041                     | 5,207,242                  | 242,692                | 5,449,934         | 0                              | 100.0%           | 1,867                                              |
| 2039                         | 2042                     | 5,309,901                  | 249,814                | 5,559,715         | 0                              | 100.0%           | 1,904                                              |
| 2040                         | 2043                     | 5,418,853                  | 257,726                | 5,676,579         | 0                              | 100.0%           | 1,936                                              |
| 2041                         | 2044                     | 5,533,652                  | 266,322                | 5,799,974         | 0                              | 100.0%           | 1,968                                              |
| 2042                         | 2045                     | 5,653,215                  | 275,322                | 5,928,537         | 0                              | 100.0%           | 1,998                                              |
| 2043                         | 2046                     | 5,780,831                  | 285,147                | 6,065,978         | 0                              | 100.0%           | 2,026                                              |
| 2044                         | 2047                     | 5,914,842                  | 295,668                | 6,210,510         | 0                              | 100.0%           | 2,051                                              |
| 2045                         | 2048                     | 6,055,607                  | 306,825                | 6,362,432         | 0                              | 100.0%           | 2,073                                              |
| 2046                         | 2049                     | 6,202,038                  | 318,390                | 6,520,428         | 0                              | 100.0%           | 2,093                                              |
| 2047                         | 2050                     | 6,355,714                  | 330,445                | 6,686,159         | 0                              | 100.0%           | 2,112                                              |
| 2048                         | 2051                     | 6,516,594                  | 343,047                | 6,859,641         | 0                              | 100.0%           | 2,131                                              |
| 2049                         | 2052                     | 6,684,735                  | 355,724                | 7,040,459         | 0                              | 100.0%           | 2,149                                              |
| 2050                         | 2053                     | 6,867,093                  | 368,750                | 7,235,843         | 0                              | 100.0%           | 2,161                                              |
| 2051                         | 2054                     | 7,060,883                  | 381,671                | 7,442,554         | 0                              | 100.0%           | 2,167                                              |
| 2052                         | 2055                     | 7,264,238                  | 394,469                | 7,658,707         | 0                              | 100.0%           | 2,168                                              |
| 2053                         | 2056                     | 7,472,841                  | 406,682                | 7,879,523         | 0                              | 100.0%           | 2,166                                              |
| 2054                         | 2057                     | 7,688,340                  | 418,612                | 8,106,952         | 0                              | 100.0%           | 2,162                                              |







### INTRODUCTION

Pursuant to the provisions of KRS 161.250, the Board of Trustees (board) of the Teachers' Retirement System of the State of Kentucky (TRS) is vested with the responsibility for the general administration and management of the retirement system. The board may adopt procedures necessary to conduct the business of the retirement system as needed. The applicable provisions of the Kentucky Revised Statutes shall control if any inconsistency exists between state law and this policy.

The board's policy is to achieve full funding within specific, closed 30-year periods without extending or resetting those periods. The underpinning of this is to request, as a minimum appropriation, amounts consistent with the annual actuarial valuations. The actuary focuses on a long investment horizon to promote cost stability, predictability and equity among current and future taxpayers. This policy, as detailed below for each trust, confirms the board's process for recommending annual appropriations payable and the primary actuarial assumptions and methodologies associated with calculating the annual appropriations. Other related actuarial assumptions and methodologies not listed in this policy are reported in annual valuations, the most recent experience study or resolutions adopted by the board.

Also, the board may provide options for funding the Retirement Annuity Trust that could accelerate the paying of its unfunded liability ahead of the amortization schedule and reduce costs for the state thereafter to the normal cost.

This policy is in keeping with the board's direction for the Investment Committee to continue investing for maximum returns within the parameters of prudent risk.

This policy will be reviewed regularly and amended or revised as necessary consistent with the advice of the board's independent actuary.

### BACKGROUND

The level of benefits and funding for teachers' pension and health care are mandated in law by the General Assembly. Also, state law requires that the board, as fiduciary, adopt reasonable actuarial assumptions based upon the advice of a qualified independent actuary and other professionals. Additionally, state law mandates that actuarial assumptions be set using rigorous and transparent processes that adhere to recognized actuarial and financial standards. These processes reflect national best practices, including the Government Finance Officers Association's best practice guidelines for valuations, experience studies and actuarial audits.





TRS evaluates actuarial assumptions (demographic and economic) each year during the actuarial valuation. Several other regular reviews are conducted as well. The return assumptions are reviewed annually by the board's Investment Committee as it evaluates asset allocation. Every two years, the actuary conducts a review of economic assumptions and incorporates any changes into valuations. Every five years, the actuary conducts an experience investigation and recommends to the board adjustments to assumptions based upon past trends, current behavior and forecasted experience. TRS also conducts an actuarial audit (an audit of the actuary) at least every 10 years to ensure that assumptions are reasonable and appropriately reflect the cost of the plans. In the investment context, TRS conducts an asset liability modeling study at least every five years — and more often if material changes warrant an updated study. The annual valuation determines the additional required employer contribution that is included in TRS's biennial budget requests.

The amount that the state owes for benefits consists of two components, normal cost and amortization of unfunded liability. The normal cost is included in the statutory payroll contributions made by members, the state and employers. The amortization of the unfunded liability includes the balance of the statutory payroll contributions paid by the state and employers above amounts needed for the normal cost. In addition, TRS requests additional contributions necessary to amortize the unfunded liability. The funding for medical insurance is outlined by statute as a shared responsibility of employees, employers, retirees and the state.

State law requires, and the TRS board uses, a qualified independent actuary that follows the generally accepted actuarial standards of practice. Some factors considered by the actuary include the length of amortization periods; the projected pattern of cash flows; current and projected interest rates and rates of inflation; and historical and projected returns of the funds. The actuary focuses on a long investment horizon to promote cost stability, predictability and equity among current and future taxpayers.

### 1. Retirement Annuity Trust Appropriations

KRS 161.714 provides that the retirement benefits promised to members of TRS are “an inviolable contract of the Commonwealth.” To satisfy this solemn commitment, the Commonwealth of Kentucky (state) is required to pay annual retirement appropriations necessary to fund the benefit requirements of retirement system members. All employers participating in TRS are responsible for paying the fixed employer contribution rate set forth in state law. However, the state – as plan guarantor – solely is responsible for paying the additional annual retirement appropriations necessary to keep the retirement system actuarially sound and able to satisfy the contract with members to provide promised benefits under KRS 161.550.

Beginning in 2019, the state made its full actuarially determined contribution. Prior to that, from fiscal year 2009 through 2018, the state did not pay the full annual retirement appropriations necessary to prefund the benefit requirements of members of the retirement system. Over this period, the state's annual retirement appropriations grew primarily because of the failure to fund.





The board always has acted as required by state law and requested annual retirement appropriations payable by the state that would ensure that the state meets the contractual obligations to members.

### Annual Retirement Appropriations Payable by the State

In each biennial budget request, the board will recommend annual retirement appropriations payable by the state to meet the benefit requirements of the members of the retirement system. The annual retirement appropriations payable by the state are the sum of the fixed employer contribution rate set by state law and the additional annual retirement appropriations necessary to fund the benefit requirements of members of the retirement system (KRS 161.550). The recommended additional annual retirement appropriations payable by the state are calculated by the board's actuary based upon the results of an annual valuation preceding the beginning of each biennium (KRS 161.400).

### Calculation of Annual Retirement Appropriations Payable by the State

The board will present the actuarially determined annual retirement appropriations payable by the state, which if paid, are the minimum to meet the benefit requirements of the members of the retirement system, consistent with generally accepted actuarial principles. Based upon technical advice from the board's actuary, the board hereby adopts the following principles for calculating the recommended annual retirement appropriations payable by the state:

- A. Use the Entry Age Normal actuarial cost method;
- B. Use a five-year asset smoothing method;
- C. Use a 30-year closed period that began fiscal year 2014 to amortize the unfunded liability. This is calculated by the actuary as the minimum dollar amount for the state to pay each year, and the amount to be provided by the state shall not be less than the prior year's dollar amount until the plan reaches a funded ratio of 100%;
- D. Use a 20-year closed period to amortize new sources of unfunded liability (new sources of unfunded liability are the unfunded liability consisting of all benefit changes, assumption and method changes and experience gains and or losses that have occurred since the previous valuation); and
- E. Reach a minimum funded ratio of 100% within the closed period adopted by the board.

### Accelerated Funding Options

In recognition that the state may want to pay off the unfunded liability earlier than the closed amortization period and thereby reduce its costs long-term, the board may provide options for funding over and above the actuarially required minimum. The board will provide the analytical data showing the impact of each of these on the current costs and the potential savings.





### 2. Retiree Health Insurance Trust

State law provides for a retiree medical plan (KRS 161.675). Since July 1, 2010, retired teachers, active teachers, local school boards, universities and the state have paid contributions for funding the retiree medical plan in accordance with the Shared Responsibility Solution contained in HB 540 (2010 RS). The contributions mandated by Shared Responsibility will meet the benefit requirements of the members of the retirement system, consistent with generally accepted actuarial principles.

Projections of longer term funded status assume both the continuation of current revenue sources beyond state or TRS control and that costs remain in line with assumptions. Regulatory, legislative and other changes, which cannot be predicted and could be severe, would alter the actual future experience. Examples include changes in the solvency of Medicare; in the Inflation Reduction Act, Affordable Care Act or other federal legislation; in Medicare Advantage premiums; and in prescription medication subsidies, rebates or discounts.

Based upon technical advice from the board's actuary, the board hereby adopts the following principles concerning the retiree health insurance plan:

- A. Use the Entry Age Normal actuarial cost method;
- B. Use a five-year asset smoothing method;
- C. Use a 30-year closed period that began fiscal year 2011 to amortize the unfunded liability;
- D. Reach a minimum funded ratio of 100% within the closed period adopted by the board; and
- E. For projecting future funded ratios, the same assumptions shall be used including income received from all current sources. Also, a separate schedule in the valuation will address the risk of trust income disruption if income sources beyond the control of the state and TRS – such as prescription medication rebates and subsidies – are eliminated. For that projection, income from sources other than those mandated by Shared Responsibility (from active members, retirees, employers and the state) shall not be used when calculating the funded ratios.





### 3. Life Insurance Trust

State law provides for a life insurance plan for active and retired teachers (KRS 161.655). The life insurance plan is funded by employer contributions. Based upon technical advice from the board's actuary, the board hereby adopts the following principles concerning the life insurance plan:

- A. Use the Entry Age Normal actuarial cost method;
- B. Use a five-year asset smoothing method;
- C. Use a 30-year closed period that began fiscal year 2014 to amortize the unfunded liability;
- D. Use a 20-year closed period to amortize, as a level percentage of pay, new sources of unfunded liability (new sources of unfunded liability are the unfunded liability consisting of all benefit changes, assumption and method changes and experience gains and or losses that have occurred since the previous valuation); and
- E. Reach a minimum funded ratio of 100% within the closed period adopted by the board.

Adopted December 16, 2013; amended December 9, 2015, September 19, 2016, September 18, 2017, December 18, 2017, September 16, 2019, September 21, 2020; December 18, 2023.

