

Teachers' Retirement System of the State of Kentucky



The 85th Annual Comprehensive Financial Report

**A Component Unit of the Commonwealth of Kentucky
Fiscal Years Ended June 30, 2025 and 2024**

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Frankfort, Kentucky 40601-3800

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This report was prepared by the
Teachers' Retirement System staff.

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Introductory Section



Letter of Transmittal



Teachers' Retirement System of the State of Kentucky

December 5, 2025

Dear Trustees and Members:

It is my pleasure to submit the 85th Annual Comprehensive Financial Report (ACFR) of the Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky, for the fiscal years ended June 30, 2025, and 2024.

The accompanying reports from the independent auditor and the consulting actuary substantiate the financial integrity and the actuarial soundness of TRS.

Allow me to begin this transmittal letter with my thanks for the support of our elected officials for continuing to fully fund the retirement system for Kentucky's teachers. With their help, we are in the eighth consecutive year of full pension funding for TRS of the actuarially determined employer contribution (ADEC). The importance of the consistent full funding of the retirement plan for Kentucky's teachers cannot be overstated. The funded ratios of the two major funds, as determined by the independent actuary, both improved in the year concluded June 30, 2025. The Retirement Annuity Trust funded ratio was 61% compared to 59.1% a year earlier and was the seventh gain in the last nine years. The Health Insurance Trust reached 89.1% from 80.4% a year before, continuing the gains seen since the 2010 Shared Responsibility law (2010 RS House Bill 540). The Health Insurance Trust has gained every year since the 2010 Shared Responsibility law with the exception of one year when an experience study was implemented. Both funds, in the opinion of the actuary, continue to be on track for full funding within the amortization period for each.

As of June 30, 2025, TRS's total funds were \$32.46 billion, a \$2.93 billion improvement from a year ago.

TRS produced this annual report, which is required by state law and contains the system's annual audit and actuarial valuations, that provides the information necessary to better understand TRS, which is the largest financial institution in the state. This report contains numerous examples of how retirement security for Kentucky teachers is being provided

at a low cost and with a great economic benefit for those educators and the state's businesses. Many of the retirement dollars are spent in Kentucky across all 120 counties by the 87% of retirees who live here and receive 90% of the annuity benefits paid by TRS. TRS paid \$2.7 billion in total benefits (retirement, health insurance, etc.) during the fiscal year.

This report conforms with the principles of governmental accounting and generally accepted accounting principles. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with TRS management. To the best of management's knowledge and belief, the enclosed data is accurate in all material aspects and reported in a manner designed to present fairly the financial position and results of operations of TRS for the years ended June 30, 2025, and 2024. Discussion and analysis of net assets and related additions and deductions are presented in Management's Discussion and Analysis in the report's Financial Section.

Management is responsible for maintaining a system of internal controls to establish reasonable assurance that assets are safeguarded, transactions are executed accurately, and financial statements are presented fairly. Limits are inherent in all internal control systems based on the recognition that the costs of such systems should be related to the benefits to be derived. Management believes TRS's controls provide the appropriate balance. The internal controls system includes policies, procedures and an internal audit department reporting to the Board of Trustees.

Profile of TRS

TRS began operations on July 1, 1940, as a cost-sharing, multiple-employer defined benefit plan. The primary purpose of the plan is to provide retirement benefits, including an annuity and retiree health insurance coverage, for education professionals working for local school districts and other public educational agencies in the state.

TRS closed the 2025 fiscal year with 77,024 active members and 61,222 retirees. From the \$2.7 billion paid in total benefits, the average annuity is \$42,079 and, for most TRS retirees, replaces Social Security. TRS usually provides a higher benefit with a comparable normal cost to the federal program.

TRS is an independent agency and instrumentality of the commonwealth. The 11-member Board of Trustees is committed to managing retirement system funds in a prudent, professional manner. In this vein, the actions of the board in recent years have resulted in a reduction of more than \$8 billion in liabilities for the state through decisions related to investing and the implementation of the Shared Responsibility solution that prefunded retiree health care.

An annual operating budget is prepared for the administration of the retirement system and approved by the board. Budget requests also are submitted to the General Assembly for adoption. The agency's administrative expenses, which are among the lowest of U.S. public pension plans, are paid from TRS's investment earnings.

The plan is described in the Notes to Financial Statements in the Financial Section of this report. Also, the Summary of Main System Provisions as Interpreted for Valuation Purposes in the Actuarial Section is useful in understanding benefit and contribution provisions.

Professional consultants are appointed by the board to perform essential services for the effective and efficient operation of TRS. Reports from the board's independent auditor and independent actuary are enclosed in this ACFR. TRS's consultants are listed in the Additional Supporting Schedules of the Financial Section and in the Investment Section's Professional Service Providers table and Health Insurance Trust Professional Service Providers table.

Major Initiatives

TRS is efficient, effective and always working to improve the retirement security of Kentucky's teachers. The highest levels of professionalism, integrity, performance and teamwork are required at all levels. The latest affirmation of this, elaborated upon later in this letter, came with the clean annual audit that resulted in no findings.

During the year, TRS continued several major initiatives concerning funding, investments, benefit administration and cost containment.

Personalized Medicine

Possibly the initiative that continues best to fit all the previously mentioned goals is TRS's leading-edge personalized medicine program that uses a DNA test to improve the wellness of retirees. The program begun in 2017 now has about 13,400 enrollees, most of whom are in the Medicare Eligible Health Plan (MEHP). This pharmacogenomics program focuses on making sure that a retiree's medications are safe and will be beneficial from the beginning, avoiding traditional medicine's costly and sometimes harmful trial-and-error process without the

benefit of the DNA information. This has resulted in reductions in medical spending and hospitalizations for those involved. Vital to the project is the link between retirees and doctors provided by the pharmacists of the Know Your Rx Coalition (KYRx), which works with the scientific partner in the program, InformedDNA's Coriell Life Sciences. The coalition, a purchasing collaborative founded with TRS, reduces costs for members like TRS while providing personal service to customers. Initial Personalized Medicine results have shown widespread acceptance by prescribing physicians, reductions in medical spending for those involved and reductions in hospitalization and outpatient visits. This program has been expanded to include testing for a specific gene that recently was discovered can help detect a rare, but potentially severe, reaction to some cancer medications.

Retiree Health Care

Kentucky continues to be a national leader in prefunding retiree health care benefits as a result of the Shared Responsibility solution enacted in 2010 through the collective efforts of the board, the education community and elected officials. The plan immediately eliminated \$3.1 billion in actuarial liability from the retired teacher health care plan. Combined with other cost control measures, more than \$5 billion in actuarial accrued liability has been eliminated from the Health Insurance Trust. In more than a decade, the health insurance fund has achieved an 80.4% funded ratio compared to pay-as-you-go status before the law. This remarkable improvement confirms that the health insurance fund is well positioned if all statutory contributions are received and other assumptions are realized. Shared Responsibility's success for the retirement security of current and future retired teachers is a national model. It should be noted that the funded level also has benefited from prescription medication rebates and subsidies that were not anticipated at the outset of Shared Responsibility. If these rebates and subsidies that are in addition to Shared Responsibility contributions are lost, the full funding of the trust – currently projected to be in about four years – could be pushed beyond 2050, according to the actuary.

Beyond Shared Responsibility, the board regularly reviews the health care plan to contain costs and maintain a meaningful benefit for retired teachers. The 2007 move to Medicare Advantage continues to be stable and financially feasible for TRS's retirees and the medical plan.

Cost-saving initiatives have included moving the TRS-sponsored Medicare Part D Employer Group Waiver drug plan from fully insured to a self-funded plan to achieve the greatest federal subsidies. Additionally, as referenced previously, TRS is part of KYRx, which it joined in 2012. Through the coalition, TRS saves money leveraging greater prescription purchasing power, obtaining deeper drug

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discounts and increasing the rate at which prescriptions were filled with generic drugs to 90% for the fiscal year compared to 73% in 2012. Additionally, coalition pharmacists work with retired teachers and their physicians to maximize prescription dollars for the retiree and TRS, including supporting the personalized medicine program.

These successful efforts, including cost containment measures by staff, allow affordable retiree health care to continue being provided to retirees with premiums at the same levels they were at 20 years ago.

Investing

With a 12.34% year-over-year investment return, the long-term track record for the TRS investment program remains strong, outperforms average plans and provides income that aids progress toward full funding.

From 2008 to June 2025, TRS investment returns resulted in net assets of \$28.4 billion, compared to the average plan's \$21.3 billion. This outperformance has generated \$7.1 billion to the benefit of Kentucky's teachers and all taxpayers.

For the most recent year, as mentioned, the retirement annuity gained 12.34% while the health trust gained 12.58%, both gross of fees.

As of June 30, 2025, TRS achieved top 6% performance for the year, three-year and decade (as ranked by Aon covering public plans with assets over \$1 billion). The 10-year return was 8.67% for the annuity trust, while the Health Insurance Trust saw a 8.57% gain for the same timeframe.

This performance — overseen by the board and its Investment Committee and managed by the TRS investment team, all working on teachers' behalf — is important because investment income provides about two thirds of annuity payments made by TRS. Also as noted earlier, these TRS annuities bolster Kentucky's economy as retirees cover the expenses of daily life in the state's cities and towns. The consistent contributions from members and employers are the cornerstone of these investments that provide the benefits upon which retired teachers rely.

This report's Investment Section includes asset allocations, target ranges, market environment discussion and historical performance schedules.

According to KRS 161.430, the board is responsible for investing TRS's assets. The board delegates investment authority to the Investment Committee. The committee works closely with experienced investment managers and

TRS's professional staff in evaluating and selecting investment allocations.

The board's investment objectives ensure funds are invested solely in the interest of TRS's members and that investment income is used exclusively to provide benefits to the members and their beneficiaries with reasonable expenses in administering the plan and its trust funds. The investment program also provides a reasonable rate of return with a major emphasis being placed on the protection of the invested assets.

TRS regularly obtains independent reviews, always seeks to improve its investment program and continues the tradition of adhering to best governance practices that all lead to reasonable investment returns.

A multiyear program of diversifying the portfolio continued in line with TRS's focus on investment fundamentals, including controls on risk and costs. These efforts are a continuation of a disciplined investment process and long-term focus on retirement security. This focus has generated exceptionally stable returns through TRS's history, and management has every confidence this will continue. TRS's investment program continues to be recognized as a leader in the public pension community for governance structure, trustee education and cost effectiveness.

The year ended June 30, 2025, was bookended by strong equity markets in the first and final quarters that provided strong results overall. Declining long-term interest rates and tightening credit spreads drove U.S. stocks to records as the year closed. Consumers saw stabilizing inflation end the fiscal year at 3% while the economy continued to create jobs. The lower interest rates fueled equity gains, despite uncertainty from global turmoil.

With the understanding that a one-year period is not determinative for a long-term investor like TRS, the performance for longer periods continues TRS's historical record of top-tier performance. Moreover, during the last 30 years, TRS retirement annuity investment returns of 7.95% have bettered the 7.1% assumed rate of return. Net returns, as well, exceeded assumed rates for the annuity and health insurance trusts over the standard measuring periods of one, three, five and 10 years for both trusts and 20 years for the retirement trust. This record validates policy changes by the board and implemented by the Investment Committee over the last several years. TRS's commitment to best practices, stringent risk controls and emphasis on fundamentals in investing helps ensure long-term retirement security for Kentucky's teachers. TRS's investment portfolio experienced an increase in fair value during the fiscal year to \$31.95 billion from \$29.03 billion a year ago. The increase was the result of market conditions and employer and employee contributions of \$2.2 billion that added to the

portfolio. The gross investment gain for all funds was \$3.61 billion. The net appreciation in fair value of investments was \$2.98 billion compared to \$2.68 billion the prior year.

Legislation

During the 2025 regular session, TRS monitored legislation that directly and indirectly impacted TRS, including a housekeeping bill, a bill that likely will alter health insurance funding, a bill to require expanded reporting of teachers' sick leave balances, a bill that altered retired return-to-work (RRTW) programs – including sunseting the waiver program – and Senate Resolution 126 confirming the gubernatorial appointment of a trustee.

The Executive Branch Budget (2024 RS HB 6), which is for the 2024-26 biennium, provides TRS full retirement annuity funding. This consists of about \$1.88 billion in total for the biennium, including the full \$1.75 billion requested in additional funding to address the unfunded retirement annuity liability. The budget represents the seventh and eighth years of full funding for the retirement annuity, with two years of nearly full funding immediately preceding the current streak. This era of additional required funding being provided reversed a roughly decade-long period where the funding was not provided.

Separately, HB 1 (2024 RS) appropriated \$40 million from the budget reserve trust fund in each year of the biennium to be applied to the unfunded actuarially accrued liability of the annuity trust.

Benefits Administration

Benefits for retirees are determined by the member's date of entry in TRS. For convenience, TRS uses four designations for these account types. TRS 1 consists of members who entered before July 1, 2002. TRS 2 consists of members who entered on or between July 1, 2002, and June 30, 2008. TRS 3 consists of members who entered on or between July 1, 2008, and Dec. 31, 2021. TRS 4 consists of members who began on or after Jan. 1, 2022. The designations are used throughout this report.

The year included the ongoing administration of the TRS 4 hybrid retirement plan. The plan is designed for the board to use risk controls to address any unfunded liability that could develop, limiting the state's responsibility to the payment of fixed statutory contributions.

Internal and External Reviews and Recognition

Independent outside reviews of the retirement system by auditors, the Public Pension Coordinating Council and the Government Finance Officers Association provide the board and TRS staff with important feedback.

TRS responds to legislative and executive inquiries and mandates throughout the year. In connection with pension legislation, TRS received — and responded to — numerous

requests from legislators, the executive branch, constituent groups and others to provide accurate information about TRS. Many of these involved presentations to the Public Pension Oversight Board (PPOB) and General Assembly committees. Subjects included quarterly investment-return and cash-flow updates; sensitivity analyses; the use of sick and annual leave in retirement; the biennial budget request; and annual valuations from the actuary.

The independent review of TRS by Blue & Co. resulted in a clean audit that had no findings. The independent auditor issued an unqualified opinion on TRS's financial statements for the fiscal years ended June 30, 2025, and 2024.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded TRS the Certificate of Achievement for Excellence in Financial Reporting for its ACFR for the year ended June 30, 2024. The certificate is a prestigious award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a one-year Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual comprehensive financial report, whose contents conform to program standards. Such ACFRs must satisfy both generally accepted accounting principles and applicable legal requirements.

TRS has received the certificate for 37 consecutive years (fiscal 1988-2024). TRS believes the current report, which is being submitted to GFOA, continues to conform to the Certificate of Achievement program requirements.

The Public Pension Coordinating Council (PPCC) recognized TRS with the Public Pension Standards Award for Funding and Administration for 2025. The award is based on compliance with principles judged to underpin exemplary retirement system achievements in the areas of benefits, actuarial valuation, financial reporting, investments, funding and disclosure. Those principles are acknowledged widely to be marks of excellence in the public pension industry.

The PPCC is a coalition of three national associations that represent public retirement systems and administrators. Combined, these associations serve retirement systems that provide pension coverage for most of the nation's 18 million employees of state and local government. The associations that form the PPCC are the National Association of State Retirement Administrators, the National Council on Teacher Retirement and the National Conference on Public Employee Retirement Systems.

Information Technology

Pathway — TRS's information technology system that allows members secure online access to account information

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anytime from anywhere — continued to be successful as TRS maintained and refined the system throughout the year. This included continued use of multifactor authentication.

Communications and Outreach

TRS strives to treat every member fairly, with respect and dignity, and to foster a personal affinity for TRS. This is a longtime, foundational culture for communications and outreach efforts. In the fiscal year, TRS continued to reach members in a variety of methods as staff members, including me, delivered communications to members, retirees, the education community, political leaders and the public regarding the value of TRS.

On social media, TRS continued using Facebook and Twitter accounts to communicate information about the system on a timelier basis. Since its beginning, the Facebook account has 5,574 followers and posts that often reach more than 1,000 users — led this past year by more than 5,000 users who saw posts about double-digit investment returns and a health insurance reminder. Facebook posts during the fiscal year were viewed more than 58,000 times. Posts on X (formerly Twitter) were viewed about 4,000 times.

TRS Kentucky YouTube traffic for videos, on a variety of member benefits and retiree insurance issues, reached more than 6,800 views, with about a fourth of those being for a how-to explanation about enrolling in the Medicare-eligible health plan along and a late-career retirement preparation video.

Also, TRS continued seminar offerings for members. Member services webinars hosted hundreds of members in live broadcasts and views of recordings. This is in addition to speaking to hundreds interested in TRS at meetings of constituency groups. Use of mass email continued to communicate about a host of operations. More than 303,000 emails were delivered representing a rate of 93% and with 42.5% opened. Of the 303,000, only 137 resulted in someone unsubscribing and only eight were marked spam. Finally, TRS's counselors met with members in response to 7,637 meeting requests, and 28,990 retirement estimates were provided, including 18,537 created by counselors.

General Administration

TRS continued for the seventh year the option of electronic voting in trustee elections using Pathway. This has been the most significant change in the method of voting since the first election in 1939. The 1,686 ballots cast electronically were up 2% from a year before and the second highest total compared to 1,655 last year, 1,759 the year before, 1,601 the fourth year, 1,411 the third year, 1,113 the second year and 308 the first year.

Also, TRS continued voting through Pathway in December for the Member Nominating Committee that met early this year for the trustee election.

Funding Progress

Retirement Annuity Trust

Teachers saw the continued benefits of increased funding by the state. The current fiscal year will mark the completion of the fourth biennium of full funding for the annuity trust, following nearly full funding in the 2016-2018 biennium. These marked the first full funding in a decade.

Financial and actuarial reports show, thanks to funding and investment returns, that the fiduciary net position of all TRS funds has improved \$9.63 billion from a decade ago.

Based on board recommendations, the General Assembly establishes, by statute, the contribution levels that are to be made by members and employers to fund TRS's liabilities. Each year, an independent actuary performs a valuation to determine whether the current levels of contribution will be sufficient to cover the cost of benefits earned by members.

From fiscal 2009 through fiscal 2018, the state had not paid the full actuarially determined contributions necessary to prefund benefits. Over that time, because of not making the additional appropriation, the actuary determined the state's additionally required contributions have grown to \$1.16 billion (fiscal 2028).

The board always has acted as required by law and recommended employer contributions payable by the state to ensure the state meets its contractual obligations to members. Again, management is appreciative, and teachers can be as well, of the full funding provided in the 2018-2020 budget; in the fiscal 2021 and 2022 budgets; in the 2022-2024 budget; and the 2024-26 budget. The valuation for the Retirement Annuity Trust for the period ending June 30, 2025, reflects TRS's actuarial asset value of \$27.38 billion and actuarial liabilities of \$44.88 billion. The funded ratio of actuarial assets to liabilities is now 61% compared to 59.1% a year earlier and 58.6% two years ago. The progress puts the trust at its highest funded ratio in 15 years.

The actuary reports: "If contributions by the employer to the system in subsequent fiscal years are less than those required, the assets are expected to become insufficient to pay promised benefits. However, assuming that contributions to the system are made by the employer and state from year to year in the future at rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the assets to provide the benefits called for under the system may be safely anticipated."

Annual required employer contributions for the retirement plan are shown in the Schedule of Employer Contributions in the Required Supplemental Information of this report's

Financial Section. Based on the 2025 valuation, the actuary recommends a cumulative increase in employer contributions of 27.48% of pay for fiscal 2028 as detailed in the contribution rates tables in the Summary of Principal Results in this report's Actuarial Section.

Health Insurance Trust

The Shared Responsibility solution for funding retiree health care, which went into effect on July 1, 2010, provides a method of prefunding retiree health care over the next 20 years. In only 15 years, the Health Insurance Trust has reached 89.1% funding compared to pay-as-you-go status before the law took effect. The results confirm that the Health Insurance Trust is on schedule to be funded fully and that the 2010 solution is working when all parties contribute as the law requires. The Shared Responsibility solution for funding retiree health care will help ensure the retirement security of the state's teachers. An actuarial valuation of the Health Insurance Trust for the year ended June 30, 2025, indicated that the trust has an unfunded liability of \$461 million. Annual required employer contributions for the Health Insurance Trust are provided in the Schedule of Employer Contributions in the Required Supplemental Information of the Financial Section.

The actuary opines "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."

The 2024-2026 budget included full funding as set forth in statute for the retiree Health Insurance Trust. With a one-year exception in 2022, retiree health insurance has received all required appropriations since Shared Responsibility was implemented in 2010.

Also, the board pursues cost containment at both the state and national levels to the benefit of teachers and taxpayers. As referenced previously, should the trust's revenues lose prescription medication rebates and subsidies that were not anticipated at the outset of Shared Responsibility, the full funding of the trust could be pushed beyond 2050, according to the actuary.

National Involvement

NCTR Executive Committee

I am past-president of the National Council on Teacher Retirement (NCTR). NCTR is a national, nonprofit organization with a mission to promote effective governance and benefits administration in state and local public pension systems in order that adequate and secure retirement benefits are provided to educators and other plan participants. NCTR membership includes 63 state, territorial, local and university pension systems with

combined assets in excess of \$2 trillion, serving more than 19 million active and retired teachers, non-teaching personnel and other public employees.

Public Sector HealthCare Roundtable

Additionally, I serve on the board of directors and as president of the Public Sector HealthCare Roundtable. The roundtable is a national coalition of public sector health care purchasers that was formed to ensure that the interests of the public sector are represented properly during the formulation, debate and implementation of federal health care policies. Membership is open to any statewide, regional or local governmental unit that provides health care coverage for public employees and retirees.

Acknowledgments

This report reflects the combined efforts of the TRS staff, under the leadership of the board. The report is intended to provide complete and reliable information that serves as a basis for making management decisions and for determining compliance with legal provisions. It also is used to determine responsible stewardship of the assets contributed by TRS members and their employers.

This report is at <https://trs.ky.gov/financial-reports-information/#ACFR> and is available to system employers. The cooperation of these employers continues to contribute significantly to TRS's success and forms the vital link between TRS and its active members.

TRS management and staff are committed to the continued operation of an actuarially sound and efficient system. Again, thanks to you, as trustees and members, and to elected officials for supporting the full funding that ensures teachers' retirement security. Everyone's support is essential to this commitment, and we look forward to continuing that work.

Respectfully submitted,



Gary L. Harbin, CPA
Executive Secretary

Board of Trustees



Brenda McGown
Chair, Retired Teacher Trustee
Bowling Green



Ben Littlepage, Ed.D.
Vice Chair, Active Teacher Trustee
Murray



Paul Bruce
Lay Trustee
Louisville



William Crawford
Appointed Trustee
Louisville



Robbie Fletcher
Ex Officio Trustee
Education Commissioner



Hollis Gritton
Lay Trustee
Union



Mark Metcalf
Ex Officio Trustee
State Treasurer



Laura Schneider
Active Teacher Trustee
Walton



Louis Straub
Appointed Trustee
Louisville



Josh Underwood
Active Teacher Trustee
Tollesboro



Alison Wright
Active Teacher Trustee
Georgetown

Administrative Staff and Professional Consultants

Gary L. Harbin, CPA

Executive Secretary

Robert B. Barnes, JD

*General Counsel and
Deputy Executive Secretary
Operations*

Eric Wampler, JD

*Deputy Executive Secretary
Finance & Administration*

Tom Siderewicz, CFA

Chief Investment Officer

Actuary

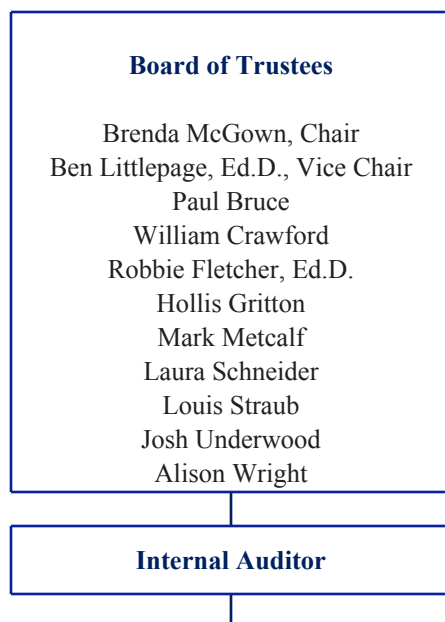
Cavanaugh Macdonald Consulting
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Auditor

Blue & Co.
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Lexington, KY 40507

*See the Schedules of Contracted Investment Management Expenses, Transaction
Commissions and Professional Service Providers on pages 113-116, 119, 121, 128-129 and 131-132
for a list of investment fees and external asset managers.*

Organizational Chart



Administration

Executive Secretary
Gary L. Harbin, CPA

Deputy Executive Secretary of Finance
Eric Wampler, JD

Deputy Executive Secretary of Operations and General Counsel
Robert B. Barnes, JD

Internal Auditor
Brad Cook

Investments
Tom Siderewicz, CFA

Accounting
Mark E. Whelan, CPA

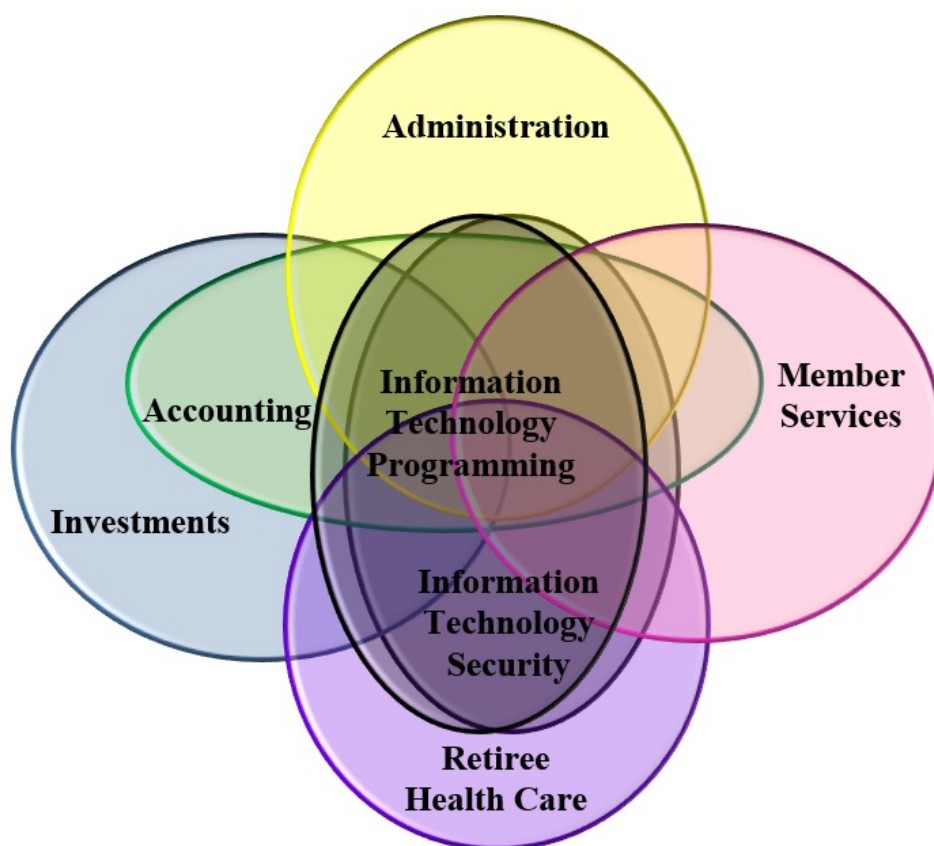
Retiree Health Care
Grace Dotson

Information Technology Programming
Angie Greenwell

Information Technology Security
Tony Potts

Member Services
Becky Niece

Business Operations
Nathan Van Sickel



GFOA Certificate of Achievement



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers' Retirement System of the State of Kentucky

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers' Retirement System of the State of Kentucky. The TRS has received the Certificate of Achievement for the last 37 consecutive years (fiscal years ended 1988-2024).

PPCC Public Pension Standards Award



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2025

Presented to

Teachers' Retirement System of the State of Kentucky

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Robert A. Wylie
Program Administrator

The Public Pension Coordinating Council awarded a Public Pension Standards Award for Funding and Administration to the Teachers' Retirement System of the State of Kentucky for 2025 for implementing and maintaining high professional standards in administering the affairs of TRS. The award is based on compliance with principles judged to underlie exemplary retirement system achievements in the areas of benefits, actuarial valuation, financial reporting, investments, funding and disclosure. Those principles are acknowledged widely to be marks of excellence for retirement systems. It represents the highest standards of excellence in the public pension industry.

Financial Section





CPAs / ADVISORS

Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Members
Teachers' Retirement System of the State of Kentucky
Frankfort, Kentucky

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of Teachers' Retirement System of the State of Kentucky (TRS), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise TRS's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of TRS, as of June 30, 2025, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Prior Period Financial Statements

The financial statements of TRS as of and for the year ended June 30, 2024, were audited by other auditors whose report dated November 15, 2024, expressed unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 22 through 25, and the defined benefit pension plan and other post-employment benefit plan supplemental schedules on pages 77 through 89, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory, investment, actuarial and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2025, on our consideration of TRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of TRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering TRS's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
December 5, 2025

Teachers' Retirement System of the State of Kentucky Management's Discussion and Analysis

This discussion and analysis of the financial performance of Teachers' Retirement System of the State of Kentucky (TRS or system) provides an overview of the Retirement Annuity Trust, the Health Insurance Trust and the Life Insurance Trust for the years ended June 30, 2025, and 2024. It should be read in conjunction with the respective financial statements, which begin on page 26. TRS is the fiduciary of funds held in trust for its members.

Using This Financial Report

Because of the long-term nature of the retirement annuity, health insurance and life insurance trusts, financial statements alone do not provide the complete scope of TRS. The notes, required supplemental information, supporting schedules and other sections of this annual comprehensive financial report (ACFR) relating to investments, actuarial valuations and statistical measures complete that scope.

Information about the activities of the retirement annuity, health insurance and life insurance trusts and the 403(b) Tax-Sheltered Trust as a whole is provided in the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position (on pages 26-29). The Notes to the Financial Statements are an essential part of the basic financial statements. They provide important background and detailed information about TRS, the plan and the basic financial statements themselves.

The Required Supplementary Information includes historical trend information about the funded status of the retirement annuity, health insurance and life insurance trusts presented as required by accounting standards. The Schedules of Employer Contributions present historical trend information about the required contributions of employers and the contributions made by employers in relation to the requirement. These schedules provide information that contributes to understanding the changes over time in the funded status of the plans. Separate reports prepared by the actuary using a board-adopted funding policy provide a long-term, ongoing plan perspective and the progress made in accumulating sufficient assets to pay benefits and insurance premiums when due.

Teachers' Retirement System as a Whole

In the year ended June 30, 2025, the system's combined fiduciary net position increased by \$2.93 billion — from \$29.53 billion in 2024 to \$32.46 billion in 2025. In 2023, the combined net position totaled \$27.08 billion. The following summaries focus on the fiduciary net position and changes in fiduciary net position of TRS's retirement annuity, health insurance and life insurance trusts.

Summary of Fiduciary Net Position (In millions)

	Retirement Annuity Trust			Health Insurance Trust			Life Insurance Trust		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Assets									
Cash and investments	\$ 28,276.0	\$ 26,032.0	\$ 24,189.3	\$3,937.4	\$ 3,310.9	\$2,714.1	\$ 111.0	\$ 101.3	\$ 93.9
Receivables	212.6	156.2	128.5	86.7	74.5	66.1	0.6	0.4	0.4
Capital assets	4.3	5.7	7.5						
Total assets	<u>28,492.9</u>	<u>26,193.9</u>	<u>24,325.3</u>	<u>4,024.1</u>	<u>3,385.4</u>	<u>2,780.2</u>	<u>111.6</u>	<u>101.7</u>	<u>94.3</u>
Liabilities	<u>(98.2)</u>	<u>(85.8)</u>	<u>(80.7)</u>	<u>(72.8)</u>	<u>(67.7)</u>	<u>(36.8)</u>	<u>(0.3)</u>	<u>(0.2)</u>	<u>(0.3)</u>
Net position	<u>\$ 28,394.7</u>	<u>\$ 26,108.1</u>	<u>\$ 24,244.6</u>	<u>\$3,951.3</u>	<u>\$ 3,317.7</u>	<u>\$2,743.4</u>	<u>\$ 111.3</u>	<u>\$ 101.5</u>	<u>\$ 94.0</u>

Trust Totals* **			
(In millions)			
	2025	2024	2023
Assets			
Cash and investments	\$ 32,324.4	\$ 29,444.2	\$ 26,997.3
Receivables	299.9	231.1	195.0
Capital Assets	4.3	5.7	7.5
Total assets	<u>32,628.6</u>	<u>29,681.0</u>	<u>27,199.8</u>
Liabilities	<u>(171.3)</u>	<u>(153.7)</u>	<u>(117.8)</u>
Net position	<u>\$ 32,457.3</u>	<u>\$ 29,527.3</u>	<u>\$ 27,082.0</u>

* Trust Totals excludes Other Funds, which consists of the 403(b) Tax-Sheltered Trust, the Supplemental Benefit Fund and the Losey Scholarship Fund. Other Funds had a combined fiduciary net position of \$1.5 million for 2025, \$1.4 million for 2024 and \$1.3 million for 2023.

** Amounts above may not agree to the financial statements due to rounding.

The fiduciary net position of the Retirement Annuity Trust increased by 8.8% (\$28.39 billion compared to \$26.11 billion in 2024). The fiduciary net position in 2023 was \$24.24 billion. Net investment income was about \$3.06 billion in 2025 versus \$2.81 billion in 2024. Net investment income decreased \$2.27 billion in 2023.

The fiduciary net position of the Health Insurance Trust increased to \$3.95 billion, with gains of 19.1% each of the last two years primarily due to investment income and contributions being more than the amount of insurance benefits. The 2023 fiduciary net position was \$2.74 billion.

The Summary of Changes in Fiduciary Net Position is presented below followed by discussion of the activities within the different trusts.

Summary of Changes in Fiduciary Net Position

(In millions)

	Retirement Annuity Trust			Health Insurance Trust			Life Insurance Trust		
	2025	2024	2023	2025	2024	2023	2025	2024	2023
Additions									
Member contributions	\$ 404.1	\$ 385.9	\$ 366.8	\$ 161.4	\$ 155.3	\$ 149.2	\$	\$	\$
Employer contributions	1,395.2	1,178.6	1,144.4	238.1	224.3	208.8	3.5	3.4	3.2
Net investment increase (decrease)	<u>3,057.0</u>	<u>2,813.7</u>	<u>2,266.1</u>	<u>409.3</u>	<u>340.3</u>	<u>243.1</u>	<u>12.1</u>	<u>10.3</u>	<u>8.6</u>
Total additions	<u>4,856.3</u>	<u>4,378.2</u>	<u>3,777.3</u>	<u>808.8</u>	<u>719.9</u>	<u>601.1</u>	<u>15.6</u>	<u>13.7</u>	<u>11.8</u>
Deductions									
Benefit payments	2,522.5	2,467.0	2,391.3				5.9	6.2	6.2
Refunds	32.4	32.9	26.9						
Administrative expense	14.7	14.8	14.5	2.1	2.1	2.0			
Insurance expenses				<u>173.1</u>	<u>143.5</u>	<u>124.8</u>			
Total deductions	<u>2,569.6</u>	<u>2,514.7</u>	<u>2,432.7</u>	<u>175.2</u>	<u>145.6</u>	<u>126.8</u>	<u>5.9</u>	<u>6.1</u>	<u>6.3</u>
Net increase (decrease)	<u>2,286.7</u>	<u>1,863.5</u>	<u>1,344.6</u>	<u>633.6</u>	<u>574.3</u>	<u>474.3</u>	<u>9.7</u>	<u>7.5</u>	<u>5.5</u>
Fiduciary net position									
Beginning of year	<u>\$26,108.1</u>	<u>\$24,244.6</u>	<u>\$22,900.0</u>	<u>\$3,317.7</u>	<u>\$2,743.4</u>	<u>\$2,269.1</u>	<u>\$101.6</u>	<u>\$ 94.0</u>	<u>\$ 88.5</u>
End of year	<u>\$28,394.8</u>	<u>\$26,108.1</u>	<u>\$24,244.6</u>	<u>\$3,951.3</u>	<u>\$3,317.7</u>	<u>\$2,743.4</u>	<u>\$111.3</u>	<u>\$101.6</u>	<u>\$ 94.0</u>

	Trust Totals* **		
	<i>(In millions)</i>		
	2025	2024	2023
Additions			
Member contributions	\$ 565.5	\$ 541.2	\$ 516.0
Employer contributions	1,636.8	1,406.3	1,356.4
Net investment increase (decrease)	3,478.4	3,164.3	2,517.9
Total additions	<u>5,680.7</u>	<u>5,111.8</u>	<u>4,390.3</u>
Deductions			
Benefit payments	2,528.4	2,473.2	2,397.6
Refunds	32.4	32.9	26.9
Administrative expense	16.8	16.9	16.5
Insurance expenses	173.1	143.5	124.8
Total deductions	<u>2,750.7</u>	<u>2,666.5</u>	<u>2,565.8</u>
Net increase (decrease)	<u>2,930.0</u>	<u>2,445.3</u>	<u>1,824.5</u>
Fiduciary net position			
Beginning of year	<u>\$29,527.3</u>	<u>\$27,082.0</u>	<u>\$25,257.5</u>
End of year	<u><u>\$32,457.3</u></u>	<u><u>\$29,527.3</u></u>	<u><u>\$27,082.0</u></u>

* Trust Totals excludes Other Funds, which consists of the 403(b) Tax-Sheltered Trust, the Supplemental Benefit Fund and the Losey Scholarship Fund.

** Amounts above may not agree to the financial statements due to rounding.

Retirement Annuity Trust Activities

Retirement contributions are calculated by applying a percentage factor to salary with member and employer contributions withheld from each pay check. Members also may pay contributions to repurchase previously refunded service credit or to purchase various types of elective service credit.

In 2025, employer contributions totaled \$1.40 billion, a net increase of \$216.7 million from the prior fiscal year mainly due to increases in the amount required by the actuary for the unfunded liability and contributions for higher teacher salaries. The decrease from 2022 to 2023 resulted primarily from the state's additional employer contributions in 2022 of \$479 million to pay off previously awarded benefits.

The Retirement Annuity Trust experienced net investment income of \$3.06 billion in 2025 after net investment income of \$2.81 billion for 2024. For 2023, net investment income was a negative \$2.27 billion.

Deductions increased \$55 million in 2025 and \$82.0 million in 2024, which can be attributed to increases in the number of benefit recipients. Members and beneficiaries on the retiree payroll as of June 30, 2025, increased year over year each of the last two years, with a gain of about 800 over the prior year and 799 two years ago.

Other Postemployment Benefit (OPEB) Activities

During 2025, the Health Insurance Trust member contributions increased \$6.1 million from 2024, which followed a \$6.1 million increase from 2023. This represented a continuing increase in member's salaries paid by the local school district employers. Also, during 2025, employer contributions increased \$13.8 million from 2024 as the state made its contribution of the health insurance premiums for members who retired after July 1, 2010, who participate in the Kentucky Employees' Health Plan (KEHP).

In 2025, the Health Insurance Trust experienced net investment income of \$409.3 million compared to the previous year increase of \$340.3 million net investment income. For 2023, net investment income was a negative \$243.1 million.

The Life Insurance Trust experienced net investment income of \$12.1 million in 2025, compared to net investment income of \$10.3 million in 2024 and a negative \$8.6 million in 2023. Life insurance benefits paid for 2025, 2024 and 2023 were \$5.9 million, \$6.2 million and \$6.2 million respectively.

Funding

For the 2024-2026 biennium, the state budgeted \$1.75 billion of additional employer contributions for the unfunded liability of the Retirement Annuity Trust. The plan fiduciary net position as a percentage of total pension liability measured in accordance with Governmental Accounting Standards Board (GASB) Statement No. 67 was 63.6% as of June 30, 2025, compared to 2024's 60.4%. The separately issued actuary's valuation shows progress of the trust's funded status over the amortization period set by the board funding policy. The additional funding provided in the budget resulted in the actuarially determined employer contribution (ADEC) being made for 2025 and 2024. Assuming that contributions to the retirement trust are made by the state from year to year in the future as recommended by the actuary, TRS should have sufficient assets to provide all benefits due as defined by law to members.

The funding of the health insurance and life insurance trusts is presented in Notes 8 and 9 of these financial statements and the Required Supplementary Information in accordance with GASB Statement No. 74. Current obligations are being met by current funding and the Shared Responsibility solution enacted in 2010 continues to prefund retiree health benefits. The Schedule of Employer Contributions presented in the Required Supplementary Information provides the required contributions for the health and life insurance trusts.

Historical Trends

Accounting standards require that the Statement of Fiduciary Net Position presents assets at fair value; include only benefits and refunds due to plan members and beneficiaries. The standards also require presenting accrued investment and administrative expenses as of the reporting date. Detailed information regarding the funded status — including the key actuarial assumptions, target allocations and the sensitivity of the discount rate — can be found for the Retirement Annuity Trust in Note 4 of the financial statements, in Note 8 for the Health Insurance Trust and in Note 9 for the Life Insurance Trust. The schedules of employer contributions are provided in the Required Supplementary Information.

TRS's independent consulting actuaries are members of the American Academy of Actuaries and experienced in performing valuations for public retirement systems. As mandated by state law, the valuations of the retirement annuity and health insurance trusts are prepared in accordance with principles of practice prescribed by the Actuarial Standards Board consistent with accepted actuarial procedures. Actuarial assumptions used in the valuations are internally consistent and reasonable based on the actual experience of the trusts. An actuarial audit was completed in 2015, which confirmed the accuracy of actuarial procedures and the reasonableness of assumptions. A five-year experience study was completed in 2021, which also confirmed the reasonableness of assumptions based upon the actual experience of the trusts. In 2025, the actuary performed a review of economic assumptions.

This financial report is designed to provide citizens, participating employers, plan members and other users with an overview of TRS's fiscal practices. Direct questions or requests for additional information to TRS Chief Financial Officer Mark Whelan.

Basic Financial Statements

Statement of Fiduciary Net Position
As of June 30, 2025

	Retirement Annuity Trust	Health Insurance Trust	Life Insurance Trust	Other Funds	Total
Assets					
Cash	\$ 225,080,015	\$ 146,069,251	\$ 117,506	\$ 183,305	\$ 371,450,077
Prepaid expenses	14,155				14,155
Receivables					
Contributions	50,510,743	14,201,383	39,981		64,752,107
Due from other trusts	12,391,597				12,391,597
State of Kentucky	46,913,058		307,498		47,220,556
Investment income	67,162,242	13,064,841	300,375	4,189	80,531,647
Investment sales receivable	35,539,895	6,340,030	3,207		41,883,132
Other receivables	27,695	53,076,378			53,104,073
Total receivables	212,545,230	86,682,632	651,061	4,189	299,883,112
Investments at fair value					
Short-term investments	408,085,593	154,235,574	6,412,195	391,675	569,125,037
Fixed income	3,468,774,136	384,292,079	13,583,627	202,454	3,866,852,296
Equity	17,258,891,199	2,253,560,495	72,505,772	676,639	19,585,634,105
Alternative investments	2,300,693,070	275,496,532	7,051,647		2,583,241,249
Real estate	1,741,122,706	189,603,933	7,962,075		1,938,688,714
Additional categories	2,873,335,848	534,169,297	3,350,477		3,410,855,622
Total investments	28,050,902,552	3,791,357,910	110,865,793	1,270,768	31,954,397,023
Capital assets	28,238,153				28,238,153
Accumulated depreciation	(23,921,255)				(23,921,255)
Net capital assets	4,316,898				4,316,898
Total assets	28,492,858,850	4,024,109,793	111,634,360	1,458,262	32,630,061,265
Liabilities					
Accrued expenses and other liabilities	3,268,036	35,606,280	82,442		38,956,758
Due to other trusts		12,166,798	219,353	5,446	12,391,597
State of Kentucky		3,993,644			3,993,644
Investment purchases payable	94,866,230	21,075,201	975		115,942,406
Total liabilities	98,134,266	72,841,923	302,770	5,446	171,284,405
Net position restricted for pension and other postemployment benefits	<u>\$ 28,394,724,584</u>	<u>\$3,951,267,870</u>	<u>\$111,331,590</u>	<u>\$ 1,452,816</u>	<u>\$ 32,458,776,860</u>

The Combining Statement of Fiduciary Net Position — Other Funds is presented on page 30.

The accompanying notes are an integral part of these financial statements.

Statement of Fiduciary Net Position
As of June 30, 2024

	Retirement Annuity Trust	Health Insurance Trust	Life Insurance Trust	Other Funds	Total
Assets					
Cash	\$ 259,780,594	\$ 158,491,246	\$ 408,935	\$ 190,501	\$ 418,871,276
Prepaid expenses	39,648				39,648
Receivables					
Contributions	50,326,612	12,521,802	55,791		62,904,205
Due from other trusts	10,135,426				10,135,426
State of Kentucky			55,327		55,327
Investment income	73,083,001	7,854,183	328,869	4,439	81,270,492
Investment sales receivable	22,671,447	4,171,118	1,350		26,843,915
Other receivables	26,965	49,992,663			50,019,628
Total receivables	156,243,451	74,539,766	441,337	4,439	231,228,993
Investments at fair value					
Short-term investments	572,635,564	190,546,793	4,919,258	374,263	768,475,878
Fixed income	3,344,709,780	247,128,630	16,758,846	202,656	3,608,799,912
Equity	15,374,903,827	1,823,215,375	62,780,493	595,103	17,261,494,798
Alternative investments	2,079,165,274	246,078,333	6,429,611		2,331,673,218
Real estate	1,712,653,006	156,478,824	7,037,595		1,876,169,425
Additional categories	2,688,094,277	488,999,159	3,048,893		3,180,142,329
Total investments	25,772,161,728	3,152,447,114	100,974,696	1,172,022	29,026,755,560
Capital assets	28,238,153				28,238,153
Accumulated depreciation	(22,508,768)				(22,508,768)
Net capital assets	5,729,385				5,729,385
Total assets	26,193,954,806	3,385,478,126	101,824,968	1,366,962	29,682,624,862
Liabilities					
Accrued expenses and other liabilities	3,447,683	22,931,226	80,086		26,458,995
Due to other trusts		9,944,788	185,760	4,878	10,135,426
State of Kentucky	15,085,250	16,872,140			31,957,390
Investment purchases payable	67,285,796	18,019,114			85,304,910
Total liabilities	85,818,729	67,767,268	265,846	4,878	153,856,721
Net position restricted for pension and other postemployment benefits	<u>\$ 26,108,136,077</u>	<u>\$ 3,317,710,858</u>	<u>\$ 101,559,122</u>	<u>\$ 1,362,084</u>	<u>\$ 29,528,768,141</u>

The Combining Statement of Fiduciary Net Position — Other Funds is presented on page 30.
The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2025**

	Retirement Annuity Trust	Health Insurance Trust	Life Insurance Trust	Other Funds	Total
Additions					
Contributions					
State of Kentucky	\$ 1,311,423,491	\$ 104,648,371	\$ 3,007,320	\$	\$ 1,419,079,182
Employers	83,712,219	133,429,904	519,063		217,661,186
Members	404,088,671	161,425,326		65,714	565,579,711
Total contributions	1,799,224,381	399,503,601	3,526,383	65,714	2,202,320,079
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	2,625,957,677	345,680,348	10,782,853	81,334	2,982,502,212
Interest	247,117,993	52,117,751	861,092	32,392	300,129,228
Dividends	234,232,759	21,158,547	703,260	9,341	256,103,907
Rental income, net	26,126,325				26,126,325
Securities lending, gross earnings	47,280,270	35,615	832,188	10,565	48,158,638
Gross investment income (loss)	3,180,715,024	418,992,261	13,179,393	133,632	3,613,020,310
Less: investment expense	(81,387,131)	(9,619,074)	(297,376)		(91,303,581)
Less: securities lending expense	(42,363,441)	(31,819)	(777,287)	(9,546)	(43,182,093)
Net investment income (loss)	3,056,964,452	409,341,368	12,104,730	124,086	3,478,534,636
Total additions	4,856,188,833	808,844,969	15,631,113	189,800	5,680,854,715
Deductions					
Benefits	2,522,487,471		5,825,052	98,500	2,528,411,023
Refunds of contributions	32,448,673				32,448,673
Insurance expenses		173,065,947			173,065,947
Administrative expense	14,664,182	2,222,010	33,593	568	16,920,353
Total deductions	2,569,600,326	175,287,957	5,858,645	99,068	2,750,845,996
Net increase (decrease)	2,286,588,507	633,557,012	9,772,468	90,732	2,930,008,719
Net position restricted for pension and other postemployment benefits					
Beginning of year	26,108,136,077	3,317,710,858	101,559,122	1,362,084	29,528,768,141
End of year	\$28,394,724,584	\$3,951,267,870	\$ 111,331,590	\$ 1,452,816	\$32,458,776,860

The Combining Statement of Changes in Fiduciary Net Position — Other Funds is presented on page 31.
The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2024**

	Retirement Annuity Trust	Health Insurance Trust	Life Insurance Trust	Other Funds	Total
Additions					
Contributions					
State of Kentucky	\$ 1,085,041,513	\$ 96,418,669	\$ 2,777,522	\$	\$ 1,184,237,704
Employers	93,640,460	127,901,507	579,250		222,121,217
Members	385,906,512	155,327,151		17,740	541,251,403
Total contributions	1,564,588,485	379,647,327	3,356,772	17,740	1,947,610,324
Investment income (loss)					
Net appreciation (depreciation) in fair value of investments	2,381,075,925	288,185,945	8,920,554	89,132	2,678,271,556
Interest	237,648,164	43,427,659	970,215	35,628	282,081,666
Dividends	250,196,624	17,729,767	692,275	9,033	268,627,699
Rental income, net	24,113,698				24,113,698
Securities lending, gross earnings	38,299,068		682,519	7,531	38,989,118
Gross investment income (loss)	2,931,333,479	349,343,371	11,265,563	141,324	3,292,083,737
Less: investment expense	(81,907,104)	(9,049,993)	(307,517)		(91,264,614)
Less: securities lending expense	(35,732,348)		(642,961)	(7,075)	(36,382,384)
Net investment income (loss)	2,813,694,027	340,293,378	10,315,085	134,249	3,164,436,739
Total additions	4,378,282,512	719,940,705	13,671,857	151,989	5,112,047,063
Deductions					
Benefits	2,466,971,497		6,106,000	66,317	2,473,143,814
Refunds of contributions	32,921,776				32,921,776
Insurance expenses		143,521,932			143,521,932
Administrative expense	14,807,287	2,120,996	36,650	398	16,965,331
Total deductions	2,514,700,560	145,642,928	6,142,650	66,715	2,666,552,853
Net increase (decrease)	1,863,581,952	574,297,777	7,529,207	85,274	2,445,494,210
Net position restricted for pension and other postemployment benefits					
Beginning of year	24,244,554,125	2,743,413,081	94,029,915	1,276,810	27,083,273,931
End of year	\$26,108,136,077	\$3,317,710,858	\$ 101,559,122	\$ 1,362,084	\$29,528,768,141

The Combining Statement of Changes in Fiduciary Net Position — Other Funds is presented on page 32.
The accompanying notes are an integral part of these financial statements.

Combining Statement of Fiduciary Net Position — Other Funds
As of June 30, 2025

	403(b) Tax- Sheltered Trust	Supplemental Benefit Fund	Losey Scholarship Fund	Total
Assets				
Cash	\$ 96,475	\$ 86,830	\$	\$ 183,305
Receivables				
Investment income	1,170		3,019	4,189
Investments at fair value				
Short-term investments	340,430		51,245	391,675
Fixed income			202,454	202,454
Equity			676,639	676,639
Total investments	340,430		930,338	1,270,768
Total assets	438,075	86,830	933,357	1,458,262
Liabilities				
Due to other trusts	103	4,679	664	5,446
Total liabilities	103	4,679	664	5,446
Net position restricted for pension and other postemployment benefits	<u>\$ 437,972</u>	<u>\$ 82,151</u>	<u>\$ 932,693</u>	<u>\$ 1,452,816</u>

Combining Statement of Fiduciary Net Position — Other Funds
As of June 30, 2024

	403(b) Tax- Sheltered Trust	Supplemental Benefit Fund	Losey Scholarship Fund	Total
Assets				
Cash	\$ 29,197	\$ 161,304	\$	\$ 190,501
Receivables				
Investment income	1,392		3,047	4,439
Investments at fair value				
Short-term investments	326,682		47,581	374,263
Fixed income			202,656	202,656
Equity			595,103	595,103
Total investments	326,682		845,340	1,172,022
Total assets	357,271	161,304	848,387	1,366,962
Liabilities				
Due to other trusts	94	4,224	560	4,878
Total liabilities	94	4,224	560	4,878
Net position restricted for pension and other postemployment benefits	<u>\$ 357,177</u>	<u>\$ 157,080</u>	<u>\$ 847,827</u>	<u>\$ 1,362,084</u>

The accompanying notes are an integral part of these financial statements.

Combining Statement of Changes in Fiduciary Net Position — Other Funds
For the Year Ended June 30, 2025

	403(b) Tax- Sheltered Trust	Supplemental Benefit Fund	Losey Scholarship Fund	Total
Additions				
Contributions				
Employers	\$	\$	\$	\$
Member	65,714			65,714
Total contributions	65,714			65,714
Investment income (loss)				
Net appreciation in fair value of investments			81,334	81,334
Interest	16,752	4,364	11,276	32,392
Dividends			9,341	9,341
Securities lending, gross			10,565	10,565
Gross investment income (loss)	16,752	4,364	112,516	133,632
Less: securities lending expense			(9,546)	(9,546)
Net investment income (loss)	16,752	4,364	102,970	124,086
Total additions	82,466	4,364	102,970	189,800
Deductions				
Benefits	1,657	78,843	18,000	98,500
Administrative expense	14	450	104	568
Total deductions	1,671	79,293	18,104	99,068
Net increase (decrease)	80,795	(74,929)	84,866	90,732
Net position restricted for pension and other postemployment benefits				
Beginning of year	357,177	157,080	847,827	1,362,084
End of year	<u>\$ 437,972</u>	<u>\$ 82,151</u>	<u>\$ 932,693</u>	<u>\$ 1,452,816</u>

The accompanying notes are an integral part of these financial statements.

Combining Statement of Changes in Fiduciary Net Position — Other Funds
For the Year Ended June 30, 2024

	403(b) Tax- Sheltered Trust	Supplemental Benefit Fund	Losey Scholarship Fund	Total
Additions				
Contributions				
Employers	\$	\$	\$	\$
Member	17,740			17,740
Total contributions	17,740			17,740
Investment income (loss)				
Net appreciation in fair value of investments			89,132	89,132
Interest	17,274	6,895	11,459	35,628
Dividends			9,033	9,033
Securities lending, gross			7,531	7,531
Gross investment income (loss)	17,274	6,895	117,155	141,324
Less: securities lending expense			(7,075)	(7,075)
Net investment income (loss)	17,274	6,895	110,080	134,249
Total additions	35,014	6,895	110,080	151,989
Deductions				
Benefits	1,856	46,461	18,000	66,317
Administrative expense	11	279	108	398
Total deductions	1,867	46,740	18,108	66,715
Net increase (decrease)	33,147	(39,845)	91,972	85,274
Net position restricted for pension and other postemployment benefits				
Beginning of year	324,027	196,929	755,854	1,276,810
End of year	\$ 357,174	\$ 157,084	\$ 847,826	\$ 1,362,084

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

Note 1

Description of Retirement Annuity Trust

Reporting Entity

The Teachers' Retirement System of the State of Kentucky (TRS, or system) was created by the 1938 General Assembly, began operations July 1, 1940, and is governed by Kentucky Revised Statutes (KRS) chapter 161 sections 220 through 990. TRS is a blended component unit of the Commonwealth of Kentucky (commonwealth or state) and, therefore, is included in the commonwealth's financial statements. TRS is a cost-sharing multiple-employer defined benefit plan with a special funding situation established to provide retirement, health and life insurance benefits for specified employees of local school districts and other public educational agencies in the commonwealth.

KRS 161.250 provides that the general administration and management of TRS, and the responsibility for its proper operation, is vested in a board of trustees. The Board of Trustees consists of the chief state school officer, the state treasurer, two trustees appointed by the governor and seven elected trustees. Four of the elected trustees are active teachers, two are not members of the teaching profession, and one is an annuitant of the system.

Participants

As of June 30, 2025, a total of 202 employers participated in the plan. Employers are comprised of local school districts, Department of Education agencies, universities, the Kentucky Community and Technical College System and other educational organizations. The state under the Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 74 is recognized as a non-employer contributing entity providing the employer matching contributions for members employed by the local school districts and regional educational cooperatives.

According to KRS 161.220, any regular or special teacher, or professional occupying a position requiring certification or graduation from a four-year college or university is eligible to participate in the system. The following table illustrates the classifications of members.

	2025	2024
Active contributing members:		
Vested	49,829	49,652
Non-vested	27,195	26,362
Inactive members, vested	12,354	11,957
Retirees and beneficiaries currently receiving benefits	61,222	60,358
Total members, retirees and beneficiaries	150,600	148,329

Because benefits are determined by a member's entry date, throughout this report, each grouping is referred to by a different name.

- TRS 1 is members who entered before July 1, 2002.
- TRS 2 is members who entered on or between July 1, 2002, and June 30, 2008.
- TRS 3 is members who entered on or between July 1, 2008, and Dec. 31, 2021.
- TRS 4 is members who entered on or after Jan. 1, 2022.

Benefit Provisions

TRS 1 and TRS 2 Members: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 55 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service.

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Non-university members receive monthly payments equal to 2% (service prior to July 1, 1983) and 2.5% (service after July 1, 1983) of their final average salaries for each year of credited service. Non-university members who became members on or after July 1, 2002, will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service is less than 10 years. New members after July 1, 2002, who retire with 10 or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first 10 years. In addition, non-university members who retire July 1, 2004, and later with more than 30 years of service will have a multiplier for all years over 30 of 3%.

University employees receive monthly benefits equal to 2% of their final average salary for each year of credited service.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service. The minimum annual service allowance for all members is \$440 multiplied by credited service.

TRS 3 Members: Members become vested when they complete five years of credited service. To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 60 and complete five years of Kentucky service, or
2. Complete 27 years of Kentucky service, or
3. Attain age 55 and complete 10 years of Kentucky service.

The annual retirement allowance for non-university members is equal to: (a) 1.7% of final average salary for each year of credited service if their service is 10 years or less; (b) 2% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 2.3% of final average salary for each year of credited service if their service is greater than 20 years but no more than 26 years; (d) 2.5% of final average salary for each year of credited service if their service is greater than 26 years but no more than 30 years; (e) 3% of final average salary for years of credited service greater than 30 years.

The annual retirement allowance for university members is equal to: (a) 1.5% of final average salary for each year of credited service if their service is 10 years or less; (b) 1.7% of final average salary for each year of credited service if their service is greater than 10 years but no more than 20 years; (c) 1.85% of final average salary for each year of credited service if their service is greater than 20 years but less than 27 years; (d) 2% of final average salary for each year of credited service if their service is greater than or equal to 27 years.

The final average salary is the member's five highest annual salaries except members at least age 55 with 27 or more years of service may use their three highest annual salaries. For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

TRS 4 Members: To qualify for monthly retirement benefits, payable for life, members must either:

1. Attain age 57 and complete 10 years of Kentucky service, or
2. Attain age 65 and complete five years of Kentucky service.

Foundational Benefit

The annual foundational benefit for members is equal to service times a multiplier times final average salary. The final average salary is the member's five highest annual salaries. The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

The multiplier for non-university members is shown in the following table:

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60		1.70%	1.95%	2.20%
61		1.74%	1.99%	2.24%
62		1.78%	2.03%	2.28%
63		1.82%	2.07%	2.32%
64		1.86%	2.11%	2.36%
65 and over	1.90%	1.90%	2.15%	2.40%

The multiplier for university members is shown in the following table:

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60		0.70%	0.95%	1.20%
61		0.74%	0.99%	1.24%
62		0.78%	1.03%	1.28%
63		0.82%	1.07%	1.32%
64		0.86%	1.11%	1.36%
65 and over	0.90%	0.90%	1.15%	1.40%

Supplemental Benefit

The annual supplemental benefit is equal to the account balance that includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance or a portion thereof as a lump sum either at the time of retirement or at a later date.

Other Benefits

TRS provides postemployment health insurance benefits to retirees as fully described in Note 8. For TRS 1, TRS 2 and TRS 3 members, TRS also provides disability benefits for vested members at the rate of 60% of the final average salary. TRS 4 members will receive a disability benefit to be determined by the board through administrative regulation.

A life insurance benefit payable upon the death of a member, also described in Note 9, is \$2,000 for active contributing members and \$5,000 for retired or disabled members for TRS 1, TRS 2 and TRS 3 members. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Cost of living increases as provided by law are 1.5% annually. Additional ad hoc increases and any other benefit amendments are provided if authorized by the General Assembly.

Note 2

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. Member contributions and employer matching contributions are recognized in the fiscal year due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Cash

TRS has seven cash accounts. At June 30, 2025, the retirement annuity cash account totaled \$181.5 million, the control cash account totaled \$43.6 million and the capital project cash account totaled \$0 for a total of \$225 million as carrying value of cash in the retirement trust. The health insurance's Internal Revenue Code sec. 115 (IRC 115) trust cash account totaled \$141.2 million, the health insurance 401(h) cash account totaled \$7.2 million for a total of \$148.4 million as carrying value of cash in the Health Insurance Trust. The Life Insurance Trust cash account totaled \$416,738. The Supplemental Benefit Fund cash account

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contained \$86,830. The Voluntary Contribution 403(b) cash account totaled \$96,481. Therefore, the carrying value of cash was \$374.1 million, and the bank balance was \$400.1 million. The variance is primarily due to outstanding checks and items not processed by the bank as of June 30, 2025.

At June 30, 2024, the retirement annuity cash account totaled \$187.8 million, the control cash account totaled \$71.7 million and the capital project cash account totaled \$274,003 for a total of \$259.8 million as carrying value of cash in the retirement trust. The health insurance's IRC 115 trust cash account totaled \$154.1 million, the health insurance 401(h) cash account totaled \$5.0 million for a total of \$159.2 million as carrying value of cash in the Health Insurance Trust. The Life Insurance Trust cash account totaled \$484,343. The Supplemental Benefit Fund cash account contained \$161,309. Therefore, the carrying value of cash was \$419.6 million, and the bank balance was \$451.2 million. The variance is primarily due to outstanding checks and items not processed by the bank as of June 30, 2024.

Capital Assets

Property and equipment are carried at cost, less accumulated depreciation. Buildings, improvements to land and equipment are capitalized when the acquisition is \$5,000 or greater. Intangible capital assets are capitalized when the cost is \$100,000 or more, except software, which has a threshold of \$500,000. Expenditures for maintenance and repairs are charged to operations as incurred. Depreciation is calculated using the straight-line method, with estimated lives ranging from five to 40 years in the following major classes: office furniture and equipment, five years; other equipment, five years; computer software, 10 years; and TRS office buildings, 40 years. Pathway replaced TRS's legacy computer system and is TRS's primary business information technology system. Pathway was capitalized and is being amortized or depreciated over 10 years.

Investments

Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller. Short-term securities are carried at cost, which approximates fair value. Fixed income and common and preferred stocks are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued based on appraisals performed by independent appraisers. Other investments, such as private equity, timberland, real estate funds and other additional categories, are valued using the most recent general partner statement at net asset value. Examples of other additional categories are opportunistic credit, high yield bonds and direct lending.

Purchase and sales of debt securities, equity securities and short-term investments are recorded on the trade date. Real estate equity transactions are recorded on the settlement date. Upon sale of investments, the difference between sales proceeds and cost is reflected in the statement of changes in fiduciary net position. Investment expenses consist of investment manager and consultant fees along with fees for custodial services.

Compensated Absences

Expenses for accumulated vacation days and compensatory time earned by TRS's employees are recorded when earned. Upon termination or retirement, employees of TRS are paid for accumulated vacation time limited to 60 days and accumulated compensatory time limited to 240 hours. As of June 30, 2025 and 2024, accrued compensated absences were included in accrued expenses and other liabilities on the statements of fiduciary net position amounting to \$2.4 million and \$2.5 million, respectively.

Risk Management

Destruction of assets, theft, employee injuries and court challenges to administrative policy are among the various risks to which TRS is exposed. In order to cover such risks, TRS carries appropriate insurance policies, such as fire and tornado, employee bonds, fiduciary liability, worker's compensation and equipment insurance.

Other Receivables

In the Retirement Annuity Trust, other receivables consist primarily of installment contract receivables. TRS allows qualified purchases of service credit to be made by installment payments that are not to exceed a five-year period. Revenue is recognized in the initial year of the installment agreement. The June 30, 2025, other receivables in the retirement trust were \$27,695 and \$26,965 in 2024.

In the Health Insurance Trust, other receivables consist primarily of Medicare subsidies and formulary rebates accrued, but not received. The June 30, 2025, other receivables in the health trust were \$53.1 million and \$50 million in 2024.

Accrued Expenses and Other Payables

TRS's accrued expenses and other payables consist primarily of administrative expenses incurred but not paid at year end and also from the state paying estimated retirement and health insurance contributions from the enacted budget that were in excess of actual contributions required.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The most significant estimates impacting the financial statements relate to the actuarial assumptions.

New Pronouncement

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement Number 101, Compensated Absences. The standard provides guidance for how governments recognize and measure liabilities for leave time earned by employees. GASB Statement No. 101 is effective for fiscal years beginning after Dec. 15, 2023. Accordingly, management has reviewed the statement and determined that it does not have a material impact on TRS's financial statements.

TRS Federal Tax Status

TRS administers a plan qualified under Internal Revenue Code sections 401(a) and 401(h). TRS also administers a section 115 insurance trust. TRS also established and offers a 403(b) Tax-Sheltered Annuity Program.

Note 3

Contributions and Funds of the Plan

Contributions

Contribution rates are established by Kentucky Revised Statutes. For members who began participating before Jan. 1, 2022, non-university members are required to contribute 12.855% of their salaries to the system; university members are required to contribute 10.4% of their salaries. KRS 161.565 allows each university to reduce the contribution of its members by 2.215%; therefore, university members contribute 8.185% of their salary to TRS. For members employed by local school districts, the state (as a non-employer contributing entity) contributes 13.105% of salary for TRS 1 and TRS 2 and 14.105% for TRS 3. Other participating employers are required to contribute the percentage contributed by members plus an additional 3.25% of members' gross salaries.

For TRS 4 members, non-university members contribute 14.75% and university members contribute 9.775% of their salaries to the system. Employers of non-university members, including the state (as a non-employer contributing entity), contribute 10.75% of salary. University employers contribute 9.775% of member's salary to the system.

The member and employer contributions consist of retirement annuity contributions and OPEB contributions to the health insurance and life insurance trusts. The member postemployment health insurance contribution is 3.75% of salary. The employer postemployment health insurance contribution is 0.75% of member salaries. Also, employers (other than the state) contribute 3% of members' salaries and the state contributes the net cost of health insurance premiums for new retirees after June 30, 2010, in the non-Medicare eligible group. If a member leaves covered employment before accumulating five years of credited service, accumulated member contributions to the retirement trust are refunded with interest upon the member's request.

Funds of the Plan

Teacher Savings Fund: KRS 161.420(2) establishes the Teacher Savings Fund consisting of contributions paid by university and non-university members. The fund also includes interest authorized by the Board of Trustees from the Guarantee Fund (described below). The accumulated contributions of members that are returned upon withdrawal or paid to the estate or designated beneficiary in the event of death are paid from this fund. Upon retirement, the member's contributions and the matching state contributions are transferred from this fund to the Allowance Reserve Fund, the fund (also described below) from which retirement benefits are paid.

State Accumulation Fund: KRS 161.420(3) establishes the State Accumulation Fund, which receives state appropriations to the system. The state matches an amount equal to members’ contributions. State appropriations during the year are based on estimates of members’ salaries. At year-end when actual salaries are known, the required state matching also is realized by producing either a receivable from or a payable to the state.

Allowance Reserve Fund: KRS 161.420(4) establishes the Allowance Reserve Fund, which is the source for retirement, disability and survivor benefits paid to TRS members. These benefits are paid from the retired members’ contributions until they are exhausted, at which time state matching contributions are used to pay the benefits. After an individual member’s contributions and the state matching contributions have been exhausted, retirement benefits are paid from monies transferred from the Guarantee Fund (described below).

Guarantee Fund: KRS 161.420(6) establishes the Guarantee Fund to collect income from investments, state matching contributions of members withdrawn from the system, and state matching contributions for cost-of-living adjustments (COLAs). In addition, it receives money for which disposition is not otherwise provided. This fund provides interest to the other funds, benefits in excess of both members’ and state matching contributions, monies for administrative expenses of TRS and deficiencies not covered by the other funds.

Expense Fund: KRS 161.420(1) establishes the Expense Fund for administrative expenses. Investment income transferred to this fund from the Guarantee Fund is used to pay the administrative expenses of TRS. Administrative expenses are allocated among the funds based on benefits paid.

Note 4
Net Pension Liability of Employers

The net pension liability (i.e., the system’s liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) as of June 30, 2025 and 2024 follows.

Schedule of Net Pension Liability of Employers
(Dollars in thousands)

Fiscal Year Ending June 30	Total Pension Liability A	Plan Fiduciary Net Position B	Employers Net Pension Liability (A-B)	Plan Fiduciary Net Position as a % of Total Pension Liability (B/A)	Covered Payroll C	Net Pension Liability as a % of Covered Payroll [(A-B)/C]
2025	\$ 44,678,514	\$ 28,394,725	\$ 16,283,789	63.6	\$ 4,299,218	378.8
2024	43,251,404	26,108,136	17,143,268	60.4	4,140,446	414.0

Summary of Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation date	June 30, 2024
Actuarial cost method	Entry age
Investment rate of return	7.1%, net of pension plan investment expense, including inflation.
Projected salary increases	3 - 7.5%, including inflation
Inflation rate	2.5%
Post-Retirement adjustment	1.5%
Municipal bond index rate	5.25%
Single equivalent interest rate	7.1%

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service retirees, contingent annuitants, disabled retirees and active members. The actuarial assumptions used were based on the results of an actuarial experience study for the 5-year period ending June 30, 2020, adopted by the board on Sept. 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

A summary of the target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, follows.

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate Percentage of Return
Large cap U.S. equity	35.4	4.6
Small cap U.S. equity	2.6	4.8
Developed international equity	15.7	4.5
Emerging markets equity	5.3	4.8
Fixed income	15.0	3.1
High yield bonds	2.0	3.8
Other additional categories	8.0	4.0
Real estate	7.0	4.2
Private equity	7.0	6.9
Cash	2.0	3.0
Total	100.0	

Discount Rate

For 2025 and 2024, the discount rate used to measure the total pension liability was 7.1%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made in full at the current contribution rates and the employer contributions will be made at actuarially determined contribution (ADC) rates for all future fiscal years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents TRS's net pension liability for 2025. TRS's 2025 net pension liability is calculated using the discount rate of 7.1%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1%) or 1 percentage point higher (8.1%) than the current rate.

2025			
(In thousands)	1% Decrease (6.1%)	Current Discount (7.1%)	1% Increase (8.1%)
Net pension liability	\$ 21,642,252	\$ 16,283,789	\$ 11,820,034

The following table presents TRS's net pension liability for 2024. TRS's 2024 net pension liability is calculated using the discount rate of 7.1%, as well as what the system's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.1%) or 1 percentage point higher (8.1%) than the current rate.

2024

<i>(In thousands)</i>	1% Decrease (6.1%)	Current Discount (7.1%)	1% Increase (8.1%)
Net pension liability	\$ 22,338,043	\$ 17,143,268	\$ 12,815,031

June 30, 2024, is the actuarial valuation date upon which the total pension liability (TPL) is based for 2025. An expected TPL is determined as of June 30, 2025, using standard roll forward techniques. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. In addition, the expected TPL as of June 30, 2025, has been determined based on the TPL roll-forward from June 30, 2024. The difference between the two roll-forward amounts as of June 30, 2025, is the experience gain or loss for the year. These procedures are shown in the following table.

TPL Roll Forward 2025
(Dollars in thousands)

	Expected (1)	Actual (2)
(a) Interest Rate	7.1%	7.1%
(b) TPL as of June 30, 2024	\$ 43,251,404	\$ 43,545,752
(c) Entry Age Normal Cost for the Year July 1, 2024 - June 30, 2025	686,650	686,650
(d) Actual Benefit Payments (including refunds) For the year July 1, 2024 - June 30, 2025	2,554,936	2,554,936
(e) TPL as of June 30, 2025 [(b) x (1 + (a))] + (c) - [(d) x (1 + (0.5 x (a)))]	44,363,267	44,678,514
(f) Experience (Gain)/Loss = (e2) - (e1)		315,247

June 30, 2023, is the actuarial valuation date upon which the TPL is based for 2024. An expected TPL is determined as of June 30, 2024, using standard roll-forward techniques for the actual TPL both before and after the assumption changes due to the experience study and the reduction in the assumed investment rate of return. The difference between these two amounts is shown as a change in assumptions. The roll-forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The expected TPL as of June 30, 2024, has been determined based on the TPL roll-forward from June 30, 2023. The difference between the two roll-forward amounts as of June 30, 2024, is the experience gain or loss. The procedures are shown in the following table.

TPL Roll Forward 2024*(Dollars in thousands)*

	Expected (1)	Actual (2)
(a) Interest Rate	7.10%	7.10%
(b) TPL as of June 30, 2023	\$ 42,029,935	\$ 42,179,888
(c) Entry Age Normal Cost for the Year July 1, 2023 - June 30, 2024	665,383	665,383
(d) Actual Benefit Payments (including refunds) For the year July 1, 2023 - June 30, 2024	2,499,893	2,499,893
(e) TPL as of June 30, 2024 [(b) x (1 + (a))] + (c) - [(d) x (1 + (0.5 x (a)))]	43,090,804	43,251,404
(f) Experience (Gain)/Loss = (e2) - (e1)		160,600

Note 5

**Deposits With Financial Institutions and Investments
(Including Repurchase Agreements)**

Legal Provisions for Investments

The following disclosures are meant to help the users of the financial statements for the Teachers' Retirement System of the State of Kentucky (TRS or system) assess the risks TRS takes in investing member funds. The Board of Trustees and the Investment Committee are guided by asset allocation parameters that the board approves through its powers as defined in KRS 161.430.

TRS administers a Retirement Annuity Trust, Health Insurance Trust and Life Insurance Trust in accordance with state and federal law. TRS provides benefits for service and disability retirements; death and survivors; retiree health insurance; and life insurance for Kentucky public education employees and their beneficiaries.

The asset allocation parameters for the retirement annuity and life insurance trusts are set forth in 102 Kentucky Administrative Regulations (KAR) 1:175, sections 2 and 3 as follows:

- There shall be no limit on the amount of investments owned if the investments are guaranteed by the U.S. government.
- Not more than 35% of the assets at fair value shall be invested in corporate debt obligations.
- Not more than 10% of the assets at fair value shall be invested in foreign debt.
- Not more than 65% of the assets at fair value shall be invested in common stocks or preferred stocks.
- Not more than 25% of the assets at fair value shall be invested in a stock portfolio designed to replicate a general stock index.
- Not more than 30% of the assets at fair value shall be invested in the stocks of companies domiciled outside of the United States; any amounts so invested shall be included in the 65% limitation for total stocks.
- Not more than 10% of the assets at fair value shall be invested in real estate. This would include real estate equity, real estate lease agreements and shares in real estate investment trusts.
- Not more than 10% of the assets at fair value shall be invested in alternative investments. This category may include private equity, venture capital, timberland and infrastructure investments.

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- Not more than 15% of the assets at fair value shall be invested in any additional category or categories of investments. The board shall approve by resolution such additional category or categories of investments.

The asset allocation parameters for the Health Insurance Trust fund are set forth in 102 KAR 1:178, section 2 as follows:

- In order to preserve the assets and produce the required rate of return while minimizing risk, assets shall be prudently diversified among various classes of investments.
- In determining asset allocation policy, the investment committee and the board shall be mindful of the trust's liquidity and its capability of meeting both short and long-term obligations.

Cash and Cash Equivalents

For cash deposits and cash equivalents, custodial credit risk is the risk that, in the event of a bank failure, TRS's deposits may not be returned to the system. TRS's total cash balance held at J.P. Morgan Chase bank on June 30, 2025, was \$400.1 million. TRS's total cash balance held at J.P. Morgan Chase on June 30, 2024, was \$451.2 million.

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

- a. uncollateralized,
- b. collateralized with securities held by the pledging financial institution or
- c. collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

As of June 30, 2025, TRS's cash balance of \$400.1 million was not exposed to custodial credit risk because this amount was collateralized fully with a letter of credit in the amount of \$827.8 million.

As of June 30, 2024, TRS's cash balance of \$451.2 million was not exposed to custodial credit risk because this amount was collateralized fully with a letter of credit in the amount of \$837 million.

Investments

All of TRS's assets are invested in short-term and long-term debt (bonds and mortgages) securities, equity (stock) securities, real estate, alternative investments and additional categories as permitted by regulation. These assets are reported at fair value.

Investments are governed by the board's policies. The board and the Investment Committee execute their fiduciary responsibilities in accordance with the prudent person rule, as identified in KRS 161.430 (2)(b). The prudent person rule establishes a standard for all fiduciaries to act as a prudent person would be expected to act, with the "care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

The following tables represent the fair value of TRS's investments for June 30, 2025, and 2024.

Schedules of Investments

Retirement Annuity Trust

	Fair Value June 30, 2025	Fair Value June 30, 2024
Short-term investments		
Cash and cash equivalents	\$ 408,477,268	\$ 573,009,827
Subtotal	<u>408,477,268</u>	<u>573,009,827</u>
Fixed Income		
U.S. government	1,095,319,359	1,176,368,260
Agency bonds	173,611,265	161,249,891
Mortgage-backed securities	296,589,630	240,078,003
Asset-backed securities	79,211,382	50,756,369
Commercial mortgage-backed securities	52,750,055	25,435,379
Collateralized mortgage obligations	74,714,669	81,159,339
Municipal bonds	216,685,007	251,982,003
Corporate bonds	1,480,095,223	1,357,883,192
Subtotal	<u>3,468,976,590</u>	<u>3,344,912,436</u>
Equity		
International	6,346,013,612	5,364,347,801
U.S.	10,913,554,226	10,011,151,129
Subtotal	<u>17,259,567,838</u>	<u>15,375,498,930</u>
Real estate	1,741,122,706	1,712,653,006
Private equity	2,300,693,070	2,079,165,274
Additional categories		
Asset-backed securities	3,362,559	2,116,571
Opportunistic credit	1,042,232,237	984,215,116
Corporate bonds	909,319,470	807,662,120
Corporate loans	399,957,926	393,777,924
Timberland	518,463,656	495,357,296
U.S. government		4,965,250
Subtotal	<u>2,873,335,848</u>	<u>2,688,094,277</u>
Total*	<u><u>\$ 28,052,173,320</u></u>	<u><u>\$ 25,773,333,750</u></u>

* This schedule includes the 403(b) Tax Shelter fund and Losey Scholarship fund.

Health Insurance Trust

	Fair Value June 30, 2025	Fair Value June 30, 2024
Short-term investments		
Cash and cash equivalents	\$ 154,235,574	\$ 190,546,793
Subtotal	<u>154,235,574</u>	<u>190,546,793</u>
Fixed income		
U.S. government	114,878,935	78,506,530
Agency bonds	40,429,944	37,978,380
Asset-backed securities	7,441,445	
Mortgage-backed securities	21,787,331	3,046,296
Collateralized mortgage obligations	1,034,542	1,777,731
Commercial mortgage-backed securities	5,776,106	
Municipal bonds	13,639,226	9,078,875
Corporate bonds	179,304,550	116,740,818
Subtotal	<u>384,292,079</u>	<u>247,128,630</u>
Equity		
International	890,572,443	673,063,283
U.S.	1,362,988,052	1,150,152,092
Subtotal	<u>2,253,560,495</u>	<u>1,823,215,375</u>
Real estate equity	189,603,933	156,478,824
Private equity	275,496,532	246,078,333
Additional categories		
Asset-backed securities	1,080,731	522,328
Opportunistic credit	176,716,399	166,780,267
Corporate bonds	253,083,904	221,414,109
Corporate loans	96,358,590	93,647,956
U.S. equity	6,929,673	6,634,499
Subtotal	<u>534,169,297</u>	<u>488,999,159</u>
Total	<u>\$ 3,791,357,910</u>	<u>\$ 3,152,447,114</u>

Life Insurance Trust

	Fair Value June 30, 2025	Fair Value June 30, 2024
Short-term investments		
Cash and cash equivalents	\$ 6,412,195	\$ 4,919,258
Subtotal	<u>6,412,195</u>	<u>4,919,258</u>
Fixed income		
U.S. government	5,314,256	7,949,101
Mortgage-backed securities	152,662	182,162
Municipal bonds	2,306,432	2,274,478
Corporate bonds	<u>5,810,277</u>	<u>6,353,105</u>
Subtotal	<u>13,583,627</u>	<u>16,758,846</u>
Equity		
International	25,480,885	21,403,450
U.S.	<u>47,024,887</u>	<u>41,377,043</u>
Subtotal	<u>72,505,772</u>	<u>62,780,493</u>
Real estate equity	7,962,075	7,037,595
Private equity	7,051,647	6,429,611
Additional categories		
Opportunistic credit	2,611,741	2,338,090
U.S. equity	<u>738,736</u>	<u>710,803</u>
Subtotal	<u>3,350,477</u>	<u>3,048,893</u>
Total	<u>\$ 110,865,793</u>	<u>\$ 100,974,696</u>

Custodial Credit Risk

Custodial credit risk for an investment is the risk that, in the event of the failure of a counterparty, TRS will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the system and are held by either:

- the counterparty or
- the counterparty's trust department or agent, but not in the system's name.

The cash reserve of TRS is maintained primarily in high quality short-term investments through the Dreyfus Institutional Cash Advantage Fund. This fund invests in a diversified portfolio of high quality, short-term debt securities, and the fund is rated AAA by S&P, Moody's and Fitch. The fund's portfolio is structured within the confines of Rule 2a-7 under the Investment Company Act of 1940. Permissible investments within this fund include commercial paper; U.S. Treasury and agency obligations; certificates of deposit; bankers' acceptances; repurchase agreements; and time deposits.

Whenever repurchase agreements are ordered by TRS under the terms of master repurchase agreements with various brokers, the terms are dictated by TRS. The repurchase agreements and their supporting collateral are held by the custodial agent's correspondent bank in an account identified by the custodian's name and TRS's nominee name. This account is unique to TRS. The master repurchase agreements require that the supporting collateral have a fair value of at least 102% of the value of the repurchase agreements.

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As of June 30, 2025, cash collateral reinvestment securities acquired through securities lending for the Retirement Annuity Trust by TRS's custodian amounted to \$1.87 billion in relation to the \$1.82 billion securities lent consistent with the lending agreement with the custodian. Cash collateral reinvestment securities lending for the Life Insurance Trust by TRS's custodian amounted to \$10.0 million in relation to the \$9.8 million securities lent consistent with the lending agreement with the custodian. The custodian also is the lending agent and counterparty.

Interest Rate Risk

Interest rate risk on investments is the possibility that changes in interest rates will reduce the fair value of TRS's investments. In general, the longer the period until an investment matures, the greater the risk of a negative impact on fair value resulting from changes in interest rates.

As of June 30, 2025, and 2024, the Retirement Annuity Trust, Health Insurance Trust and Life Insurance Trust had the following investment fair value and weighted average maturities.

Retirement Annuity Trust						
Investment Type	2025			2024		
	Fixed Income	Additional Categories	Average Maturity (years)	Fixed Income	Additional Categories	Average Maturity (years)
U.S. government	\$1,095,319,359		12.96	\$1,176,368,260	4,965,250	10.90
Agency bonds	173,611,265		22.41	161,249,891		15.25
Mortgage-backed securities	296,589,630		16.77	240,078,003		17.77
Asset-backed securities	79,211,382	3,362,559	19.87	50,756,369	2,116,571	18.42
Commercial mortgage-backed securities	52,750,055		14.83	25,435,379		17.53
Collateralized mortgage obligations	74,714,669		19.38	81,159,339		20.72
Municipal bonds	216,685,007		9.90	251,982,003		10.56
Corporate bonds	1,480,095,223	909,319,470	7.41	1,357,883,192	807,662,120	7.81
Corporate loans		399,957,926	3.98		393,777,924	4.38
Total	<u>\$3,468,976,590</u>	<u>\$1,312,639,955</u>	<u>10.11</u>	<u>\$3,344,912,436</u>	<u>\$1,208,521,865</u>	<u>9.66</u>

Health Insurance Trust						
Investment Type	2025			2024		
	Fixed Income	Additional Categories	Average Maturity (years)	Fixed Income	Additional Categories	Average Maturity (years)
U.S. government	\$ 114,878,935	\$	9.17	\$ 78,506,530	\$	6.15
Agency bonds	40,429,944		25.02	37,978,380		17.15
Mortgaged-backed securities	21,787,331		13.90	3,046,296		14.56
Asset-backed securities	7,441,445	1,080,731	18.75		522,328	17.38
Commercial mortgage-backed securities	5,776,106		21.56			
Collateralized mortgage obligations	1,034,542		4.99	1,777,731		7.08
Municipal Bonds	13,639,226		8.30	9,078,875		6.59
Corporate bonds	179,304,550	253,083,904	5.97	116,740,818	221,414,109	5.34
Corporate loans		96,358,590	4.22		93,647,956	4.51
Total	<u>\$ 384,292,079</u>	<u>\$ 350,523,225</u>	<u>7.84</u>	<u>\$ 247,128,630</u>	<u>\$ 315,584,393</u>	<u>6.20</u>

Life Insurance Trust

Investment Type	2025			2024		
	Fixed Income	Additional Categories	Average Maturity (years)	Fixed Income	Additional Categories	Average Maturity (years)
U.S. government	\$ 5,314,256	\$	11.05	\$ 7,949,101	\$	8.37
Mortgage-backed securities	152,662		9.75	182,162		10.48
Municipal bonds	2,306,432		4.71	2,274,478		5.71
Corporate bonds	5,810,277		9.77	6,353,105		9.93
Total	<u>\$ 13,583,627</u>	<u>\$</u>	<u>9.41</u>	<u>\$ 16,758,846</u>	<u>\$</u>	<u>8.62</u>

In addition to the above securities, TRS held short-term cash investments in the Dreyfus Institutional Cash Advantage Fund, at the Bank of New York Mellon (BNYM), with a total fair value of \$569.1 million and a weighted average maturity of 47 days. Average maturity is used as a measure of a security's exposure to interest rate risk due to fluctuations in market interest rates. Mortgage-backed securities and collateralized mortgage obligations typically are amortizing investments with an average life and interest rate risk significantly less than suggested by the legal maturity. Mortgage-backed securities, which generally are prepayable, and other callable bonds are subject to adverse changes in average life in response to market interest rate changes. The schedule above reflects only the legal maturity of all such bonds.

Interest rate risk is the risk that changes in interest rates will affect adversely the fair value of an investment. This risk is managed by using the effective duration or option adjusted methodology to quantify the risk of interest rate changes. This methodology takes into account options on bonds and scales the risk of price changes on bonds depending upon the degree of changes in rates and the slope of the yield curve. The control of interest rate risk is not set forth in a particular policy; however, the system manages interest rate risk in practice by establishing appropriate benchmarks for its various portfolios.

Mortgage-backed securities are securities representing pass-through interests in the cash flows from pools of mortgage loans on single-family or multi-family residential properties. All of the mortgage-backed securities owned by TRS were securitized and are guaranteed by Fannie Mae, Freddie Mac or Government National Mortgage Association (GNMA). The average life of a mortgage-backed security depends upon the level of prepayments experienced in the underlying pool of loans. Market interest rates are a primary determinant of prepayment levels. Lower-than-anticipated market rates generally lead to higher-than-anticipated prepayments and a shorter average life; higher-than-anticipated market rates generally lead to lower-than-anticipated prepayments and a longer average life. The Retirement Annuity Trust held \$296.6 million in mortgage-backed securities as of June 30, 2025, compared to \$240.1 million as of June 30, 2024. The Health Insurance Trust held \$21.8 million in mortgage-backed securities as of June 30, 2025, compared to \$3 million as of June 30, 2024. The Life Insurance Trust held \$152,662 in mortgage-backed securities as of June 30, 2025, compared to \$182,162 as of June 30, 2024.

Collateralized mortgage obligations are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes in accordance with collateralized mortgage obligations' established payment order. The Retirement Annuity Trust held \$74.7 million in collateralized mortgage obligations as of June 30, 2025, compared to \$81.2 million as of June 30, 2024. The Health Insurance Trust held \$1 million in collateralized mortgage obligations as of June 30, 2025, compared to \$1.8 million as of June 30, 2024.

Asset-backed securities are bonds or notes backed by loan paper or accounts receivables originated by banks, credit card companies or other credit providers and are considered to be moderately sensitive to changes in interest rates. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Asset-backed securities have been structured as pass-throughs and as structures with multiple bond classes. The Retirement Annuity Trust held \$82.6 million in asset-backed securities as of June 30, 2025, compared to \$52.9 million as of June 30, 2024. The Health Insurance Trust held \$8,522,176 in asset-backed securities as of June 30, 2025, compared to \$522,328 as of June 30, 2024.

Commercial mortgage-backed securities represent interests in the cash flows from pools of mortgage loans on commercial properties. The interests in a securitized pool of loans are divided generally into various tranches based upon planned payment order and level of seniority. TRS's commercial mortgage-backed securities consist of highly rated, relatively senior tranches. The average maturity of TRS's commercial mortgage-backed securities in the schedule above reflects the legal maturity of these holdings. Most of the tranches held are earlier in the planned payment order than the legal maturity suggests. The Retirement

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Annuity Trust held \$52.8 million in commercial mortgage-backed securities investments as of June 30, 2025, compared to \$25.4 million as of June 30, 2024.

Credit Risk

Credit risk is the risk that an issuer or counterparty to an investment will not fulfill its obligations. The following schedules list TRS's fixed income investment fair value (net of cash equivalents) according to credit ratings as of June 30, 2025, and 2024.

2025 Retirement Annuity Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 1,095,319,359		\$ 1,095,319,359	22.91
AAA	198,612,235		198,612,235	4.15
AA	895,405,860		895,405,860	18.73
A	625,849,238	7,396,239	633,245,477	13.24
BBB	565,933,446	81,521,766	647,455,212	13.54
BB	11,866,856	549,138,523	561,005,379	11.73
B		533,959,502	533,959,502	11.16
CCC		60,655,299	60,655,299	1.27
CC		916,623	916,623	0.02
C				
D		5,584,668	5,584,668	0.12
Not rated	75,989,596	73,467,335	149,456,931	3.13
Total	<u>\$ 3,468,976,590</u>	<u>\$ 1,312,639,955</u>	<u>\$ 4,781,616,545</u>	<u>100.00</u>

2024 Retirement Annuity Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 1,176,368,260	\$ 4,965,250	\$ 1,181,333,510	25.94
AAA	147,113,433		147,113,433	3.23
AA	811,810,517		811,810,517	17.83
A	547,038,476	4,861,678	551,900,154	12.12
BBB	536,909,983	72,879,326	609,789,309	13.39
BB	10,565,314	541,404,068	551,969,382	12.12
B		451,704,513	451,704,513	9.92
CCC		48,690,063	48,690,063	1.07
CC		325,386	325,386	0.01
C				
D		486,109	486,109	0.01
Not rated	115,106,453	83,205,472	198,311,925	4.36
Total	<u>\$ 3,344,912,436</u>	<u>\$ 1,208,521,865</u>	<u>\$ 4,553,434,301</u>	<u>100.00</u>

2025 Health Insurance Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 114,878,935	\$	\$ 114,878,935	15.63
AAA	10,535,954		10,535,954	1.43
AA	114,037,291		114,037,291	15.52
A	82,582,599	649,834	83,232,433	11.33
BBB	56,754,178	17,303,581	74,057,759	10.08
BB		141,363,466	141,363,466	19.24
B		147,888,613	147,888,613	20.13
CCC		21,625,849	21,625,849	2.94
CC		279,334	279,334	0.04
C				
D		1,950,620	1,950,620	0.26
Not rated	5,503,122	19,461,928	24,965,050	3.40
Total	\$ 384,292,079	\$ 350,523,225	\$ 734,815,304	100.00

2024 Health Insurance Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 78,506,530	\$	\$ 78,506,530	13.95
AAA	5,055,949		5,055,949	0.90
AA	72,812,681		72,812,681	12.94
A	60,577,319		60,577,319	10.77
BBB	26,808,929	16,423,662	43,232,591	7.68
BB		135,200,349	135,200,349	24.03
B		122,691,955	122,691,955	21.80
CCC		17,753,427	17,753,427	3.15
CC		145,280	145,280	0.03
C				
D		114,634	114,634	0.02
Not rated	3,367,222	23,255,086	26,622,308	4.73
Total	\$ 247,128,630	\$ 315,584,393	\$ 562,713,023	100.00

2025 Life Insurance Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 5,314,256	\$	\$ 5,314,256	39.12
AAA	192,472		192,472	1.42
AA	2,620,398		2,620,398	19.29
A	1,395,466		1,395,466	10.27
BBB	3,022,607		3,022,607	22.25
BB	477,923		477,923	3.52
B				
Not Rated	560,505		560,505	4.13
Total	<u>\$ 13,583,627</u>	<u>\$</u>	<u>\$ 13,583,627</u>	<u>100.00</u>

2024 Life Insurance Trust

Rating	Fixed Income	Additional Categories	Total	Percent
U.S. government	\$ 7,949,101	\$	\$ 7,949,101	47.43
AAA	184,458		184,458	1.10
AA	2,630,170		2,630,170	15.69
A	1,020,935		1,020,935	6.09
BBB	3,683,356		3,683,356	21.98
BB	761,788		761,788	4.55
B				
Not Rated	529,038		529,038	3.16
Total	<u>\$ 16,758,846</u>	<u>\$</u>	<u>\$ 16,758,846</u>	<u>100.00</u>

Total fair value of the Retirement Annuity Trust's fixed income portfolio was \$4.78 billion on June 30, 2025. The Health Insurance Trust's fixed income portfolio was valued at \$734.8 million on June 30, 2025. Total fair value of the Life Insurance Trust's fixed income portfolio was \$13.6 million on June 30, 2025. Standard & Poor's (S&P) rating system is used in the above charts. For securities where an S&P rating is not provided, another nationally recognized system is used and translated to the S&P rating system.

In addition to the above categories, the Retirement Annuity Trust held \$408.5 million in short-term investments through the Dreyfus Institutional Cash Advantage Fund. The Health Insurance Trust held \$154.2 million in the Dreyfus Institutional Cash Advantage Fund. The Life Insurance Trust held \$6.4 million in the Dreyfus Institutional Cash Advantage Fund. The credit risk associated with this fund is minimal as the securities held are required to maintain the highest possible short-term credit ratings by Moody's and S&P. In addition, investments in U.S. government and agency securities also are highly rated securities since they are backed by the U.S. government. Notation is made that the ratings of securities are subject to change.

The Retirement Annuity Trust's policy on credit rating is set forth in 102 KAR 1:175.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Losses from credit risk are heightened if a significant portion of resources are invested with a single issuer. In compliance with 102 KAR 1:175, the Retirement Annuity Trust has not invested more than 5% of assets at fair value in any single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will affect adversely the fair value of an investment or a deposit. TRS holdings do not include foreign currency. The foreign currency tables shown are a comparative measure of the value of TRS's foreign investments, like stocks, expressed in U.S. dollars using the conversion rate for that currency on the day the fiscal year ended. As of June 30, 2025, TRS's exposure to foreign currency risk consisted of \$6.3 billion in the Retirement Annuity Trust, \$982.7 million in the Health Insurance Trust and \$24.8 million in the Life Insurance Trust.

The majority of foreign investments are held in commingled funds managed by UBS Global Asset Management, Baillie Gifford, Baring Asset Management and BlackRock. In addition to the commingled funds investing in foreign securities, the Retirement Annuity Trust held \$1.43 billion associated with foreign interests in American depository receipt investments. These American depository receipts are securities that are issued by a U.S. bank in place of the foreign stock shares held in trust by that bank, thereby facilitating the trading of foreign shares in U.S. markets. The cross-listed equity, in the amount of \$412.8 million, represent securities domiciled in foreign countries, but are listed and traded on U.S. exchanges. Other foreign securities and investments consist of debt securities and alternative investment opportunities.

The Retirement Annuity Trust's policy regarding foreign equity is that not more than 30% of the assets at fair value shall be invested in the stocks of companies domiciled outside of the United States. Any amounts so invested shall be included in the 65% limitation for total stocks under 102 KAR 1:175 Section 2(e).

The following tables represent in U.S. dollars the fair value of investments that are subject to foreign currency risk as a result of cash contributions to each portfolio manager as of June 30, 2025, and 2024.

Retirement Annuity Trust

	2025	2024
Commingled	\$ 3,901,176,895	\$ 3,365,967,147
Alternatives	299,062,075	308,205,040
American depository receipts	1,430,821,649	1,118,427,704
Cross-listed equity	412,786,065	450,407,373
Bonds	62,802,329	64,977,943
Additional categories (Fixed income)	127,574,838	154,919,461
Additional categories (Opportunistic)	50,809,422	51,102,553
Total	<u>\$ 6,285,033,273</u>	<u>\$ 5,514,007,221</u>

Health Insurance Trust

	2025	2024
Commingled	\$ 746,346,159	\$ 637,418,413
Alternatives	47,877,216	48,220,555
Cross-listed equity	41,162,153	24,848,927
Bonds	3,555,457	944,770
American depository receipts	88,924,582	4,254,698
Additional categories (Fixed income)	47,127,771	54,654,178
Additional categories (Opportunistic)	7,733,354	7,827,731
Total	<u>\$ 982,726,692</u>	<u>\$ 778,169,272</u>

Life Insurance Trust

	2025	2024
Commingled	\$ 23,776,010	\$ 20,276,780
Alternatives	611,059	627,174
Cross-listed equity	271,350	111,757
American depository receipts	139,908	116,733
Total	<u>\$ 24,798,327</u>	<u>\$ 21,132,444</u>

FINANCIAL SECTION

TRS's investments subject to foreign currencies and categorized in the preceding tables are illustrated further in the following tables by each country and its currency. As previously stated, TRS holdings do not include foreign currency. The amounts shown are the fair value in U.S. dollars of TRS's foreign investments. These foreign investments are made with U.S. dollars in the custody of American financial institutions. Foreign holdings not readily identifiable to a specific country are listed in the various category, which includes investment receivables, payables and new issues.

Retirement Annuity Trust					
Currency	2025	2024	Currency	2025	2024
Argentine peso	\$ 556,082	\$ 482,415	Korean won	\$ 127,512,439	\$ 151,693,045
Australian dollar	188,102,914	155,368,857	Kuwaiti dinar	1,897,909	1,462,422
Bermudian dollar	18,590,805	25,961,156	Liberian dollar	43,850,649	31,829,384
Brazilian real	117,448,209	101,395,067	Malaysian ringgit	3,240,396	6,455,304
British pound sterling	632,593,572	604,600,630	Mexican peso	38,002,464	68,703,220
Canadian dollar	265,331,833	240,938,926	Netherlands Antillean guilder	7,852,720	27,281,505
Cayman Islands dollar	78,013,778	76,854,720	New Zealand dollar	1,043,318	4,024,384
Chilean peso	16,708,304	24,216,855	Norwegian krone	70,363,020	109,466,239
Chinese yuan	235,100,393	215,253,817	Panamanian balboa	6,180,557	5,894,653
Colombian peso	376,499	9,748,422	Philippine peso	2,800,996	2,590,671
Czech koruna	872,064	672,456	Polish zloty	6,433,993	5,714,039
Danish krone	128,826,510	131,693,808	Qatari riyal	1,666,935	1,463,337
Egyptian pound	162,954	139,755	Russian ruble	302	245
Euro	2,192,439,384	1,852,135,395	Saudi riyal	21,626,241	7,414,470
Gibraltar pound	1,570,650	1,342,614	Singapore dollar	68,746,635	39,096,792
Guernsey pound	25,975,551	19,252,534	South African rand	102,117,476	69,523,039
Hong Kong dollar	161,738,140	96,757,397	Swedish krona	122,578,946	106,240,870
Hungarian forint	618,634	424,218	Swiss franc	270,253,646	225,896,843
Indian rupee	144,415,309	123,301,558	Taiwan new dollar	221,253,256	177,090,398
Indonesian rupiah	19,397,417	17,250,453	Thai baht	7,195,393	8,263,183
Israeli new shekel	52,605,799	6,522,067	Turkish lira	1,989,774	2,328,865
Japanese yen	854,028,292	722,241,984	United Arab Emirates dirham	3,441,606	2,101,499
Jersey pound	16,863,506	31,129,518	Uzbekistani som	200,504	
			Various	2,447,499	1,788,192
			Total	\$ 6,285,033,273	\$ 5,514,007,221

Health Insurance Trust

Currency	2025	2024	Currency	2025	2024
Argentine peso	\$ 344,471	\$ 299,059	Kuwaiti dinar	\$ 1,913,393	1,453,518
Australian dollar	37,775,507	33,056,321	Liberian dollar	1,713,429	2,189,304
Bermudian dollar	3,078,423	4,622,085	Malaysian ringgit	3,251,497	2,932,188
Brazilian real	12,228,743	7,967,916	Mexican peso	6,700,649	5,477,441
British pound sterling	86,488,908	67,239,555	Netherlands Antillean guilder	974,420	1,270,746
Canadian dollar	81,005,241	64,245,186	New Zealand dollar	1,113,894	1,057,174
Cayman Islands dollar	9,880,317	11,749,194	Norwegian krone	3,949,731	3,478,306
Chilean peso	934,082	744,251	Panamanian balboa	2,230,816	1,484,717
Chinese yuan	20,732,534	15,002,759	Philippine peso	1,313,526	1,172,382
Colombian peso	383,074	303,258	Polish zloty	3,322,596	2,588,560
Czech koruna	549,378	228,148	Qatari riyal	1,691,014	1,465,128
Danish krone	10,536,184	15,157,700	Russian ruble	417	281
Egyptian pound	166,592	186,323	Saudi riyal	7,970,066	7,370,778
Euro	269,998,248	204,389,530	Singapore dollar	10,139,335	5,497,961
Gibraltar pound	542,215	547,989	South African rand	9,920,810	5,262,270
Guernsey pound	1,729,910		Swedish krona	17,007,992	14,840,880
Hong Kong dollar	55,186,312	37,825,597	Swiss franc	49,403,222	39,921,862
Hungarian forint	628,533	440,219	Taiwan new dollar	45,432,296	38,552,825
Indian rupee	46,618,772	40,646,801	Thai baht	2,515,792	2,885,641
Indonesian rupiah	2,705,181	2,912,315	Turkish lira	1,988,160	2,318,242
Israeli new shekel	6,005,226	2,746,203	United Arab Emirates dirham	3,469,791	2,091,747
Japanese yen	129,884,088	99,787,132	Uzbekistani som	200,504	
Jersey pound	2,408,257	1,508,479	Various	(1)	(4,715)
Korean won	26,693,147	23,256,016			
Total				\$ 982,726,692	\$ 778,169,272

Life Insurance Fund					
Currency	2025	2024	Currency	2025	2024
Australian dollar	\$ 1,132,615	\$ 1,014,870	Kuwaiti dinar	\$ 53,862	\$ 41,503
Brazilian real	244,237	225,409	Malaysian ringgit	91,961	84,183
British pound sterling	2,123,592	1,787,976	Mexican peso	192,469	152,985
Canadian dollar	1,973,894	1,488,111	New Zealand dollar	29,535	30,452
Cayman Islands dollar	45,436	7,992	Norwegian krone	113,697	107,282
Chilean peso	26,510	20,457	Philippine peso	33,613	29,673
Chinese yuan	509,277	350,525	Polish zloty	76,839	55,592
Colombian peso	10,685	8,747	Qatari riyal	47,307	41,529
Czech koruna	9,464	6,737	Russian ruble	9	7
Danish krone	493,108	578,418	Saudi riyal	225,129	210,419
Egyptian pound	4,625	3,966	Singapore dollar	197,106	154,273
Euro	6,156,392	5,335,587	South African rand	195,576	151,419
Hong Kong dollar	1,556,033	1,195,125	Swedish krona	594,622	540,291
Hungarian forint	17,557	12,039	Swiss franc	1,266,453	1,009,452
Indian rupee	1,320,161	1,186,833	Taiwan new dollar	1,441,740	1,254,114
Indonesian rupiah	77,674	83,549	Thai baht	72,823	82,758
Israeli new shekel	127,481	87,331	Turkish lira	45,109	55,121
Japanese yen	3,478,114	3,011,274	United Arab Emirates dirham	97,671	59,640
Korean won	715,951	666,805	Various		
			Total	\$ 24,798,327	\$ 21,132,444

Fair Value Measurement

A retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. TRS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GAAP) in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and is not necessarily indicative of risk.

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets; and inputs other than quoted prices that are observable for the assets or liabilities, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability such as property appraisals, third-party valuations and public market comparables of similar assets where applicable. Investments measured at fair value using the net asset value (NAV) per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Schedules of Fair Value

These category descriptions that immediately follow refer to the investments shown in the fair value level hierarchy schedules shown after these descriptions.

Cash and Cash Equivalents: Cash equivalents are short-term, highly liquid investments that readily are convertible to known amounts of cash and so near to their maturity that they present insignificant risk of changes in value because of changes in interest rates. This category is comprised of short-term investments via the Dreyfus Institutional Cash Advantage Fund and cash. Cash equivalents can be valued with inputs from quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date and, therefore, are classified as Level 1 assets.

Equity and Fixed Income Securities: Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets issued by pricing vendors for these securities. Debt and equity securities classified in Level 2 of the fair value hierarchy may use inputs such as market quotations, yields, maturities, call features and ratings or may be valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Debt securities classified in Level 3 are securities whose stated market price is unobservable by the market place and, instead, are priced by the issuers or industry groups for these securities.

Real Estate: Real estate falls into the Level 3 classification of the fair value hierarchy. Much of TRS's real estate consists of owned properties leased to various commercial enterprises. The fair value measurement for real estate is determined by professional appraisals every five years.

Additional Categories: Investments in this category do not fit the regular parameters for the Retirement Annuity Trust in 102 KAR 1:175. They fall into the allowable 15% of assets invested in any additional categories approved by the board. Corporate bonds falling within the Level 1 classification are valued using prices quoted in active markets issued by pricing vendors for these securities. Corporate bonds listed in Level 2 may use inputs such as market quotations, yields, maturities, call features and ratings or may be valued using a matrix pricing technique that values securities based on their relationship to benchmark quoted prices. Corporate loans at Level 3 are valued by third-party pricing vendors such as Markit or Reuters.

Timberland: Timberland investments are managed investments regarding the acquiring, growing and disposing of timber on timberland owned by TRS. The adviser contracts with outside appraisers to generate annual fair value estimates. The outside appraisers utilized the cost, sales comparison and income capitalization approaches to estimate the fair value of the timber and timberland. The adviser challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with GAAP. These funds are not available for redemption; instead, distributions are made to TRS as the underlying assets are sold.

Commingled Funds: These funds hold European loans, international equity and domestic equity. Commingled funds are valued at the net asset value held at the end of the period based upon the fair value of the underlying investments.

Private Equity: Private equity funds invest in equity and debt securities issued by private and publicly held companies in connection with leveraged buyouts, recapitalizations and expansion opportunities. Three of these funds are redeemable, but the majority do not allow redemptions. Alternatively, TRS receives distributions as the underlying assets of the funds liquidate, usually over a five- to 10-year liquidation period. Exchange quotations are not available readily for these investments. The fair value for most of these funds is determined using the net asset value one quarter in arrears, plus current quarter cash flows.

Private Real Estate: Three private real estate investments are open-ended. The remaining investments are not redeemable; rather, TRS receives distributions as the underlying assets liquidate, usually over a five- to 10-year liquidation period. Exchange quotations for these investments are not available readily. Most private real estate fair value is determined using the net assets valued one quarter in arrears, plus current quarter cash flows.

Private Opportunistic Credit: One private opportunistic credit fund is redeemable. The remainder are closed funds that issue distributions as the underlying assets of the fund liquidate, usually over a five- to 10-year liquidation period. The fair value for most of these funds is determined using the net assets valued one month in arrears, plus current period cash flows.

Retirement Annuity Trust
Schedule of Investments at Fair Value Level — 2025

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value
Cash and cash equivalents	\$ 408,477,268			\$ 408,477,268
Fixed income				
Agency bonds		173,611,265		173,611,265
Asset-backed securities		79,211,382		79,211,382
Collateralized mortgage obligations		74,714,669		74,714,669
Commercial mortgage-backed securities		52,750,055		52,750,055
Corporate bonds		1,480,095,223		1,480,095,223
Mortgage-backed securities		296,589,630		296,589,630
Municipal bonds		216,685,007		216,685,007
U.S. government	1,090,466,524	4,852,835		1,095,319,359
Subtotal	1,090,466,524	2,378,510,066		3,468,976,590
Equities				
International	1,810,262,045	2,243,691,154		4,053,953,199
U.S.	10,375,603,643	35,029		10,375,638,672
Subtotal	12,185,865,688	2,243,726,183		14,429,591,871
Real estate			389,535,008	389,535,008
Additional categories				
Corporate bonds	173,218	909,146,252		909,319,470
Corporate loans			311,117,926	311,117,926
U.S. government				—
Timberland		3,174,149	515,289,507	518,463,656
Asset-backed securities		3,362,559		3,362,559
Subtotal	173,218	915,682,960	826,407,433	1,742,263,611
Total investments at fair value level	\$ 13,684,982,698	\$ 5,537,919,209	\$ 1,215,942,441	\$ 20,438,844,348
At Net Asset Value (NAV)				
Commingled European loan funds				\$ 88,840,000
Commingled international equity funds				2,292,060,413
Commingled domestic equity funds				537,915,554
Private equity funds				2,300,693,070
Private real estate funds				1,351,587,698
Private opportunistic credit funds				1,042,232,237
Total investments measured at NAV				7,613,328,972
Total investments at fair value				<u>\$ 28,052,173,320</u>

* This schedule includes the 403(b) Tax Shelter fund and Losey Scholarship fund.

Schedule of Investments at Net Asset Value (NAV) — 2025

	June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice
Commingled European loan	\$ 88,840,000	\$	Daily	30 days
Commingled international equity	2,292,060,413		Daily	1-30 days
Commingled domestic equity	537,915,554		Daily	1-30 days
Private equity				
Open-ended	574,533,852	195,178,990	Quarterly, annually	90 days
Closed-ended	1,726,159,218	1,069,826,672	N/A	N/A
Private real estate				
Open-ended	822,544,449		Quarterly	45-90 days
Closed-ended	529,043,249	406,819,214	N/A	N/A
Private opportunistic credit				
Open-ended	897,920,190	44,313,261	Semiannually	75 days
Closed-ended	144,312,047	48,061,491	N/A	N/A
Total investments at NAV	<u>\$ 7,613,328,972</u>			

Regarding the open-ended private equity and open-ended private opportunistic credit, a few restrictions remain that would prevent redemption at this time. For open-ended private equity, one fund has recently committed an additional \$50 million that has a 3-year lock-up period expiring March 31, 2027, one fund has recently committed an additional \$50 million that has a 2-year lock-up period expiring Oct. 25, 2027, and one fund has recently committed an additional \$50 million that has a 3-year lock-up period expiring June 30, 2028. In open-ended private opportunistic credit, one fund has a NAV of \$74.8 million with a three-year lock-up period expiring Nov. 11, 2025, while another has a NAV of \$117.8 million with a three-year lock-up period expiring July 17, 2026.

Retirement Annuity Trust
Schedule of Investments at Fair Value Level — 2024

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value
Cash and cash equivalents	\$ 573,009,827	\$	\$	\$ 573,009,827
Fixed income				
Agency bonds		161,249,891		161,249,891
Asset-backed securities		50,756,369		50,756,369
Collateralized mortgage obligations		81,159,339		81,159,339
Commercial mortgage-backed securities		25,435,379		25,435,379
Corporate bonds		1,357,883,192		1,357,883,192
Mortgage-backed securities		240,078,003		240,078,003
Municipal bonds		251,982,003		251,982,003
U.S. government	1,172,507,649	3,860,611		1,176,368,260
Subtotal	1,172,507,649	2,172,404,787		3,344,912,436
Equity				
International	1,535,932,745	1,874,836,671		3,410,769,416
U.S.	9,489,067,616	171,253		9,489,238,869
Subtotal	11,025,000,361	1,875,007,924		12,900,008,285
Real estate			399,885,046	399,885,046
Additional categories				
Asset-backed securities		2,116,571		2,116,571
Corporate bonds	140,410	807,029,943	491,767	807,662,120
Corporate loans		182,008	302,605,916	302,787,924
Timberland		\$ 3,387,298	\$ 491,969,998	495,357,296
U.S.government	4,965,250			4,965,250
Subtotal	5,105,660	812,715,820	795,067,681	1,612,889,161
Total investments at fair value level	\$ 12,775,623,497	\$ 4,860,128,531	\$ 1,194,952,727	\$ 18,830,704,755
At NAV				
Commingled European loan funds				\$ 90,990,000
Commingled international equity funds				1,953,578,385
Commingled domestic equity funds				521,912,260
Private equity funds				2,079,165,274
Private real estate funds				1,312,767,960
Private opportunistic credit funds				984,215,116
Total investments measured at NAV				6,942,628,995
Total investments at fair value				<u><u>\$ 25,773,333,750</u></u>

* This schedule includes the 403(b) Tax Shelter fund and Losey Scholarship fund.

Health Insurance Trust
Schedule of Investments at Fair Value Level — 2025

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Fair Value
Cash and cash equivalents	\$ 154,235,574			\$ 154,235,574
Fixed income				
Asset-backed securities		7,441,445		7,441,445
Agency bonds		40,429,944		40,429,944
Collateralized mortgage obligations		1,034,542		1,034,542
Commercial mortgage-backed securities		5,776,106		5,776,106
Corporate bonds		179,304,550		179,304,550
Mortgage-backed securities		21,787,331		21,787,331
Municipal bonds		13,639,226		13,639,226
U.S. government	114,492,129	386,806		114,878,935
Subtotal	114,492,129	269,799,950		384,292,079
Equities				
International	127,692,199	762,880,244		890,572,443
U.S.	1,362,988,052			1,362,988,052
Subtotal	1,490,680,251	762,880,244		2,253,560,495
Additional categories				
Corporate bonds	96,612	252,987,292		253,083,904
Corporate loans		120,901	96,237,689	96,358,590
U.S. equity	6,929,673			6,929,673
Asset-backed Securities		1,080,731		1,080,731
Subtotal	7,026,285	254,188,924	96,237,689	357,452,898
Total Investments by Fair Value Level	\$ 1,766,434,239	\$ 1,286,869,118	\$ 96,237,689	\$ 3,149,541,046
At NAV				
Private equity funds				\$ 275,496,532
Private opportunistic credit funds				176,716,399
Private real estate funds				189,603,933
Total Investments Measured at the NAV				641,816,864
Total Investments Measured at Fair Value				<u><u>\$ 3,791,357,910</u></u>

Schedule of Investments at NAV — 2025

	June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private real estate				
Open-ended	\$ 104,437,701	\$	Quarterly	45-90 days
Closed-ended	85,166,232	71,933,107	N/A	N/A
Private equity				
Closed-ended	275,464,520	170,006,045	N/A	N/A
Open-ended	32,012	10,000,000		
Private opportunistic credit				
Open-ended	160,001,369	3,488,824	Semiannually	75 days
Closed-ended	16,715,030	7,032,298	N/A	N/A
Total investments at NAV	<u>\$ 641,816,864</u>			

Regarding the open-ended private opportunistic credit, a few restrictions remain that would prevent redemption at this time. In open-ended private opportunistic credit, one fund has a NAV of \$19.2 million with a three-year lock-up period expiring Nov. 11, 2025, while another has a NAV of \$18.1 million with a three-year lock-up period expiring July 17, 2026. For open-ended private equity, one fund has recently committed \$10 million that has a 3-year lock-up period expiring March 21, 2028.

Health Insurance Trust
Schedule of Investments at Fair Value Level — 2024

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 190,546,793	\$	\$	\$ 190,546,793
Fixed income				
Agency bonds		37,978,380		37,978,380
Collateralized mortgage obligations		1,777,731		1,777,731
Corporate bonds		116,740,818		116,740,818
Mortgage-backed securities		3,046,296		3,046,296
Municipal bonds		9,078,875		9,078,875
U.S. government	78,506,530			78,506,530
Subtotal	78,506,530	168,622,100		247,128,630
Equity				
International	25,335,302	647,727,981		673,063,283
U.S.	1,150,152,092			1,150,152,092
Subtotal	1,175,487,394	647,727,981		1,823,215,375
Additional categories				
Asset-backed securities		522,328		522,328
Corporate bonds	85,601	221,328,508		221,414,109
Corporate loans		182,008	93,465,948	93,647,956
U.S. equity	6,634,499			6,634,499
Subtotal	6,720,100	222,032,844	93,465,948	322,218,892
Total investments at fair value level	\$ 1,451,260,817	\$ 1,038,382,925	\$ 93,465,948	\$ 2,583,109,690
At NAV				
Private equity funds				\$ 246,078,333
Private opportunistic credit funds				\$ 166,780,267
Private real estate funds				156,478,824
Total investments measured at NAV				569,337,424
Total investments at fair value				\$ 3,152,447,114

Life Insurance Trust
Schedule of Investments at Fair Value Level — 2025

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 6,412,195	\$	\$	\$ 6,412,195
Fixed income				
Corporate bonds		5,810,277		5,810,277
Mortgage-backed securities		152,662		152,662
Municipal bonds		2,306,432		2,306,432
U.S. government	5,314,256			5,314,256
Subtotal	<u>5,314,256</u>	<u>8,269,371</u>		<u>13,583,627</u>
Equity				
International	271,350	25,209,535		25,480,885
U.S.	47,024,887			47,024,887
Subtotal	<u>47,296,237</u>	<u>25,209,535</u>		<u>72,505,772</u>
Additional categories				
U.S. equity	738,736			738,736
Subtotal	<u>738,736</u>			<u>738,736</u>
Total investments at fair value level	<u>\$ 59,761,424</u>	<u>\$ 33,478,906</u>	<u>\$</u>	<u>\$ 93,240,330</u>
At NAV				
Private equity funds				\$ 7,051,647
Private real estate funds				7,962,075
Private opportunistic credit funds				2,611,741
Total investments measured at NAV				<u>17,625,463</u>
Total investments at fair value				<u><u>\$ 110,865,793</u></u>

Schedule of Investments at NAV — 2025

	June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice
Private equity				
Closed-ended	\$ 7,051,647	\$ 3,482,628	N/A	N/A
Private real estate				
Closed-ended	3,427,387	2,298,508	N/A	N/A
Open-ended	4,534,688	\$	Quarterly	45 days
Private opportunistic credit				
Open-ended	2,611,741	178,500	Semiannually	75 days
Total investments at NAV	<u><u>\$ 17,625,463</u></u>			

Life Insurance Trust
Schedule of Investments at Fair Value Level — 2024

	Level 1	Level 2	Level 3	Fair Value
Cash and cash equivalents	\$ 4,919,258	\$	\$	\$ 4,919,258
Fixed income				
Corporate bonds		6,353,105		6,353,105
Mortgage-backed securities		182,162		182,162
Municipal bonds		2,274,478		2,274,478
U.S. government	7,949,101			7,949,101
Subtotal	<u>7,949,101</u>	<u>8,809,745</u>		<u>16,758,846</u>
Equity				
International	111,756	21,291,694		21,403,450
U.S.	41,377,043			41,377,043
Subtotal	<u>41,488,799</u>	<u>21,291,694</u>		<u>62,780,493</u>
Additional categories				
U.S. equity	710,803			710,803
Subtotal	<u>710,803</u>			<u>710,803</u>
Total investments at fair value level	<u>\$ 55,067,961</u>	<u>\$ 30,101,439</u>	<u>\$</u>	<u>\$ 85,169,400</u>
Investments at NAV				
Private equity funds				\$ 6,429,611
Private real estate funds				7,037,595
Private opportunistic credit funds				2,338,090
Total investments measured at NAV				<u>15,805,296</u>
Total investments at fair value				<u><u>\$ 100,974,696</u></u>

Securities Lending

KRS 161.430 empowers the board with fiduciary responsibility for TRS funds. The system operates a securities lending program in which it temporarily lends securities to qualified agents in exchange for a net fee and high-quality collateral. The types of securities lent are U.S. government and agency securities; selected domestic bonds; and domestic and international stocks. TRS's custodian, BNYM, acts as lending agent in exchanging securities for collateral. The collateral has a value of not less than 102% of the fair value of the lent securities, plus any accrued, unpaid distributions. The collateral may consist of both cash and non-cash collateral. The non-cash collateral may include, but not be limited to, debt obligations and securities, equity securities, corporate bonds and convertible securities.

Securities lending transactions are accounted for in accordance with GASB Statement No. 28. During the year ended June 30, 2025, the Retirement Annuity Trust fund, Health Insurance Trust fund and the Life Insurance Trust fund had securities lending transactions. The following schedules detail the net income earned in the Retirement Annuity Trust fund, Health Insurance Trust fund and the Life Insurance Trust fund from securities lending for the fiscal years ended June 30, 2025, and 2024.

Securities Lending Net Earnings

	Retirement Annuity*		Health Insurance Trust**		Life Insurance	
	2025	2024	2025	2024	2025	2024
Gross earnings (interest and fees)	\$47,290,835	\$38,306,599	\$35,615		\$832,188	\$682,519
Gross borrower rebates	(40,265,626)	(34,639,396)	(31,150)		(753,767)	(626,014)
Bank fees	(2,107,361)	(1,100,027)	(669)		(23,520)	(16,947)
Net earnings	<u>\$4,917,848</u>	<u>\$2,567,176</u>	<u>\$3,796</u>		<u>\$54,901</u>	<u>\$39,558</u>

* This schedule includes the Losey Scholarship fund.

** The Health Insurance Trust began participating in securities lending in 2025.

Cash collateral is invested in guaranteed, short-term obligations of the U.S. government, select government agencies and repurchase agreements with qualified agents. TRS cannot pledge or sell collateral securities received unless the borrower defaults. BNYM as the lending agent also indemnifies TRS from any financial loss associated with a borrower's default and collateral inadequacy. The Statement of Fiduciary Net Position does not report securities lending transactions collateralized by letters of credit or by securities that the governmental entity does not have the ability to pledge or sell, unless the borrower defaults.

As of June 30, 2025, the average days to maturity for loans in the Retirement Annuity Trust was one day, and the weighted average investment maturity of cash collateral investments was one day. The trust had no credit risk exposure to borrowers because the amounts owed to borrowers exceeded the amounts the borrowers owed the trust, and no losses resulted during the period.

Security lending programs can entail interest rate risk and credit risk. TRS minimizes interest rate risk by limiting the term of cash collateral investments to several days.

The credit risk is controlled by investing cash collateral in securities with qualities similar to the credit worthiness of lent securities.

The following tables present the fair value of the underlying securities and the value of the collateral pledged at June 30, 2025, and 2024. (The Health Insurance Trust had no securities lending holdings as of June 30, 2025 or 2024.)

Retirement Annuity Trust
2025

Type of Securities Lent	Fair Value	Cash Collateral Received	Non-Cash Collateral Value Received	Total Collateral Received
Fixed income	\$ 660,209,588	\$ 498,979,866	\$ 181,144,063	\$ 680,123,929
Equity	1,162,601,978	799,595,862	392,645,390	1,192,241,252
Total	<u>\$ 1,822,811,566</u>	<u>\$ 1,298,575,728</u>	<u>\$ 573,789,453</u>	<u>\$ 1,872,365,181</u>

2024

Type of Securities Lent	Fair Value	Cash Collateral Received	Non-Cash Collateral Value Received	Total Collateral Received
Fixed income	\$ 238,118,376	\$ 147,228,923	\$ 96,391,867	\$ 243,620,790
Equity	872,881,961	757,297,947	135,505,302	892,803,249
Total	<u>\$ 1,111,000,337</u>	<u>\$ 904,526,870</u>	<u>\$ 231,897,169</u>	<u>\$ 1,136,424,039</u>

Life Insurance Trust

2025

Type of Securities Lent	Fair Value	Cash Collateral Received	Non-Cash Collateral Value Received	Total Collateral Received
Fixed income	\$ 3,232,136	\$ 2,495,875	\$ 864,072	\$ 3,359,947
Equity	6,529,949	6,551,377	109,825	6,661,202
Total	<u>\$ 9,762,085</u>	<u>\$ 9,047,252</u>	<u>\$ 973,897</u>	<u>\$ 10,021,149</u>

2024

Type of Securities Lent	Fair Value	Cash Collateral Received	Non-Cash Collateral Value Received	Total Collateral Received
Fixed income	\$ 1,419,531	\$ 1,174,960	\$ 277,253	\$ 1,452,213
Equity	4,108,816	4,127,573	51,087	4,178,660
Total	<u>\$ 5,528,347</u>	<u>\$ 5,302,533</u>	<u>\$ 328,340</u>	<u>\$ 5,630,873</u>

Annual Money-Weighted Rate of Return

A money-weighted rate of return is an expression of investment performance that is net of TRS's investment fees and expenses, adjusted for the changing amounts actually invested. The following table reflects the money-weighted rates of return.

Annual Rate of Return Net of Investment Fees and Expenses

	2025	2024
Retirement Annuity Trust	12.01 %	11.91 %
Health Insurance Trust	12.27 %	12.37 %
Life Insurance Trust	12.05 %	11.18 %

Note 6

Retirement Plans for TRS Employees

Full-time employees of TRS participate in either TRS or Kentucky Employees Retirement System (KERS). Both plans are multiple-employer cost-sharing defined benefit retirement annuity and other postemployment benefits plans. All TRS employees in positions requiring a four-year degree are covered under TRS. The contribution rates and required employer matching are the same as state agency employers in TRS. These rates, the plan description and funding policy are disclosed fully in the notes to the financial statements.

The annual required contributions for TRS employee members in TRS for the fiscal years 2025 and 2024 were \$1.6 million and \$1.5 million, respectively. TRS contributed 100% of the required contribution each year.

All other TRS employees are covered under the KERS non-hazardous employees' plan. The plan provides for retirement, disability and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Per KRS 61.565(2), contribution rates shall be determined by the Kentucky Retirement Systems board (KRS board) on the basis of an annual actuarial valuation. Rates may be amended by the KRS board as needed.

Members of KERS who joined prior to July 1, 2008, are required to contribute 5% of their annual creditable compensation, and members who joined on or after July 1, 2008, contribute 6%. As the employer, TRS is required to contribute the annual actuarially determined rate of the creditable compensation (or the rate approved by legislators). TRS is required to contribute 9.97% plus a monthly amount determined by the KERS actuary for TRS's portion of the total unfunded liability over a set period regardless of covered payroll. TRS's total contributions to KERS were \$582,915 and \$919,143 for fiscal 2025 and 2024. TRS contributed 100% of the required contributions for each year.

Note 7

Description of Other Funds

403(b) Tax-Sheltered Annuity Plan

Plan Description

TRS has administered a salary deferral program as permitted by section 403(b) of the Internal Revenue Code. Under this program members voluntarily deferred a portion of their compensation within the limits established by the applicable laws and regulations. The board subsequently discontinued offering the program. Members who were not receiving annuities were able to transfer their accounts into other tax-sheltered plans. As of June 30, 2025, two members remained who are receiving annuities under the plan. Effective Jan. 1, 2022, the board restated the plan to allow TRS 4 members and employers to make voluntary contributions to the plan to comply with the requirements of the legislation that created TRS 4. As of June 30, 2025, 24 TRS 4 members participated in the voluntary plan, and the combined balance of those accounts was \$68,255, compared to 17 members with a combined balance of \$28,009 at June 30, 2024.

Basis of Accounting

The Tax-Sheltered Annuity Plan financial statements are prepared using an accrual basis of accounting.

Method Used to Value Investments

The short-term investments are reported at cost, which approximates fair value.

Supplemental Benefit Fund

The Supplemental Benefit Fund is a qualified governmental excess benefit arrangement as described in Section 415 of the Internal Revenue Code. In accordance with KRS 161.611 and KRS 161.420(8), TRS is authorized to provide a supplemental retirement benefit fund for the sole purpose of enabling the employer to apply the same formula for determining benefits payable to all members of TRS employed by the employer, whose benefits under the system are limited by Section 415 of the Internal Revenue Code of 1986 as amended. Funding of benefits payable under this fund are provided by the employer and are segregated from funds that are maintained by TRS for payment of regular benefits.

Junita Losey Scholarship Fund

Junita Losey, a retired teacher, designated TRS as a residuary beneficiary of her estate and expressed a desire that TRS establish a scholarship program for Kentucky students studying to be teachers. Ms. Losey died in 1997, and her estate provided a scholarship bequest to TRS. The scholarship bequest has at all times been segregated from funds that are maintained by TRS for payment of regular benefits. The board’s Scholarship Committee meets each December to consider scholarship standards and administration of the bequest.

Note 8
Other Postemployment Benefits (OPEB) — Health Insurance Trust

Plan Description

In addition to the retirement annuity plan described in Note 1, KRS 161.675 requires TRS to provide access to postemployment healthcare benefits for eligible members and dependents. The TRS Health Insurance Trust is funded by employer and member contributions. Changes made to the medical plans provided through the trust may be made by the TRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

Medical coverage through TRS is funded by a combination of contributions from employees, the state and other employers. Coverage is provided through an account established pursuant to 26 U.S.C. sec. 401(h) and a 115 trust fund that went into effect on July 1, 2010. The insurance trust fund includes employer and retired member contributions required under KRS 161.550 and KRS 161.675(4)(b).

To be eligible for medical benefits, the member must have retired either for service or disability and a required amount of service credit. The TRS medical plan offers members who are not eligible for Medicare and under age 65 coverage through the Kentucky Employees Health Plan (KEHP) administered by the Kentucky Department of Employee Insurance. Once retired members and eligible spouses attain age 65 and or are eligible for Medicare, coverage is obtained through the Medicare Eligible Health Plan (MEHP) administered by TRS.

Contributions are made on behalf of TRS retired members toward payment of health insurance premiums. The amount of the member’s contribution is based on a table approved by the TRS board. Retired members pay premiums in excess of the monthly contribution. The amount of insurance premiums paid by retirees for fiscal years 2025 and 2024 were \$63.9 million and \$62.9 million, respectively. The Commonwealth of Kentucky bears risk for excess claims expenses that exceed the premium equivalents charged for the KEHP.

At June 30, 2025, TRS insurance covered 41,033 retirees and 6,233 dependents, and at June 30, 2024, TRS insurance covered 41,000 retirees and 6,322 dependents. The medical plan has 202 participating employers with 77,024 and 76,014 active members contributing at June 30, 2025, and 2024, respectively.

Retiree health care premiums and other income received reduces the amount of expenditures reported in the deductions section in the Statement of Changes in Fiduciary Net Position for the Health Insurance Trust. These expenditures are summarized in the following table.

FINANCIAL SECTION

	2025	2024
MEHP group expenditures	\$ 271,750,462	\$ 244,030,540
KEHP group expenditures	148,993,602	119,207,504
Subtotal	420,744,064	363,238,044
Less: amounts paid by retirees	(63,924,175)	(62,939,581)
Less: formulary rebates	(76,430,058)	(71,191,589)
Less: Medicare subsidies and other recovery income	(107,323,884)	(85,584,942)
Net insurance expenditures	\$ 173,065,947	\$ 143,521,932

Net OPEB Liability of Employers

The net OPEB liability [i.e., the system's liability determined in accordance with GASB Statement No. 74 less the fiduciary net position (FNP)] for the Health Insurance Trust as of June 30, 2025, and 2024 is shown in the following table.

Net OPEB Liability of Employers (Dollars in thousands)

Fiscal Year Ending June 30	Total OPEB Liability (TOL)* A	Plan Fiduciary Net Position B	Employers Net OPEB Liability (NOL) (A-B)	Plan Fiduciary Net Position (FNP) as a % of Total OPEB Liability (B/A)	Covered Payroll C	Net OPEB Liability as a % of Covered Payroll [(A-B)/C]
2025	\$ 5,684,031	\$ 3,951,268	\$ 1,732,763	69.5	\$ 4,299,218	40.3
2024	5,546,693	3,317,711	2,228,982	59.8	4,140,446	53.8

*The TOL includes the additional consideration for the current treatment of KEHP implicit subsidies that may be needed in the future. This is an additional liability from Health Insurance Trust accrued liabilities.

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation follows.

Valuation date	June 30, 2024
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation
Projected salary increases	3.0 - 7.5%, including wage inflation
Inflation rate	2.5%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	5.25%
Discount rate	7.1%
Single equivalent interest rate	7.1%, net of OPEB plan investment expense, including price inflation
Health care cost trends	
Medical trend	7.0% for fiscal year 2025, decreasing to an ultimate rate of 4.5% by fiscal year 2035
Medicare Part B premiums	3.39% for fiscal year 2025, with an ultimate rate of 4.5% by 2036

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards, set-backs and adjustments for each of the groups; service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2024, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends) used in the June 30, 2024, valuation of the health trust were based on a review of recent plan experience done concurrently with the June 30, 2024, valuation. The health care cost trend rate assumption was updated for the June 30, 2024, valuation and was shown as an assumption change in the total OPEB liability (TOL) roll-forward while the change in initial per capita claims costs were included with experience in the TOL roll-forward. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

The long-term expected rate of return on OPEB investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS's investment consultant, are summarized in the following table.

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate Percentage of Return
U.S. large cap equity	35.4	4.6
U.S. small cap equity	2.6	4.8
Developed international equity	15.0	4.5
Emerging markets equity	5.0	4.8
Fixed income	9.0	3.1
High yield bonds	8.0	3.8
Other additional categories	9.0	4.3
Real estate	6.5	4.2
Private equity	8.5	6.9
Cash	1.0	3.0
Total	100.0	

Discount Rate

The discount rate used to measure the TOL as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection's basis was an actuarial valuation performed as of June 30, 2024. In addition to the actuarial methods and assumptions of the June 30, 2024, actuarial valuation, the following actuarial methods and assumptions were used in the projection of cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase with expectation.
- The KEHP group retiree health care costs for members retired on or after July 1, 2010, were assumed to be paid by either the state or the retirees themselves.
- As administrative expenses, other than the administrative fee of \$8.00 per member per month (PMPM) paid to KEHP by TRS, were assumed to be paid in all years by the employer as they come due, they were not considered.
- Cash flows occur midyear.
- Future contributions to the Health Insurance Trust were based upon the contribution rates defined in statute and the projected payroll of active employees. Per KRS 161.540(1)(e) and 161.550(4), when the health trust achieves a sufficient funded status, as determined by TRS's actuary, the following health trust statutory contributions are to be decreased, suspended or eliminated:
 - Employee contributions
 - School district and university employer contributions
 - State contributions for KEHP premium subsidies payable to retirees who retire after June 30, 2010

To reflect these adjustments, open group projections were used and assumed an equal, pro rata reduction to the current statutory amounts in the years if the health trust is projected to achieve a funded ratio of 100% or more. Here, the current statutory amounts are adjusted to achieve total contributions equal to the actuarially determined contribution, as determined by the prior year's valuation and in accordance with the health trust's funding policy. As the specific methodology to be used for the adjustments has yet to be determined, there may be differences between the projected results and future experience. This also may include any changes to retiree contributions for KEHP coverage pursuant to KRS 161.675(4)(b).

- In developing the adjustments to the statutory contributions in future years, the following was assumed:
 - Liabilities and cash flows are net of expected retiree contributions and any implicit subsidies attributable to coverage while participating in KEHP.

Based on these assumptions, the Health Insurance Trust's FNP was not projected to be depleted.

The FNP projections are based upon the health trust's financial status on the valuation date; the indicated set of methods and assumptions; and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows

and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether or not the health trust will actually run out of money, the financial condition of the trust, or the trust's ability to make benefit payments in future years.

These paragraphs require disclosure of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate for the Health Insurance Trust. The following exhibits present the NOL of the trust, calculated using the health care cost trend rates, as well as what the trust's NOL would be if it were calculated using a health care cost trend rate that is 1% lower or 1% higher than the current rate. Similarly, the exhibits present the NOL of the trust, calculated using the single equivalent interest rate (SEIR), as well as what the NOL would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current SEIR.

Schedule of Net OPEB Liability and Health Care Cost Trend Rates 2025

(In thousands)

		Health Care Cost Trend Rates		
		1% Decrease	Current	1% Increase
Discount Rate	1% Increase (8.1%)	\$	\$ 1,104,870	\$
	Current (7.1%)	987,286	1,732,763	2,658,781
	1% Decrease (6.1%)		2,490,493	

Schedule of Net OPEB Liability and Health Care Cost Trend Rates 2024

(In thousands)

		Health Care Cost Trend Rates		
		1% Decrease	Current	1% Increase
Discount Rate	1% Increase (8.1%)	\$	\$ 1,622,126	\$
	Current (7.1%)	1,505,651	2,228,982	3,127,709
	1% Decrease (6.1%)		2,961,188	

The TOL of the Health Insurance Trust for 2025 is based upon an actuarial valuation performed as of the valuation date, June 30, 2024. An expected TOL is determined as of June 30, 2025, using standard roll-forward techniques. The roll-forward calculation begins with the TOL, as of June 30, 2024, subtracts the actual benefit payments (net of retiree contributions, if applicable) for the year, applies interest at the discount rate for the year and then adds the annual normal cost (also called the service cost). If applicable, actuarial gains and losses arising from the difference between estimates and actual experience (excluding amounts related to benefit changes and changes in assumptions or other inputs) are reconciled to the TOL as of the measurement date. Last, any changes of assumptions or other inputs are reflected. The procedure used to determine the TOL of the health trust, as of June 30, 2025, is shown in the following table.

TOL Roll-Forward 2025
(In thousands)

	Expected	Actual
(a) TOL as of June 30, 2024*	\$ 5,546,693	\$ 5,042,090
(b) Actual benefit payments and refunds for July 1, 2024-June 30, 2025	(173,066)	(173,066)
(c) Interest on TOL = [(a) x (0.071)] + [(b) x (0.0355)]	387,671	351,845
(d) Service cost for July 1, 2024-June 30, 2025 at the end of the year	127,309	127,309
(e) Changes of benefit terms		
(f) Changes of assumptions**	335,853	335,853
(g) TOL rolled forward to June 30, 2025 = (a) + (b) + (c) + (d) + (e) + (f)	6,224,460	5,684,031
(h) Difference between expected and actual experience (gain) loss		<u>\$ (540,429)</u>

* The TOL used in the roll-forward as of June 30, 2024, is calculated using the discount rate as of the prior measurement date.

** Since the previous 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 increased for the next few years starting at 7%, while continuing to step down to an ultimate health care trend assumption of 4.5%, which is 2% higher than our price inflation assumption. The increase in trend is due to continuing high expectations for prescription drug costs and utilization, particularly for specialty drugs.

The TOL of the Health Insurance Trust for 2024 is based upon an actuarial valuation performed as of the June 30, 2023, valuation date. An expected, TOL was determined as of June 30, 2024, using standard roll-forward techniques. The roll-forward calculation begins with the TOL, as of June 30, 2023, subtracts the actual benefit payments (net of retiree contributions, if applicable) for the year, applies interest at the discount rate for the year and then adds the annual normal cost (also called the service cost). If applicable, actuarial gains and losses arising from the difference between estimates and actual experience (excluding amounts related to benefit changes and changes in assumptions or other inputs) are reconciled to the TOL as of the measurement date. Last, any changes of assumptions or other inputs are reflected. The procedure used to determine the TOL of the health trust, as of June 30, 2024, is shown in the following table.

TOL Roll-Forward 2024
(In thousands)

	Expected	Actual
(a) TOL as of June 30, 2023*	\$ 5,179,049	\$ 5,023,491
(b) Actual benefit payments and refunds for July 1, 2023-June 30, 2024	(143,522)	(143,522)
(c) Interest on TOL = [(a) x (0.071)] + [(b) x (0.0355)]	362,617	351,573
(d) Service cost for July 1, 2023-June 30, 2024 at the end of the year	130,757	130,757
(e) Changes of benefit terms		
(f) Changes of assumptions**	184,394	184,394
(g) TOL rolled forward to June 30, 2024 = (a) + (b) + (c) + (d) + (e) + (f)	5,713,295	5,546,693
(h) Difference between expected and actual experience (gain) loss		<u>\$ (166,602)</u>

* The TOL used in the roll-forward as of June 30, 2023, is calculated using the discount rate as of the prior measurement date.

** The health care trend rates, as well as the TRS 4 retirement decrements, were updated to reflect future anticipated experience.

Note 9
Other Postemployment Benefits (OPEB) — Life Insurance Trust

Plan Description

TRS administers the Life Insurance Trust as provided by KRS 161.655 to provide life insurance benefits to retired and active members. This benefit is financed by actuarially determined contributions from the 202 participating employers. The benefit is \$5,000 for members who are retired for service or disability and \$2,000 for active contributing members who are in TRS 1, TRS 2 and TRS 3. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Net OPEB Liability of Employers

The net OPEB liability (NOL) (i.e., the system's liability determined in accordance with GASB Statement No. 74 less the fiduciary net position) for the life insurance fund as of June 30, 2025, and 2024 follows.

Schedule of Net OPEB Liability of Employers
(Dollars in thousands)

Year Ended June 30	Total OPEB Liability (TOL) A	Plan Fiduciary Net Position B	Employers Net OPEB Liability (NOL) (A-B)	Plan Fiduciary Net Position (FNP) as a % of Total OPEB Liability (B/A)	Covered Payroll C	Net OPEB Liability as a % of Covered Payroll [(A-B)/C]
2025	\$ 129,530	\$ 111,332	\$ 18,198	86.0	\$ 4,299,218	0.4
2024	126,072	101,559	24,513	80.6	4,140,446	0.6

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below.

Valuation date	June 30, 2024
Investment rate of return	7.1%, net of OPEB plan investment expense, including inflation.
Projected salary increases	3 - 7.5%, including wage inflation
Inflation rate	2.5%
Real wage growth	0.25%
Wage inflation	2.75%
Municipal bond index rate	5.25%
Discount rate	7.1%
Single equivalent interest rate	7.1%, net of OPEB plan investment expense, including price inflation

Mortality rates were based on the Pub2010 (Teachers Benefit-Weighted) Mortality Table projected generationally with MP-2020 with various set-forwards set-backs and adjustments for each of the groups: service, retirees, contingent annuitants, disabled retirees and active members. The demographic actuarial assumptions for retirement, disability incidence, withdrawal, rates of plan participation and rates of plan election used in the June 30, 2024, valuation were based on the results of the most recent actuarial experience study for the system, which covered the five-year period ending June 30, 2020, adopted by the board on September 20, 2021. The Municipal Bond Index Rate used for this purpose is the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System.

Target Allocations

The long-term expected rate of return on OPEB investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and

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inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by TRS’s investment consultant, are summarized in the following table.

Asset Class	Target Allocation Percentage	Long-Term Expected Real Rate Percentage of Return
U.S. equity	40.0	4.7
International equity	15.0	4.5
Emerging markets equity	5.0	4.8
Fixed income	21.0	3.1
Real estate	7.0	4.2
Private equity	5.0	6.9
Additional categories	5.0	4.1
Cash	2.0	3.0
Total	100.0	

Discount Rate

The discount rate used to measure the total OPEB liability (TOL) as of the measurement date was 7.1%. The projection of cash flows used to determine the discount rate was performed in accordance with GASB Statement No. 74. The projection’s basis was an actuarial valuation performed as of June 30, 2024. In addition to the actuarial methods and assumptions of the June 30, 2024, actuarial valuation, the following actuarial methods and assumptions were used in the projection of the life insurance cash flows:

- Total payroll for the initial projection year consists of the payroll of the active membership present on the valuation date. In subsequent projection years, total payroll was assumed to increase annually at a rate of 2.75%.
- The employer will contribute the ADC in accordance with the Life Insurance Trust’s funding policy (Schedule E) determined by a valuation performed on a date two years prior to the beginning of the fiscal year in which the ADC applies.
- As administrative expenses were assumed to be paid in all years by the employer as they come due, they were not considered.
- Active employees do not contribute to the plan.
- Cash flows occur midyear.

Based on these assumptions, the Life Insurance Trust’s fiduciary net position (FNP) was not projected to be depleted.

The FNP projections are based upon the Life Insurance Trust’s financial status on the valuation date; the indicated set of methods and assumptions; and the requirements of GASB Statement No. 74. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing basis, reflecting the impact of future members. Therefore, the results of these tests do not necessarily indicate whether the Life Insurance Trust actually will run out of money, the financial condition of the trust, or the trust’s ability to make benefit payments in future years.

These paragraphs require disclosure of the sensitivity of the NOL to changes the discount rate for the Life Insurance Trust. The schedules below presents the NOL of the trust calculated using the SEIR, as well as what the trust’s NOL would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current SEIR.

Schedule of Net OPEB Liability 2025 (In thousands)		
1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
\$35,985	\$18,198	\$3,799

Schedule of Net OPEB Liability 2024
(In thousands)

1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
\$42,041	\$24,513	\$10,327

The TOL of the Life Insurance Trust for 2025 is based upon an actuarial valuation performed as of the valuation date, June 30, 2024. An expected TOL is determined as of June 30, 2025, using standard roll-forward techniques. The roll-forward calculation begins with the TOL, as of June 30, 2024, subtracts the actual benefit payments (net of retiree contributions, if applicable) for the year, applies interest at the discount rate for the year and then adds the annual normal cost (also called the service cost). If applicable, actuarial gains and losses arising from the difference between estimates and actual experience (excluding amounts related to benefit changes and changes in assumptions or other inputs) are reconciled to the TOL as of the measurement date. Last, any changes of assumptions or other inputs are reflected. The procedure used to determine the TOL of the Life Insurance Trust, as of June 30, 2025, is shown in the following table.

TOL Roll-Forward 2025
(In thousands)

	Expected	Actual
(a) TOL as of June 30, 2024*	\$ 126,072	\$ 125,526
(b) Actual benefit payments and refunds for July 1, 2024-June 30, 2025	(5,825)	(5,825)
(c) Interest on TOL = [(a) x (0.071)] + [(b) x (0.0355)]	8,744	8,706
(d) Service cost for July 1, 2024-June 30, 2025	1,123	1,123
(e) Changes of benefits terms		
(f) Changes of assumptions	—	—
(g) TOL rolled forward to June 30, 2025 =(a)+(b)+(c)+(d)+(e)+(f)	\$ 130,114	\$ 129,530
(h) Difference between expected and actual experience (gain) loss		<u>\$ (584)</u>

* The TOL used in the roll-forward as of June 30, 2024, is calculated using the discount rate as of the prior measurement date.

The TOL of the Life Insurance Trust for 2024 is based upon an actuarial valuation performed as of the June 30, 2023, valuation date. An expected TOL is determined as of June 30, 2024, using standard roll-forward techniques. The roll-forward calculation begins with the TOL, as of June 30, 2023, subtracts the actual benefit payments (net of retiree contributions, if applicable) for the year, applies interest at the discount rate for the year and then adds the annual normal cost (also called the service cost). If applicable, actuarial gains and losses arising from the difference between estimates and actual experience (excluding amounts related to benefit changes and changes in assumptions or other inputs) are reconciled to the TOL as of the measurement date. Last, any changes of assumptions or other inputs are reflected. The procedure used to determine the TOL of the trust, as of June 30, 2024, is shown in the following table.

TOL Roll-Forward 2024
(In thousand)

	Expected	Actual
(a) TOL as of June 30, 2023*	\$ 122,254	\$ 122,611
(b) Actual benefit payments and refunds for July 1, 2023-June 30, 2024	(6,106)	(6,106)
(c) Interest on TOL = [(a) x (0.071)] + [(b) x (0.0355)]	8,463	8,489
(d) Service cost for July 1, 2023-June 30, 2024	1,078	1,078
(e) Changes of benefits terms		
(f) Changes of assumptions	—	—
(g) TOL rolled forward to June 30, 2024 =(a)+(b)+(c)+(d)+(e)+(f)	\$ 125,689	\$ 126,072
(h) Difference between expected and actual experience (gain) loss		<u>\$ 383</u>

* The TOL used in the roll-forward as of June 30, 2023, is calculated using the discount rate as of the prior measurement date.

Required Supplementary Information

Retirement Annuity Trust

Schedule of Changes in Net Pension Liability (In thousands)

	2025	2024	2023	2022	2021
Total pension liability					
Service cost	\$ 686,650	\$ 665,383	\$ 654,676	\$ 621,689	\$ 563,188
Interest	2,980,149	2,895,379	2,796,631	2,724,644	2,581,630
Difference between expected and actual experience	315,247	160,600	398,576	42,986	32,475
Changes of assumptions	—	—	—	—	3,072,848
Benefit payments	(2,522,487)	(2,466,971)	(2,391,326)	(2,305,853)	(2,235,241)
Refunds of contributions	(32,449)	(32,922)	(26,910)	(26,745)	(25,374)
Net change in total pension liability	1,427,110	1,221,469	1,431,647	1,056,721	3,989,526
Total pension liability — beginning	43,251,404	42,029,935	40,598,288	39,541,567	35,552,041
Total pension liability — ending (a)	44,678,514	43,251,404	42,029,935	40,598,288	39,541,567
Plan net position					
Contributions — state	1,311,423	1,085,042	1,042,434	1,570,118	1,060,257
Contributions — employers	83,712	93,640	102,015	109,467	86,720
Contributions — members	404,089	385,907	366,775	356,967	327,833
Net investment income	3,056,965	2,813,693	2,266,085	(2,727,776)	6,017,186
Benefit payments	(2,522,487)	(2,466,971)	(2,391,326)	(2,305,853)	(2,235,241)
Administrative expense	(14,664)	(14,807)	(14,471)	(12,005)	(12,602)
Refunds of contributions	(32,449)	(32,922)	(26,910)	(26,745)	(25,374)
Net change in plan net position	2,286,589	1,863,582	1,344,602	(3,035,827)	5,218,779
Plan net position — beginning	26,108,136	24,244,554	22,899,952	25,935,779	20,717,000
Plan net position — ending (b)	28,394,725	26,108,136	24,244,554	22,899,952	25,935,779
Net pension liability — ending (a)-(b)	<u>\$ 16,283,789</u>	<u>\$ 17,143,268</u>	<u>\$ 17,785,381</u>	<u>\$ 17,698,336</u>	<u>\$ 13,605,788</u>

See accompanying independent auditor's report.

Schedule of Changes in Net Pension Liability
(In thousands)

	2020	2019	2018	2017	2016
Total pension liability					
Service cost	\$ 552,625	\$ 542,970	\$ 1,104,102	\$ 1,332,587	\$ 1,120,893
Interest	2,517,671	2,448,387	2,063,109	1,964,107	2,027,457
Difference between expected and actual experience	10,661	93,650	-222,473	199,471	(58,035)
Changes of assumptions	—	—	(14,167,315)	(2,321,327)	4,030,834
Benefit payments	(2,167,239)	(2,094,364)	(2,004,617)	(1,918,612)	(1,833,199)
Refunds of contributions	(28,472)	(32,403)	(31,073)	(26,305)	(27,748)
Net change in total pension liability	885,246	958,240	(13,258,267)	(770,079)	5,260,202
Total pension liability — beginning	34,666,795	33,708,555	46,966,822	47,736,901	42,476,699
Total pension liability — ending (a)	35,552,041	34,666,795	33,708,555	46,966,822	47,736,901
Plan net position					
Contributions — state	1,048,193	1,051,452	969,698	981,417	484,987
Contributions — employers	86,088	71,583	78,973	79,303	80,468
Contributions — members	324,664	321,172	319,127	313,625	313,044
Net investment income	1,094,023	1,085,189	1,953,214	2,475,753	(245,215)
Benefit payments	(2,167,239)	(2,094,364)	(2,004,617)	(1,918,612)	(1,833,199)
Administrative expense	(12,167)	(12,352)	(11,388)	(10,314)	(8,636)
Refunds of contributions	(28,472)	(32,403)	(31,073)	(26,305)	(27,748)
Net change in plan net position	345,090	390,277	1,273,934	1,894,867	(1,236,299)
Plan net position — beginning	20,371,910	19,981,633	18,707,699	16,812,832	18,049,131
Plan net position — ending (b)	20,717,000	20,371,910	19,981,633	18,707,699	16,812,832
Net pension liability — ending (a)-(b)	\$ 14,835,041	\$ 14,294,885	\$ 13,726,922	\$ 28,259,123	\$ 30,924,069

See accompanying independent auditor's report.

Net Pension Liability

The total pension liability contained in the following schedule was provided by TRS's actuary, CavMac Consulting. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the system.

Changes of Benefit Terms. The TRS 4 benefit tier was added for members joining the system on and after Jan. 1, 2022.

Changes of assumptions. In the 2020 experience study, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. The expectation of mortality was changed to the Pub2010 Mortality Tables (Teachers Benefit-Weighted) projected generationally with MP-2020 with various set forwards, set-backs and adjustments for each of the groups: service retirees, contingent annuitants, disabled retirees and actives. The assumed long-term investment rate of return was changed from 7.5% to 7.1% and the price inflation assumption was lowered from 3% to 2.5%.

In the 2016 valuation, rates of withdrawal, retirement, disability, mortality and salary increase were adjusted to more closely reflect actual experience. In the 2016 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables projected to 2025 with projection scale BB, set forward two year for males and one year for females rather than the RP-2000 Mortality Tables projected to 2020 with projection scale AA, which was used prior to 2016.

Schedule of Net Pension Liability
(Dollars in thousands)

	2025	2024	2023	2022	2021
Total pension liability	\$44,678,514	\$43,251,404	\$42,029,935	\$40,598,288	\$39,541,567
Plan net position	28,394,725	26,108,136	24,244,554	22,899,952	25,935,779
Net pension liability	16,283,789	17,143,268	17,785,381	17,698,336	13,605,788
Ratio of plan net position to total pension liability	63.55 %	60.36 %	57.68 %	56.41 %	65.59 %
Covered payroll	\$4,299,218	\$4,140,446	\$3,977,280	\$3,876,491	\$3,638,905
Net pension liability as a percentage of covered payroll	378.76 %	414.04 %	447.17 %	456.56 %	373.90 %
	2020	2019	2018	2017	2016
Total pension liability	\$35,552,041	\$34,666,795	\$33,708,555	\$46,966,822	\$47,736,901
Plan net position	20,717,000	20,371,910	19,981,633	18,707,699	16,812,832
Net pension liability	14,835,041	14,294,885	13,726,922	28,259,123	30,924,069
Ratio of plan net position to total pension liability	58.27 %	58.76 %	59.28 %	39.83 %	35.22 %
Covered payroll	\$3,569,262	\$3,497,216	\$3,455,660	\$3,415,432	\$3,390,539
Net pension liability as a percentage of covered payroll	415.61 %	408.75 %	397.23 %	827.40 %	912.07 %

See accompanying independent auditor's report.

Schedule of Employer Contributions
(Dollars in thousands)

Fiscal Year Ended June 30	Covered Payroll	Actual Employer Contributions	Actuarially Determined Employer Contributions	Annual Contribution Excess (Deficiency)	Actual Contributions as a % of Covered Payroll
2025	\$ 4,299,218	\$ 1,395,135	\$ 1,355,135	\$ 40,000	32.45
2024	4,140,446	1,178,682	1,178,682	—	28.47
2023	3,977,280	1,144,449	1,144,449	—	28.77
2022	3,876,491	1,679,585	1,200,385	479,200	43.33
2021	3,638,905	1,146,977	1,146,977		31.52
2020	3,569,262	1,134,281	1,134,281		31.78
2019	3,497,216	1,123,035	1,123,035		32.11
2018	3,455,660	1,048,671	1,083,466	(34,795)	30.35
2017	3,415,432	1,060,720	1,076,617	(15,897)	31.06
2016	3,390,539	565,455	999,270	(433,815)	16.68

See accompanying independent auditor's report.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30 on the three years prior to the end of the fiscal year in which contributions are reported (as of June 30, 2022 for the fiscal year 2025 contributions). The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial cost method	Entry age
Amortization period	Level percentage of payroll, closed
Remaining amortization period	21.9 years
Asset valuation method	5-year smoothed fair value
Inflation	2.5%
Salary increase	3.0 to 7.5%, including inflation
Investment rate of return	7.1%, net of pension plan investment expense, including inflation

Schedule of Investment Returns

Percentage shown is annual money-weighted rate of return, net of investment expense.

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
12.01%	11.91%	10.24%	-10.9%	30%	5.47%	5.56%	10.50%	15.00%	(1.32)%

See accompanying independent auditor's report.

Health Insurance Trust

Schedule of Changes in Net OPEB Liability
(In thousands)

	2025	2024	2023	2022	2021
Total OPEB liability					
Service cost	\$ 127,309	\$ 130,757	\$ 120,458	\$ 109,082	\$ 84,727
Interest	387,671	362,617	332,938	311,875	326,008
Changes of benefit terms					
Difference between expected and actual experience	(540,429)	(166,602)	(98,177)	(68,928)	(490,732)
Changes of assumptions	335,853	184,394	196,990	60,667	516,431
Benefit payments	(173,066)	(143,522)	(124,866)	(107,201)	(130,648)
Net change in OPEB liability	137,338	367,644	427,343	305,495	305,786
Total OPEB liability — beginning	5,546,693	5,179,049	4,751,706	4,446,211	4,140,425
Total OPEB liability — ending (a)	5,684,031	5,546,693	5,179,049	4,751,706	4,446,211
Plan net position					
Contributions — state	104,648	96,419	85,328	31,349	78,217
Contributions — employers	133,430	127,902	123,488	120,416	106,670
Contributions — active members	161,425	155,327	149,210	145,682	128,117
Net investment income	409,342	340,293	243,051	(219,500)	503,201
Benefit payments	(173,066)	(143,522)	(124,866)	(107,201)	(130,648)
Administrative expense	(2,222)	(2,121)	(1,974)	(2,074)	(1,728)
Other					
Net change in plan net position	633,557	574,298	474,237	(31,328)	683,829
Plan net position — beginning	3,317,711	2,743,413	2,269,176	2,300,504	1,616,675
Plan net position — ending (b)	3,951,268	3,317,711	2,743,413	2,269,176	2,300,504
Net OPEB liability — ending (a) - (b)	\$ 1,732,763	\$ 2,228,982	\$ 2,435,636	\$ 2,482,530	\$ 2,145,707

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.
See accompanying independent auditor's report.

Schedule of Changes in Net OPEB Liability
(In thousands)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 82,572	\$ 93,792	\$ 95,382	\$ 95,625
Interest	341,430	366,254	355,491	333,990
Changes of benefit terms				8,926
Difference between expected and actual experience	(585,090)	(661,228)	(210,450)	
Changes of assumptions	106,575	45,659	56,483	
Benefit payments	(145,869)	(163,666)	(161,082)	(178,500)
Net change in OPEB liability	(200,382)	(319,189)	135,824	260,041
Total OPEB liability — beginning	4,340,807	4,659,996	4,524,172	4,264,131
Total OPEB liability — ending (a)	4,140,425	4,340,807	4,659,996	4,524,172
Plan net position				
Contributions — state	77,191	76,382	80,959	75,497
Contributions — employers	107,434	106,764	106,143	104,879
Contributions — active members	133,471	131,677	130,778	128,819
Net investment income	32,475	74,385	76,841	95,453
Benefit payments	(145,869)	(163,666)	(161,082)	(178,500)
Administrative expense	(2,047)	(1,803)	(1,748)	(1,539)
Other				
Net change in plan net position	202,655	223,739	231,891	224,609
Plan net position — beginning	1,414,020	1,190,281	958,390	733,781
Plan net position — ending (b)	1,616,675	1,414,020	1,190,281	958,390
Net OPEB liability — ending (a) - (b)	<u>\$ 2,523,750</u>	<u>\$ 2,926,787</u>	<u>\$ 3,469,715</u>	<u>\$ 3,565,782</u>

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.
See accompanying independent auditor's report.

Net OPEB Liability

The net OPEB liability contained in the following schedule was provided by TRS's actuary, CavMac Consulting. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the system.

Changes of benefit terms.

June 30, 2025 (Valuation Date: June 30, 2024)

- None

Changes of assumptions.

June 30, 2025 (Valuation Date: June 30, 2024)

- The health care trend rates, as well as morbidity factors, were updated to reflect future anticipated experience.

Schedule of Net OPEB Liability
(Dollars in thousands)

Valuation Year June 30	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2025	\$ 5,684,031	\$ 3,951,268	\$ 1,732,763	69.5 %	\$ 4,299,218	40.3 %
2024	5,546,693	3,317,711	2,228,982	59.8	4,140,446	53.8
2023	5,179,049	2,743,413	2,435,636	53.0	3,977,280	61.2
2022	4,751,706	2,269,176	2,482,530	47.8	3,876,491	64.0
2021	4,446,211	2,300,504	2,145,707	51.7	3,638,905	59.0
2020	4,140,425	1,616,675	2,523,750	39.1	3,569,262	70.7
2019	4,340,807	1,414,020	2,926,787	32.6	3,497,216	83.7
2018	4,659,996	1,190,281	3,469,715	25.5	3,455,660	100.4
2017	4,524,172	958,390	3,565,782	21.2	3,415,432	104.4

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.
See accompanying independent auditor's report.

Schedule of Employer Contributions
GASB 74 (Dollars in thousands)

	2025	2024	2023	2022	2021
Statutorily required contributions					
Employer	\$ 133,430	\$ 127,902	\$ 123,488	\$ 120,416	\$ 106,670
State					
Pre-65 health insurance premiums	76,830	70,379	60,958	56,312	55,061
SEEK 0.75%	27,818	26,040	24,370	23,507	23,156
Total state	104,648	96,419	85,328	79,819	78,217
Total	\$ 238,078	\$ 224,321	\$ 208,816	\$ 200,235	\$ 184,887
Actual contributions					
Employer	\$ 133,430	\$ 127,902	\$ 123,488	\$ 120,416	\$ 106,670
State	104,648	96,419	85,328	31,349	78,217
Total	238,078	224,321	208,816	151,765	184,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ 48,470	\$ —
Percent of statutorily required contributed	100.0	100.0	100.0	75.8	100.0
Covered payroll	\$ 4,299,218	\$ 4,140,446	\$ 3,977,280	\$ 3,876,491	\$ 3,638,905
Actual contributions as a percentage of covered payroll	5.54	5.42	5.25	3.92	5.08

	2020	2019	2018	2017	2016
Statutorily required contributions					
Employer	\$ 107,434	\$ 106,764	\$ 106,143	\$ 104,879	\$ 104,271
State					
Pre-65 health insurance premiums	54,034	53,707	58,535	53,454	52,542
SEEK 0.75%	23,157	22,675	22,424	22,043	21,825
Total state	77,191	76,382	80,959	75,497	74,367
Total	\$ 184,625	\$ 183,146	\$ 187,102	\$ 180,376	\$ 178,638
Actual contributions					
Employer	\$ 107,434	\$ 106,764	\$ 106,143	\$ 104,879	\$ 104,271
State	77,191	76,382	80,959	75,497	74,367
Total	184,625	183,146	187,102	180,376	178,638
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Percent of shared responsibility contributed	100.0	100.0	100.0	100.0	100.0
Covered payroll	\$ 3,569,262	\$ 3,497,216	\$ 3,455,660	\$ 3,415,432	\$ 3,390,539
Actual contributions as a percentage of covered payroll	5.17	5.24	5.41	5.28	5.27

See accompanying independent auditor's report.

Actuarial Methods and Assumptions

The Health Insurance Trust is funded based on statutorily determined amounts as described in Note 8. The Schedule of Employer Contributions details the statutorily determined amounts for the Health Trust.

Schedule of Investment Returns

Percentage shown is annual money-weighted rate of return, net of investment expense.

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
12.27%	12.37%	11.50%	(9.70)%	31.10%	2.30%	6.11%	8.44%	14.37%	(2.20)%

See accompanying independent auditor’s report.

Life Insurance Trust
Schedule of Changes in Net OPEB Liability
(In thousands)

	2025	2024	2023	2022	2021
Total OPEB liability					
Service cost	\$ 1,123	\$ 1,078	\$ 1,035	\$ 943	\$ 1,289
Interest	8,744	8,463	8,263	8,337	8,926
Changes of benefit terms					
Difference between expected and actual experience	(584)	383	(308)	(4,123)	122
Changes of assumptions		0			(5,792)
Benefit payments	(5,825)	(6,106)	(6,219)	(6,178)	(6,120)
Net change in OPEB liability	3,458	3,818	2,770	(1,021)	(1,575)
Total OPEB liability — beginning	126,072	122,254	119,484	120,505	122,080
Total OPEB liability — ending (a)	129,530	126,072	122,254	119,484	120,505
Plan Net Position					
Contributions — state	3,007	2,778	2,599	2,194	1,852
Contributions — employers	519	579	624	561	286
Net investment income	12,106	10,315	8,683	(15,582)	24,075
Benefit payments	(5,825)	(6,106)	(6,219)	(6,178)	(6,120)
Administrative expense	(34)	(37)	(38)	(41)	(34)
Net change in plan net position	9,773	7,529	5,649	(19,046)	20,059
Plan net position — beginning	101,559	94,030	88,381	107,427	87,368
Plan net position — ending (b)	111,332	101,559	94,030	88,381	107,427
Net OPEB liability — ending (a) - (b)	<u>\$ 18,198</u>	<u>\$ 24,513</u>	<u>\$ 28,224</u>	<u>\$ 31,103</u>	<u>\$ 13,078</u>

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.
See accompanying independent auditor's report.

Schedule of Changes in Net OPEB Liability*(In thousands)*

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 1,299	\$ 1,271	\$ 1,068	\$ 1,067
Interest	8,563	8,256	8,026	7,761
Changes of benefit terms				
Difference between expected and actual experience	705	(204)	(717)	
Changes of assumptions				
Benefit payments	(5,317)	(5,153)	(5,453)	(5,151)
Net change in OPEB liability	5,250	4,170	2,924	3,677
Total OPEB liability — beginning	116,830	112,660	109,736	106,059
Total OPEB liability — ending (a)	122,080	116,830	112,660	109,736
Plan Net Position				
Contributions — state	1,543	1,209	897	882
Contributions — employers	253	212	161	168
Net investment income	5,167	5,058	1,111	915
Benefit payments	(5,317)	(5,153)	(5,453)	(5,151)
Administrative expense	(36)	(30)	(31)	(28)
Net change in plan net position	1,610	1,296	(3,315)	(3,214)
Plan net position — beginning	85,758	84,462	87,777	90,991
Plan net position — ending (b)	87,368	85,758	84,462	87,777
Net OPEB liability — ending (a) - (b)	<u>\$ 34,712</u>	<u>\$ 31,072</u>	<u>\$ 28,198</u>	<u>\$ 21,959</u>

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.
See accompanying independent auditor's report.

Net OPEB Liability

The net OPEB liability contained in the following schedule was provided by TRS's actuary, CavMac Consulting. The net OPEB liability is measured as the total OPEB liability less the amount of the fiduciary net position of the system.

Changes of benefit terms.

June 30, 2025 (Valuation Date: June 30, 2024)

- None

Changes of assumptions. None

Schedule of Net OPEB Liability
(Dollars in thousands)

Valuation Year June 30	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Plan Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
2025	\$ 129,530	\$ 111,332	\$ 18,198	86.0	\$4,299,218	0.4
2024	126,072	101,559	24,513	80.6	4,140,446	0.6
2023	122,254	94,030	28,224	76.9	3,977,280	0.7
2022	119,484	88,381	31,103	74.0	3,876,491	0.8
2021	120,505	107,427	13,078	89.2	3,638,905	0.4
2020	122,080	87,368	34,712	71.6	3,569,262	1.0
2019	116,830	85,758	31,072	73.4	3,497,216	0.9
2018	112,660	84,462	28,198	75.0	3,455,660	0.8
2017	109,736	87,777	21,959	80.0	3,415,432	0.6

Schedule is intended to show information for 10 years. Future years will be displayed as they become available.

See accompanying independent auditor's report.

Schedule of Employer Contributions
(Dollars in thousands)

Valuation Year June 30	Actuarially Determined Employer Contribution	Contributions in Relation to the Actuarially Determined Contribution	Annual Contribution Deficiency/ (Excess)	Covered Payroll	Actual Contributions as a % of Covered Payroll
2025	\$ 3,447	\$ 3,526	\$ (79)	\$ 4,299,218	0.08
2024	3,311	3,357	(46)	4,140,446	0.08
2023	3,269	3,223	46	3,977,280	0.08
2022	2,736	2,755	(19)	3,876,491	0.07
2021	2,252	2,138	114	3,638,905	0.06
2020	1,843	1,796	47	3,569,262	0.05
2019	1,082	1,421	(339)	3,497,216	0.04
2018	1,075	1,058	17	3,455,660	0.03
2017	1,065	1,050	15	3,415,432	0.03
2016	1,058	1,038	20	3,390,539	0.03

See accompanying independent auditor's report.

Actuarial Methods and Assumptions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, 2022 valuation date. The following actuarial methods and assumptions were used to determine contribution rates reported in the most recent year of the schedule.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll
Amortization period	22 years, closed
Asset valuation method	5-year smoothed fair value
Inflation	2.5%
Wage inflation	2.75%
Salary increase	3.0 to 7.5%, including wage inflation
Discount rate	7.1%

Schedule of Investment Returns

Percentage shown is annual money-weighted rate of return, net of investment expense.

2025	2024	2023	2022	2021	2020	2019
12.05%	11.18%	9.63%	(14.96)%	28.17%	6.32%	6.49%

TRS began separate reporting of its Life Insurance Trust effective Feb. 1, 2018. Previously, it was reported as part of the pension fund's gross and net performance. This schedule will show more history of the trust as it becomes available.
See accompanying independent auditor's report.

Additional Supporting Schedules

**Schedule of Administrative Expenses
For the Year Ended June 30, 2025 and 2024**

	2025	2024
Salaries	\$ 9,677,600	\$ 9,253,137
Other personnel costs	1,004,780	893,481
Professional services and contracts	511,093	497,956
Utilities	75,429	87,920
Rentals	11,111	21,275
Maintenance	61,461	70,735
Postage and related services	500,899	557,762
Printing	245,867	182,322
Insurance	192,996	177,425
Miscellaneous services	193,399	172,033
Telecommunications	17,787	31,243
Computer services	58,492	32,024
Supplies	25,096	25,944
Depreciation	1,412,486	1,803,758
Travel	67,509	48,705
Dues and subscriptions	129,273	125,281
Miscellaneous commodities	50,912	60,132
Office systems and equipment	2,739,437	2,676,885
Compensated absences	(55,274)	247,313
Total	<u>\$ 16,920,353</u>	<u>\$ 16,965,331</u>

See accompanying independent auditor's report.

**Schedule of Professional Services and Contracts
For the Year Ended June 30, 2025 and 2024**

	Nature of Service	2025	2024
Cavanaugh Macdonald Consulting	Actuarial	\$ 213,241	\$ 211,302
Blue & Co.	Auditing		96,600
Crowe	Auditing	15,540	
Auditor of Public Accounts	Auditing	123,831	
Ice Miller	Attorney	8,977	18,686
Stoll Keenon and Ogden	Attorney	45	2,138
Attorney General	Attorney	219	
Jackson Walker	Attorney	1,321	
Kellerman Law	Attorney	770	
Westlaw	Attorney	472	
Williams & Jensen	Attorney	44,677	67,230
MulloyBorland	Communications	102,000	102,000
Total		<u>\$ 511,093</u>	<u>\$ 497,956</u>

See accompanying independent auditor's report.

Schedule of Contracted Investment Management Expenses
Year Ended June 30, 2025

	Retirement Annuity Trust*	Health Insurance Trust	Life Insurance Trust	Total
Equity managers	\$ 19,519,681	\$ 820,931	\$ 35,575	\$ 20,376,187
Fixed income managers	652,710	19,096		671,806
Real estate	16,738,994	2,403,318	107,046	19,249,358
Additional categories	10,627,129	2,023,131	3,722	12,653,982
Alternative investments	26,974,366	3,616,051	72,463	30,662,880
Custodian	715,019	235,562	63,929	1,014,510
Consultant	703,104			703,104
Legal and research	118,863			118,863
Other (administrative and operational)	5,337,265	500,985	14,641	5,852,891
Total	<u>\$ 81,387,131</u>	<u>\$ 9,619,074</u>	<u>\$ 297,376</u>	<u>\$ 91,303,581</u>

* Does not include expenses for the 403(b) Tax-Sheltered Trust and Losey Scholarship Fund.
See accompanying independent auditor's report.

Schedule of Contracted Investment Management Expenses
Year Ended June 30, 2024

	Retirement Annuity Trust*	Health Insurance Trust	Life Insurance Trust	Total
Equity managers	\$ 18,602,954	\$ 635,729	\$ 31,119	\$ 19,269,802
Fixed income managers	573,146			592,242
Real estate	19,431,581	2,686,359	126,004	22,243,944
Additional categories	10,487,453	1,792,440	1,927	12,281,820
Alternative investments	26,413,248	3,324,191	72,173	29,809,612
Custodian	684,924	179,276	62,457	926,657
Consultant	544,736			544,736
Legal and research	224,303			224,303
Other (administrative and operational)	4,944,759	431,998	13,837	5,390,594
Total	<u>\$ 81,907,104</u>	<u>\$ 9,069,089</u>	<u>\$ 307,517</u>	<u>\$ 91,283,710</u>

* Does not include expenses for the 403(b) Tax-Sheltered Trust and Losey Scholarship Fund.
See accompanying independent auditor's report.



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

To the Board of Trustees
Kentucky Teachers Retirement System
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kentucky Teachers Retirement System, which comprise the statement of fiduciary net position as of June 30, 2025, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Kentucky Teachers Retirement System's basic financial statements, and have issued our report thereon dated December 5, 2025.

Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kentucky Teachers Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material

effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Blue & Co., LLC

Lexington, Kentucky
December 5, 2025

Investment Section



Report on Investment Activity

This report is prepared by the investment staff of the Teachers' Retirement System of the State of Kentucky (TRS).

The basis of presentation for this section is data made available through Broadridge Investment Accounting systems, the Bank of New York Mellon and Segal Marco Advisors. Rates of return are time-weighted and are gross of fees unless otherwise indicated.

Returns of periods longer than one year are annualized.

Investment Committee

Hollis Gritton

Chair

Brenda McGown

Vice Chair

Paul Bruce

Member

William Crawford

Member

Ben Littlepage

Member

Louis Straub

Member

Josh Underwood

Member

Bevis Longstreth

Investment Adviser to TRS
Kentucky Investment Committee

George Philip

Investment Adviser to TRS
Kentucky Investment Committee

Executive Investment Staff

Gary L. Harbin, CPA

Executive Secretary

Tom Siderewicz, CFA

Chief Investment Officer

Sarah C. Meehan

Director of Investment Accounting

Consultant's Letter



October 1, 2025

To the members of the Board of Trustees and participants of the Teachers' Retirement System of Kentucky:

The Teachers' Retirement System of the State of Kentucky (TRS) investment program produced a total return of 12.4% for the fiscal year ended June 30, 2025, ranking in the top 6th percentile of a universe of U.S. public pension plans with assets greater than \$1 billion. In addition to the strong absolute return and peer ranking, the investment program outperformed the Policy Benchmark by 0.3 percentage points for the fiscal year. The public equity portfolio contributed to the strong absolute results due to easing inflation data and continued economic growth. The relative performance was mainly driven by the equity portfolio's performance relative to its benchmark. The investment program has produced strong performance relative to peers over the long term, ranking near the top of the public pension fund universe over the trailing 10-year period (6th percentile ranking).

Over the past fiscal year, the equity markets performed well as economic data exceeded expectations. Inflation, as measured by the Consumer Price Index, rose by 2.7% annually in June 2025, which was down from the 3% annual measure recorded in June 2024. U.S. gross domestic product grew at an annual pace of 3.8% in June 2025, which was higher than economists' forecast. Within the global equity market, growth stocks outperformed value stocks over the past 12 months. The non-U.S. equity market performed better than the U.S. equity market due to the uncertainty around America's tariff policies. The TRS international equity portfolio advanced 19.7% for the fiscal year and outperformed the MSCI All Country World ex U.S. Index by 1.3 percentage points, while the U.S. equity portfolio returned 14.5% for the fiscal year.

In the bond market, the 10-year U.S. Treasury yield ended the fiscal year at 4.23%, 12 basis points lower than the beginning of the fiscal year. The U.S. Federal Reserve decreased its benchmark interest rate by 1% over the past fiscal year as inflation trended downward. The decline in interest rates resulted in a return of 5.7% for the fixed income portfolio for the fiscal year. The additional categories asset class, which is generally comprised of alternative fixed income, private credit and below investment grade bonds, produced a positive return of 9.6% for the fiscal year as credit spreads tightened.

The real estate market rebounded during the fiscal year after posting negative results in the past two fiscal years. TRS's real estate allocation returned 2.2% in the fiscal year. Over the past 10 years, TRS has diversified its alternatives portfolio across different private equity and infrastructure strategies, resulting in a fiscal year return of 7.6% on a time-weighted basis.

We would like to thank the Board of Trustees, Investment Committee, and Investment Staff for their confidence. We appreciate the opportunity to assist TRS in meeting its investment goals.

Respectfully,

Patrick J. Kelly, CFA, CAIA
Partner

Brandon J. Patterson, CAIA
Partner

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Investment advice and consulting services provided by Aon Investments USA Inc.

Retirement Annuity Trust

Investment Policy Summary

The TRS Board of Trustees has a statutory obligation under KRS 161.430 to invest the members' assets in a manner consistent with the fiduciary standards set forth in the prudent person rule. Consistent with this statute, 102 Kentucky Administrative Regulation (KAR) 1:175 establishes investment policies for this trust. In conjunction with these standards, the board has recognized certain principles that guide investment-related decisions. First, the board will preserve the long-term corpus of the fund. Second, the board will seek to maximize total investment return within prudent risk parameters. Third, the board will act in the exclusive interest of the members and beneficiaries of the system. This broad summary is a reference point for management of retirement assets and outlines the investment philosophy and practice of TRS.

Investment Objectives

TRS invests the members' funds in several diverse classes of assets, including equities, bonds and real estate. This diversification helps us earn the highest possible long-term rate of return within appropriate risk levels. In turn, this enables TRS to pay guaranteed benefits to members and their beneficiaries at the lowest possible cost to participating employers and taxpayers. Generally, the retirement system's liabilities will not be paid for as many as 30 to 40 years. Therefore, as a long-term investor, TRS holdings can withstand some short-term volatility. The Retirement Annuity Trust's long-term investment objective is to achieve an annualized rate of return of 7.1%.

Risk Controls

The TRS investment program faces various risks; however, the primary risk to TRS is that the assets will not support liabilities over long periods of time. In order to control this risk and any other risks, the board has taken the following steps on an ongoing basis:

- Actuarial valuations are performed each year to evaluate the funding objectives of TRS. In addition, every 10 years an external audit of the actuary is conducted to ensure that the assumptions made and calculation methods used are resulting in properly computed liabilities of the system. Also, every two years, the actuary conducts a review of economic assumptions and incorporates any changes into valuations.
- Asset-liability modeling studies are conducted approximately every five years. These studies ensure that the portfolio design is structured to meet the liabilities of TRS.
- In accordance with 102 KAR 1:175, the Investment Committee adopts and regularly reviews detailed investment strategies for implementation of the investment policy.

Asset Allocation

Operating within relevant regulatory limitations, TRS's investment consultant annually presents for approval to the Investment Committee target percentages and ranges for the system's various asset classes. These regulatory limitations include both the Retirement Annuity Trust and the Life Insurance Trust. Annually approved asset allocation parameters serve to balance TRS's liquidity requirements, volatility tolerance and return requirements to meet both short-term and long-term obligations. TRS's assets are diversified across a variety of asset classes, investment management styles and individual securities in order to reduce volatility and enhance the potential of the investment portfolio to achieve the system's long-term goals.

Asset allocation decisions for pension plans are dependent on the unique characteristics of a particular plan. Factors such as liability requirements, the level of funding and statutory investment restrictions are considerations within the context of the asset allocation decision-making process. Consequently, asset allocations may differ between various pension plans due to their unique circumstances.

The information that follows shows the system's asset allocation by fair value for the Retirement Annuity Trust and the Life Insurance Trust as of June 30, 2025, and June 30, 2024, as well as the target and strategic range for each asset class for fiscal 2025.

Retirement Annuity Trust

	June 30, 2025*	Percent	June 30, 2024**	Percent
Cash equivalents***	\$ 227,695,076	0.8	286,144,069	1.1
Fixed income	3,516,345,301	12.5	3,416,568,455	13.3
Domestic equity	11,269,740,775	40.2	10,401,242,211	40.3
International equity	6,081,663,605	21.7	5,125,820,975	19.9
Real estate	1,741,122,706	6.2	1,712,653,006	6.6
Private equity	2,300,693,069	8.2	2,079,165,274	8.1
Additional categories	2,913,982,450	10.4	2,750,894,420	10.7
Totals	<u>\$ 28,051,242,982</u>	<u>100</u>	<u>\$ 25,772,488,410</u>	<u>100</u>

* Includes Tax Shelter Annuity value of \$340,430

** Includes Tax Shelter Annuity value of \$326,682

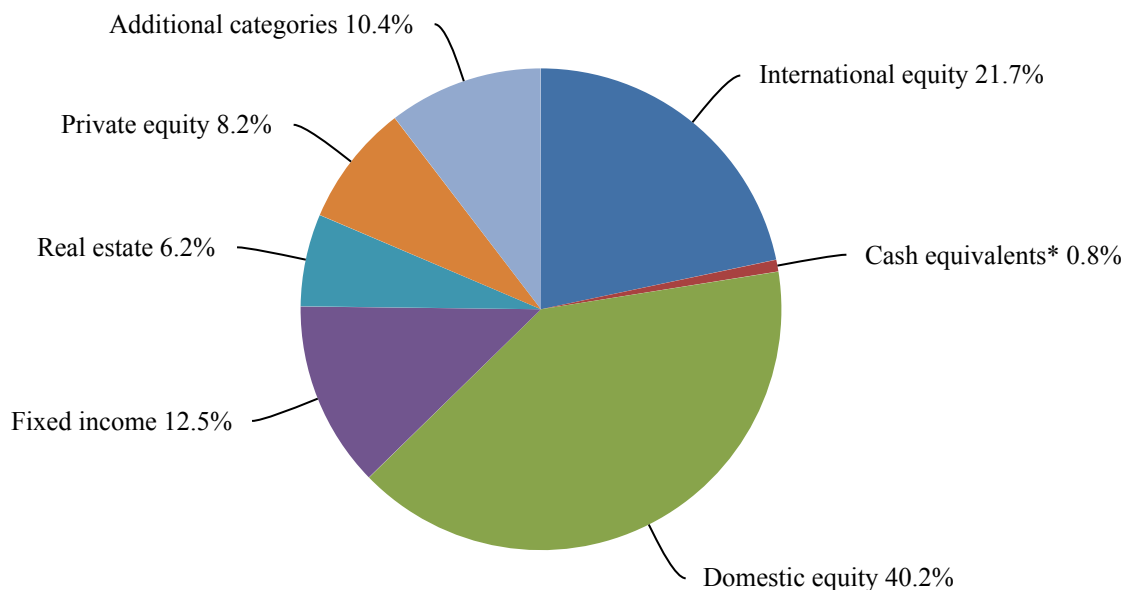
*** Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in the asset class of the respective managers.

Life Insurance Trust

	June 30, 2025	Percent	June 30, 2024	Percent
Cash equivalents*	887,613	0.8	170,725	0.2
Fixed income	18,914,157	17.1	20,416,399	20.2
Domestic equity	47,484,768	42.8	42,374,138	41.9
International equity	25,209,535	22.8	21,291,694	21.1
Real estate	7,962,075	7.2	7,037,595	7.0
Alternative investments	7,051,647	6.3	6,429,611	6.4
Additional categories	3,355,998	3.0	3,254,534	3.2
Totals	<u>\$ 110,865,793</u>	<u>100</u>	<u>\$ 100,974,696</u>	<u>100</u>

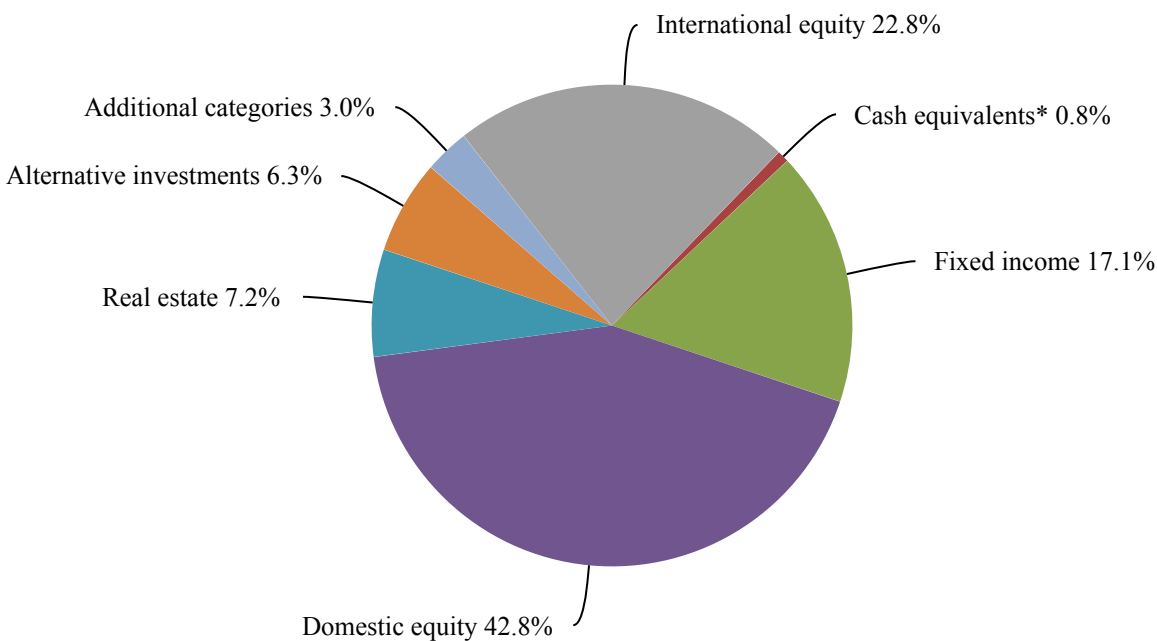
* Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in the asset class of the respective managers.

Retirement Annuity Trust
Distribution of Investments — Fair Value as of June 30, 2025



* Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in asset class of the respective managers.

Life Insurance Trust
Distribution of Investments — Fair Value as of June 30, 2025



* Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in asset class of the respective managers.

Retirement Annuity Trust
Asset Class Strategic Weighting by Fair Value

	Regulatory Limits	Strategic Range	Target	June 30, 2025
Cash equivalents*		1-5%	2%	0.8%
Fixed income		8-22	15	12.5
Government/agency/other	Unlimited			7.0
Corporate	35%			5.5
Equity	65%	53-65	59	61.9
Domestic large cap		29-40	33	35.0
Domestic mid cap		1-5	3	3.0
Domestic small cap		1-3	2	2.2
International***	30%	16-27	21	21.7
Real estate	10%	4-10	7	6.2
Alternative investments	10%	4-10	7	8.2
Additional categories**	15%	4-15	10	10.4
Total			<u>100%</u>	<u>100%</u>

* Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in the asset class of the respective managers.

** Includes timberland

*** As of June 30, 2025, 23.3% of total international equity was invested in emerging markets.

Life Insurance Trust
Asset Class Strategic Weighting by Fair Value

	Strategic Range	Target	June 30, 2025
Cash equivalents	0-10%	2%	0.8%
Fixed income	15-25%	21	17.1
Equity	52-65%	60	65.6
Domestic large cap	34-45%	40	36.8
Domestic mid cap			4.8
Domestic small cap			1.2
International	18-28%	20	22.8
Real estate	0-10%	7	7.2
Alternative investments	0-8%	5	6.3
Additional categories	0-10%	5	3.0
Total		<u>100%</u>	<u>100.0%</u>

Portfolio Results

The Retirement Annuity Trust returns were generated by the Segal Marco Advisors performance reporting system using a time-weighted rate of return calculation based upon fair value. For the fiscal year, the Retirement Annuity Trust portfolio generated a total return of 12.34%, ahead of the policy benchmark return of 12.06%. Domestic equity rose 14.51% versus 14.48% for the Standard & Poor's 1500 Index, while international equity rose 19.71% versus 18.38% for the MSCI All Country World ex-U.S. Index. Fixed income investments rose 5.67% versus a 5.89% rise for the Bloomberg Barclay's U.S. Government/Credit Index. Less traditional asset classes such as real estate, private equity, timberland and alternative credit are beginning to contribute meaningfully to total return as those programs are expanded.

General partner profit sharing, known as carried interest, for the Retirement Annuity Trust for fiscal year 2025 was a \$3.1 million, consisting by asset class of \$2.7 million in private equity, a decline of \$3.4 million in private real estate and \$3.8 million in private credit.

General partner profit sharing, known as carried interest, for the Life Insurance Trust for fiscal year 2025 was \$31,928 consisting by asset class of \$19,218 in private equity, a decline of \$717 in real estate, and \$13,427.

The tables below detail historical performance for the Retirement Annuity Trust and the Life Insurance Trust and their component asset classes for the period ended June 30, 2025.

Retirement Annuity Trust
Schedule of Investment Results — Gross

	1-Year	3-Year*	5-Year*	10-Year*	20-Year*
Total plan	12.34	11.74	10.12	8.67	7.81
Policy benchmark**	12.06	12.55	10.75	8.97	
Equity	16.31	17.28	13.43	10.65	9.04
Domestic equity	14.51	18.63	15.64	12.35	10.38
S&P 1500 Index	14.48	19.02	16.35	13.23	10.63
All cap equity	16.62	18.94	17.11		
Russell 3000 Index	15.30	19.08	15.96		
Large cap equity	15.84	19.99	16.42	12.92	10.60
S&P 500 Index	15.16	19.71	16.64	13.65	10.73
Mid cap equity	7.47	11.31	10.08	8.97	
S&P 400 Index	7.53	12.83	13.44	9.25	
Small cap equity	4.45	9.10	10.97	8.07	8.71
S&P 600 Index	4.60	7.65	11.68	8.02	8.65
International equity	19.71	14.32	8.87	7.15	
MSCI AC World ex U.S. Index	18.38	14.59	10.68	6.64	
Fixed income	5.67	2.93	-0.45	2.31	3.77
Bloomberg Barclay's U.S. Government/Credit Index	5.89	2.61	-0.83	1.92	3.14
Total real estate	2.20	-1.06	5.58	7.59	7.67
In-house real estate equity	4.40	5.26	4.74	6.76	7.57
CPI plus 2%	4.73	4.96	6.67	5.12	4.61
Core real estate	2.74	-2.48	4.90	6.94	
NCREIF ODCE Index (VW)	3.54	-5.43	3.42	5.35	
Non-core real estate	-0.20	-3.42	8.20	9.93	
NCREIF Property Index	4.23	-2.75	3.70	5.22	
Private equity	7.41	5.86	15.82	12.71	
Mature private equity	7.31	5.34	15.23	10.95	
S&P 500 Index plus 3%	18.62	23.30	20.14	17.06	
Private equity < 5 years	7.32	6.81	18.01		
Additional categories					
Non Timberland	9.67	7.85	7.49	5.45	
BofA Merrill Lynch U.S. High Yield Master II Index	10.24	9.86	6.00	5.29	
Timberland	7.22	6.69	4.73	3.32	
NCREIF Timberland Index	5.32	8.74	8.22	5.43	
Cash (unallocated)	4.75	4.63	2.83	1.99	1.88
90-day Treasury Bill	4.68	4.56	2.76	1.96	1.67
Total 30-year trust return*	7.95				

* Rates of return are time-weighted based upon fair value. Returns are annualized for periods longer than one year.

** Overall fund performance is compared to a board-approved benchmark, first established in July 2008, that represents the returns of appropriate benchmarks for the various asset classes weighted by the midpoint of the strategic range for the current fiscal year.

Life Insurance Trust
Schedule of Investment Results — Gross

	1-Year	3-Year*	5-Year*
Total plan	12.37	11.45	8.77
Policy benchmark **	12.03	11.83	10.20
Total equity	16.20	17.08	12.47
Domestic equity	15.08	18.69	14.13
S&P 1500 Index	14.48	19.02	16.35
All-cap equity	16.55	18.95	17.07
Russell 3000	15.30	19.08	15.96
Large-cap equity	16.53	20.22	14.24
S&P 500 Index	15.06	19.71	16.64
Mid-cap equity	7.55	11.79	12.71
S&P 400 Index	7.53	12.83	13.44
Small-cap equity	4.96	7.59	11.66
S&P 600 Index	4.60	7.65	11.68
International equity	18.47	14.10	9.38
MSCI AC World Ex US	18.38	14.59	10.68
Fixed income	4.93	2.47	-0.16
Barclay's Govt./Credit Index	5.89	2.61	-0.83
Real estate	4.47	0.18	8.48
Core real estate	3.04	-0.49	7.93
NCREIF ODCE (VW)	3.54	-5.43	3.42
Non-core real estate	6.79	1.08	10.24
NCREIF Property Index	4.23	-2.75	3.70
Private Equity	6.35	7.30	16.41
Mature Private Equity	10.93	9.83	17.88
S&P 500 plus 3%	18.62	23.30	20.14
Private equity < 5 years	5.09	6.88	16.17
Additional categories:	12.37	11.45	8.77
B of A Merrill Lynch High Yield Master II	10.24	9.86	6.00
Cash (Unallocated)	3.89	4.42	2.75
90-day Treasury Bill	4.68	4.56	2.76

* Rates of return are time-weighted based upon fair value. Returns are annualized for periods longer than one year.

** Overall fund performance is compared to a board-approved benchmark that represents the returns of appropriate benchmarks for the various asset classes weighted by the midpoint of the strategic range for the current fiscal year.

Retirement Annuity Trust
Schedule of Investment Results — Net of Investment Fees and Expenses

2025	12.01 %
2024	11.9
2023	10.2
2022	-10.9
2021	29.6
2020	5.5
2019	5.6
2018	10.5
2017	15.0
2016	-1.3

Life Insurance Trust
Schedule of Investment Results — Net of Investment Fees and Expenses

2025	12.05 %
2024	11.18
2023	9.63
2022	-14.96
2021	28.16
2020	6.32
2019	6.49

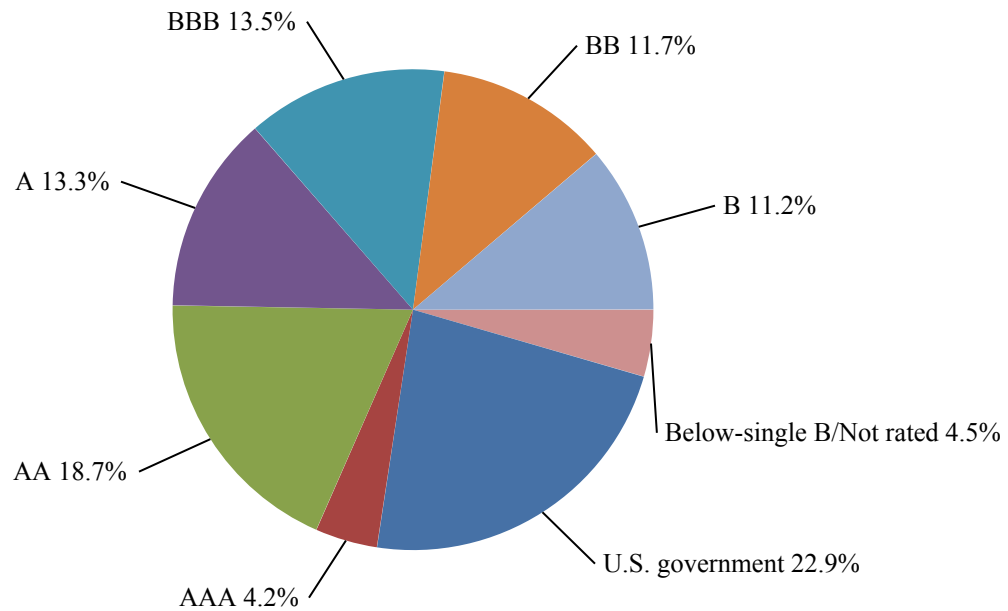
Fixed Income Investments

As of June 30, 2025, the Retirement Annuity Trust had about \$3.52 billion in fixed income, which is 12.5% of total assets. The fund's fixed income investments as of June 30, 2025 maintained the average investment grade rating required by administrative regulation.

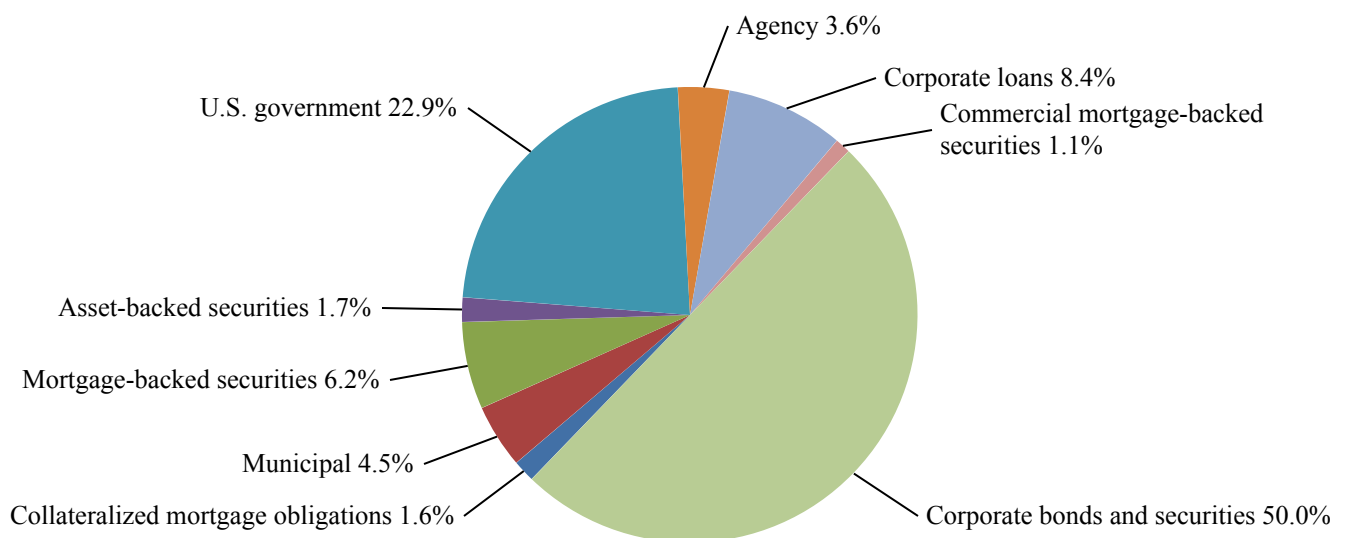
In addition, the trust had \$2.91 billion, which is 10.4% of total assets, in other debt-related investments under a regulatory provision that allows for up to 15% of assets in additional categories approved by the board. Investments under this authorization included four high-yield bond portfolios and two syndicated bank loan portfolios. Several alternative credit portfolios also are under this additional categories provision, including distressed-debt and specialty-lending funds and a multiple strategy opportunistic credit portfolio. Timberland is also included in this category of investments.

The credit quality distribution for the annuity trust is illustrated below. This chart includes fixed income as well as the high-yield bonds, alternative credit portfolios and the syndicated bank loan portfolios that are included in additional categories. Also illustrated below is the distribution of fixed income assets by sector.

Fixed Income Quality Distribution By Rating



Fixed Income Sector Distribution



Fixed Income Market Overview

The Retirement Annuity Trust's investment-grade fixed income portfolios returned 5.67% for the year ended June 30, 2025. The last quarter of the fiscal year was marked by measured optimism in the U.S. fixed income markets, even as macroeconomic headwinds persisted. Investors balanced the interplay between inflation, evolving Federal Reserve policy and fiscal policy volatility — particularly around tariff announcements and deficit projections. Despite this uncertainty, high-quality fixed income assets delivered moderate gains. Credit spreads tightened as risk sentiment improved, and inflation showed incremental signs of easing.

The Federal Reserve maintained the federal funds rate at 4.25%–4.5% throughout the last quarter of the fiscal year. Yields across the Treasury curve reflected the uncertainty regarding future interest rate decisions by the Fed. The 2-year Treasury yield fell to 3.72%, while the 10-year yield rose slightly to 4.23%. This resulted in a steeper yield curve. The 30-year yield remained elevated at 4.78%, reflecting investor concerns about fiscal sustainability after a U.S. credit rating downgrade and projected increases in federal borrowing.

Investment-grade credit outperformed Treasuries to end the year, supported by strong corporate balance sheets and improving investor appetite for risk. The Bloomberg U.S. Corporate Investment Grade Index saw its option-adjusted spread tighten from April to the end of June. Markets initially reacted negatively to new tariff policies, but credit spreads rebounded quickly. High yield bonds posted significant gains as risk premiums shrunk. Municipal bonds underperformed, slipping because of heavy issuance and political uncertainty regarding tax treatment.

Inflation indicators offered mixed signals. Headline Consumer Price Index declined to 2.4% year-over-year by May, while core inflation hovered around 2.8%, remaining well above the Fed's target. On the growth front, manufacturing continued to struggle while the labor market remained resilient, with the unemployment holding steady near 4.1%.

Equity Investments

As of June 30, 2025, the Retirement Annuity Trust's public equity investments had a fair value of \$17.35 billion, representing 61.9% of total assets.

The domestic side of the public equity portfolio had a fair value of \$11.3 billion as of June 30, 2025, representing 40.2% of assets. The trust's U.S. equity portfolio returned 14.51% for the year and outperformed its policy benchmark, the Standard & Poor's (S&P) 1500, by 0.03 percentage points. The S&P 1500 consists of three well-known component indices based upon market capitalization: the S&P 500 Large Cap, the S&P 400 Mid Cap and the S&P 600 Small Cap. Twelve portfolios comprise the trust's domestic equity holdings. Three are internal passively managed index portfolios benchmarked to the S&P 400, S&P 500 and S&P 600. The other nine are managed externally by six different asset managers, with each portfolio representing a specific strategy and measured against an appropriate benchmark. The collective array of portfolios provides diversification by market capitalization, manager, style and strategy.

The Retirement Annuity Trust's international equity holdings as of June 30, 2025, had a fair value of \$6.1 billion, representing 21.7% of assets. The international equity portfolio returned 19.71%, an outperformance of 1.33 percentage points from its policy benchmark, the MSCI All Country World ex-U.S. Index that represents the markets of 22 developed countries and 24 emerging market countries. Five external asset managers manage the Retirement Annuity Trust's six international equity portfolios, one of which is a passively managed international index fund.

Equity Investments Overview

Global markets navigated a fiscal year defined by shifting monetary policy, trade volatility and the disruptive influence of artificial intelligence (AI). As the year began, investors grew more confident that central banks were moving toward expansionary monetary policy. The Federal Open Market Committee (FOMC) delivered a 0.5% reduction in September, signaling that additional cuts were likely as long as disinflation continued. The FOMC then cut rates by 0.25% in both November and December and signaled that future moves would depend on inflation and labor data.

U.S. equity saw volatility but ultimately was resilient, with large-cap growth stocks swinging between sharp drawdowns and strong rebounds. The Magnificent Seven companies – Apple, Microsoft, Nvidia, Amazon, Tesla, Alphabet and Meta Platforms – continued to drive the market though their dominance was challenged midyear by the emergence of the Chinese AI platform DeepSeek. DeepSeek's lower development costs raised concerns about the competitiveness of U.S. technology leaders. This pressured technology valuations before enthusiasm returned in the second half. Growth stocks outpaced value for the year, though value and defensive sectors offered important downside protection during periods of stress. Small-cap stocks lagged large-cap

stocks in the United States, while sector leadership rotated sharply, with information technology and consumer discretionary fueling late-year gains.

Internationally, developed and emerging markets generally outperformed U.S. equity in the second half. Europe delivered positive results despite inflation and growth concerns, while Japan benefited from fiscal spending and policy stability. China struggled with tariff pressures despite stimulus efforts.

Overall, both domestic and international equity posted positive double-digit returns, but volatility remained a defining feature of the equity market because of persistent trade uncertainty, inflationary risks and geopolitical tensions.

Real Estate

The Retirement Annuity Trust's real estate investments had a fair value of \$1.74 billion as of June 30, 2025, representing 6.2% of total assets. The trust's real estate investments seek long-term returns, generate reliable cash flow, provide diversification and reduce overall portfolio volatility. TRS's combined real estate investments returned 2.2% for the fiscal year, compared to a 5.5% decline the previous year. The In-House Real Estate Equity fund gained 4.4%, trailing the 4.73% return of its benchmark, the Consumer Price Index plus 2%. Core funds increased 2.74%, slightly trailing the NCREIF ODCE's 3.54%. TRS's non-core funds dropped 0.2%, trailing the NCREIF Property Index's 4.23% gain.

Twenty-four portfolios comprise the trust's real estate position. The fund maintains an internally managed portfolio of directly owned properties under long-term leases with high-credit quality tenants. TRS Kentucky also is invested in three commingled, evergreen core real estate funds. Two – Prudential Real Estate Investors' PRISA and TA Realty's TA Core Property – are core real estate equity funds, which invest primarily in existing, income-producing properties with strong cash flows and the potential for capital appreciation. The third is a Carlyle Property Investors core-plus commingled fund. The funds are diversified across several property types, including office, retail, industrial, apartment, self-storage and hotel.

Additionally, the annuity trust is invested in 20 real estate limited partnerships: Carlyle Realty Partners VI, Carlyle Realty Partners VII, Carlyle Realty Partners VIII, Carlyle Realty Partners IX, Blackstone Real Estate Partners VII, Blackstone Real Estate Partners VIII, Blackstone Real Estate Partners IX, Blackstone Real Estate Partners X, Rockwood Capital Real Estate IX, Rockwood Capital Real Estate X, Rockwood Capital Real Estate XI, Rockwood Capital Real Estate XII, TA Realty Associates XI, TA Realty Associates XII, TA Realty Associates XIII, Angelo Gordon Net Lease Realty IV, Angelo Gordon Realty Value XI, Landmark Real Estate Partners VII, Landmark Real Estate Partners VIII and Landmark Real Estate Partners IX.

Real Estate Overview

Over the fiscal year, commercial real estate moved cautiously off a hard slowdown. Lower interest rates helped with financing costs and encouraged more deals, but values held steady. A large wave of loan maturities pressured weaker properties, especially in office – while industrial and retail cooled from very strong conditions and multifamily turned the corner from a supply glut.

After several years of breakneck growth, industrial real estate prices leveled to a more sustainable pace. Developers delivered a large batch of buildings that started construction during the boom, while tenants became more measured about taking space. By the fiscal fourth quarter, the national vacancy rate reached 6.6%, the highest since 2014.

Apartments were the bright spot by the end of the year. After two years of heavy deliveries that suppressed rent growth, demand accelerated sharply. Quarterly absorption in the year's final quarter (about 188,000 units) set a record and dropped the national vacancy to 4.1%. Effective rent growth turned modestly positive year over year for the first time in about two years. Office continued to struggle while showing signs possibly of having bottomed. National vacancy measurements were around 20%. New construction fell to multiyear lows.

Retail's long recovery from the mid-2010s remained largely intact but showed its first meaningful wobble in a while. Availability increased to 4.9% by the year's fourth quarter, and the market posted two consecutive quarters of negative net absorption. Construction remained scant and year-over-year rent growth slowed to about 0.5%. Shopping-center data was similar, with vacancy around 5.8% and mild net move-outs. The softness was more about caution than collapse with retailers facing higher build-out and operating costs and some delaying commitments amid tariff and inventory uncertainty. Irrespective of the caution, the sector remained structurally undersupplied.

Alternative Investments

As of June 30, 2025, the Retirement Annuity Trust's alternatives portfolio of private equity investments had a market value of \$2.30 billion, representing 8.2% of the trust's assets.

Private Equity

The annuity trust's private equity holdings consist of venture, buyout, infrastructure, energy, mezzanine and several other sectors through limited partnerships as well as funds of funds investments. The trust has a robust private equity investment program, which grows with a disciplined plan of commitments each year. The trust looks to diversify its private equity portfolio by manager, country, strategy and vintage year. Vintage year diversification is achieved with disciplined levels of commitments over time. A commitment to any partnership is not to exceed 20% of the partnership's total commitments.

The board, Investment Committee and staff understand that private equity investments (along with many other forms of alternative assets) are illiquid and have a long-term holding period. When added to a portfolio with publicly traded assets, this asset class diversifies and reduces risk for the Retirement Annuity Trust's overall portfolio while enhancing returns. Private equity returns for the first several years of a partnership's life routinely are negative due to the J-curve effect (initial losses followed by significant gains). Positive returns typically are realized only several years into a partnership's existence, during the harvesting period.

Private Equity Market Overview

The fiscal year ended June 30, 2025, saw the global private equity market experience a resurgence in total deal value despite a decline in transaction volume. Global private equity deal value rose 19% year-over-year in the first half of 2025, while deal count fell 6%. The United States mirrored this trend, with a 50% increase in deal value despite fewer deals. Mega-deals, deals over \$1 billion, reemerged as key drivers, comprising 37% of total disclosed value. Exit activity remained subdued in volume but improved in aggregate value, with strategic buyers playing a central role. The secondary market continued to be robust in the fiscal year with many limited partners looking to the secondary market for liquidity.

Timberland

As of June 30, 2025, the Retirement Annuity Trust owned about 225,000 acres of timberland outright and about 26,000 acres in a timberland joint venture located across four southern states. Timberland is, by nature, a long-term investment as the anticipated time horizon in this asset category generally is a minimum of 10 to 15 years. Timberland provides diversification, current income and a balance against inflation. Due to the low correlation of returns with other asset classes, timberland investments generally lessen the overall volatility of the annuity trust's portfolio. Timberland should earn real returns comparable to traditional equity investments with volatility between equity and fixed income over the long term.

The trust diversifies its timberland investments by geography, species of trees and maturity of timber stands. Investment returns from timberland primarily are driven from net cash flow generated from the sale of trees (referred to as stumpage sales) and capital appreciation from the biological growth of the trees. These return factors depend to some degree upon the direction of forest commodity prices (paper goods and lumber products). Gains also can be seen from the timely sale of timberland from the conversion of timberland into higher and better uses, such as vacation property sales.

Timberland Market Overview

The fiscal year saw timber return gains with the NCREIF Timberland Index returning 5.32%. Appreciation accounted for 3.61% of the return, while income was 1.66%. The appreciation component was strongest across the Northwest, South and Lake States while the Northeast saw a decrease in property values.

Across the United States, the timber and lumber market balanced constrained mill operations, sluggish housing demand and lumber prices that rose but were volatile. Supply remained tight while capacity continued to contract. In the South, a critical timber-producing region, stumpage prices were mostly flat or slightly declining, with significant local variability tied to weather events and mill demand.

For example, damage from Hurricane Helene in late September 2024 flooded markets in parts of Georgia with salvaged timber. That depressed pulpwood pricing through mid-2025 even as saw timber prices began to rise in affected areas due to inventory shortages and salvage-processing lags.

Retirement Annuity Trust
Fair Value as of June 30, 2025

Internally managed		Carlyle Property Investors	\$ 183,849,350
Cash equivalents (unallocated)	\$ 227,695,076	Landmark Real Estate Partners VII	5,528,643
Fixed income		Landmark Real Estate Partners VIII	26,132,828
Broad Market Bond	694,711,202	Landmark Real Estate Partners IX	16,226,524
Intermediate Bond	442,952,121	Prudential PRISA	426,660,422
Internal Bond	158,606,000	Rockwood Capital Real Estate IX	694,705
Long Term Bond	740,072,326	Rockwood Capital Real Estate X	13,983,349
403(b) Tax-Sheltered Trust	340,430	Rockwood Capital Real Estate XI	52,775,538
Equity		Rockwood Capital Real Estate XII	24,965,440
S&P 400 Stock Index	834,598,978	TA Realty Core Property	212,034,677
S&P 500 Stock Index	3,047,599,190	The Realty Associates XI	57,989
S&P 600 Stock Index	360,581,361	The Realty Associates XII	35,123,318
In-house Real Estate	389,535,009	The Realty Associates XIII	57,189,665
In-house High Yield	239,341,427	Alternative investments	
Subtotal	\$7,136,033,120	Actis Global IV	20,278,329
Externally managed		Alinda Infrastructure II	32,188
Fixed income		Alpine Investors Co-Investment VIII	55,935,805
Galliard Capital Management Core Fixed	755,148,588	Alpine Investors Co-Investment IX	12,699,979
Fort Washington Core Fixed Income	724,514,635	Alpine Investors Secondaries VII	37,338,467
Domestic equity		Alpine Investors Secondaries VIII	16,856,251
Baillie Gifford US Equity Growth	468,889,527	Apax Credit Opportunities/Credit Edge II	15,664,869
Fort Washington Focused Equity	597,469,285	Apax VIII	2,282,851
State Street US Premier Growth Equity	1,049,415,399	Apax IX	30,470,537
Todd Asset Intrinsic Value Opportunity	848,480,089	Apax X	52,841,502
Todd Asset Large Cap Intrinsic Value	1,472,448,307	Apax XI	11,875,284
UBS Alpha Equity	537,915,554	Apax Digital	70,017,638
UBS Value Oriented (Global)	873,369,336	Apax Digital II	24,963,463
Wellington Large Cap Equity	930,437,355	Audax Mezzanine III	1,123,026
Wellington Mid Cap Equity	—	Audax Mezzanine IV	7,118,003
Wellington Small Cap Equity	248,536,393	Audax Mezzanine V	21,043,790
International equity		Audax Private Equity V	14,075,252
Baillie Gifford International	1,472,963,344	Audax Private Equity VI-A	38,173,720
Barings All Country World Ex US	933,014,147	Audax SC Private Equity Solutions	17,003,390
BlackRock MSCI ACWI Ex US IMI Index	770,727,809	Baillie Gifford Private Companies II	70,248,404
Todd Asset International Intrinsic Value	1,418,295,383	Carlyle Asia Partners V	45,731,012
Todd Asset International Intrinsic	127,616,655	Carlyle Europe Partners IV	14,570,112
UBS All Country World Ex US Equity	1,359,046,266	Carlyle Europe Partners V	38,981,909
Real estate		Carlyle Partners VIII	31,887,120
Angelo Gordon Net Lease Realty III	31,990,473	Carlyle Renewable and Sustainable Energy	48,793,275
Angelo Gordon Net Lease Realty IV	43,847,434	Carlyle Renewable and Sustainable Energy II	22,925,988
Angelo Gordon Realty Value XI	29,475,402	Fort Washington VIII	21,898,844
Blackstone Partners VII	5,948,992	Fort Washington IX	34,540,949
Blackstone Partners VIII	29,845,470	Fort Washington IX-K	34,119,880
Blackstone Partners IX	50,464,106	Fort Washington X	33,884,325
Blackstone Partners X	26,291,723	Fort Washington X-S	29,790,487
Carlyle Realty Partners VI	3,226,899	Fort Washington XI	7,812,921
Carlyle Realty Partners VII	9,651,010	Fort Washington XI-K	16,042,074
Carlyle Realty Partners VIII	19,964,535	Fort Washington Opportunities IV	17,748,340
Carlyle Realty Partners IX	45,659,205	Fort Washington Opportunities IV-K	25,618,277
		Fort Washington II	4,373,539

INVESTMENT SECTION

Fort Washington II-K	\$ 16,117,318	Oaktree Mezzanine IV	\$ 2,071,470
Gavea Investments V	2,033,024	Oaktree Mezzanine V	33,399,784
Hellman & Friedman Capital VII	4,025,086	Public Pension Capital	206,387,264
Hellman & Friedman Capital VIII	55,369,881	Riverstone Energy and Power V	550,736
IFM Global Infrastructure	287,877,890	Riverstone Energy and Power VI	17,387,021
J.P. Morgan Global Transport Income	80,268,697	Silver Lake Alpine II	48,263,202
KKR European III	62,490	Silver Lake Alpine VII	18,657,176
KKR European IV	32,569,771	Stepstone Pioneer Capital III	891,287
KKR European V	45,550,780	Additional categories	
KKR Americas XII	60,790,686	Avenue Special Situations VI	7,916,330
KKR Health II	22,074,729	Barings European Loan	88,840,000
Landmark Equity Partners XIV	96,982	Columbia High Yield Bond	187,256,227
Landmark Equity Partners XV	4,493,222	Deerpath Capital Direct Lending	67,564,968
Landmark Equity Partners XVI	33,374,674	Fort Washington High Yield Bond	303,626,142
Landmark Equity Partners XVII	23,639,752	Lord Abbett High Yield Core	121,621,095
Lexington Capital Partners VII	600,441	Marathon European Credit Opportunities III	35,986,043
Lexington Capital Partners VIII	15,188,831	Marathon TRS Credit	710,636,410
Lexington Capital Partners IX	48,696,018	Molpus Lake Superior Timberlands	459,244,149
Lexington Capital Partners X	29,355,857	Molpus Seven States	59,219,507
Macquarie MIP VI	31,071,011	Monroe Capital Private Credit	119,718,811
Manulife Cropland States	31,393,768	Oaktree European Capital Solutions	15,190,698
NGP ETP IV	9,095,693	Oaktree European Dislocation	46,794
NGP Natural Resources X	3,955,873	Oaktree Opportunities IX	30,002,267
NGP Natural Resources XI	12,670,768	Oaktree Opportunities X	10,766,674
NGP Natural Resources XII	29,971,283	Oaktree Opportunities Xb	44,403,242
NGP Natural Resources XIII	9,896,765	Shenkman Capital Management	412,601,667
NGP Royalty Partners III	12,486,038	Subtotal	<u>\$ 20,915,209,862</u>
Oaktree European Principal III	5,076,264		
Oaktree European Principal IV	55,413,600	Total*	<u><u>\$ 28,051,242,982</u></u>
Oaktree European Principal V	61,106,137		

* Includes 403(b) Tax-Sheltered Trust of \$340,430

Life Insurance Trust
Fair Value as of June 30, 2025

Internally managed		Rockwood Capital Real Estate Partners XI	310,444
		Rockwood Capital Real Estate Partners	192,042
Cash equivalents (unallocated)	\$ 887,613	TA Realty Core Property	2,476,808
		The Realty Associates XII	351,232
Fixed income		The Realty Associates XIII	439,920
Broad Market Bond	18,914,157		
		Alternative investments	
Equity		AlpInvest Co-Investment VIII	559,822
S & P 400 Stock Index	5,373,159	AlpInvest Secondaries VII	373,461
S & P 500 Stock Index	34,406,949	Apax X	528,419
S & P 600 Stock Index	1,279,260	Audax Mezzanine V	210,438
		Baillie Gifford Private Companies II	370,652
Additional categories		Carlyle Renewable and Sustainable	487,939
In-House High Yield Bond	744,257	Fort Washington PE Opportunities IV	275,595
		Fort Washington PE Opportunities IV-K	338,866
Subtotal	\$ 61,605,395	Fort Washington Small Market II	182,231
		Fort Washington X	484,066
Externally managed		Fort Washington X-S	425,579
		Fort Washington XI	223,227
Domestic equity		Landmark Equity Partners XVII	236,397
Baillie Gifford US Equity Growth	3,800,823	Lexington Capital Partners IX	487,002
Fort Washington Focused Equity	2,624,577	Lexington Capital Partners X	293,560
		Oaktree European Principal V	611,059
International equity		Oaktree Mezzanine V	333,996
Baillie Gifford International	3,334,926	Silver Lake Alpine II	442,773
BlackRock All Country World ex US IMI	21,874,609	Silver Lake Partners VII	186,565
		Additional categories	
Real estate		Marathon TRS Credit	\$ 2,611,741
Angelo Gordon Net Lease Realty IV	438,473	Subtotal	<u>49,260,398</u>
Angelo Gordon Realty Value XI	226,734		
Blackstone Partners X	202,244		
Carlyle Property Investors	2,057,880	Total	<u><u>\$110,865,793</u></u>
Carlyle Realty Partners IX	1,141,479		
Landmark Real Estate Partners IX	124,819		

INVESTMENT SECTION

Retirement Annuity Trust Investment Summary — Fair Value as of June 30, 2025

	Fair Value June 30, 2024	Acquisitions	Appreciation (Depreciation)	Sales Redemptions, Maturities & Paydowns	Fair Value June 30, 2025	Percent
Cash equivalents	\$ 572,635,564	\$ 3,797,684,550		\$ 3,962,234,521	\$ 408,085,593	1.5
Fixed income	3,344,709,780	2,206,368,367	52,988,976	2,135,292,986	3,468,774,137	12.4
Real estate	1,712,653,006	184,827,123	(15,959,290)	140,398,133	1,741,122,706	6.2
Alternative investments	2,079,165,274	619,826,015	155,259,260	553,557,480	2,300,693,069	8.2
Equity	15,374,903,827	3,323,761,912	2,282,671,712	3,722,446,252	17,258,891,199	61.5
Additional categories	2,688,094,277	821,292,784	150,997,019	787,048,232	2,873,335,848	10.2
Total	\$ 25,772,161,728	\$ 10,953,760,751	\$ 2,625,957,677	\$ 11,300,977,604	\$ 28,050,902,552	100.0

Life Insurance Trust Investment Summary — Fair Value as of June 30, 2025

	Fair Value June 30, 2024	Acquisitions	Appreciation (Depreciation)	Sales Redemptions, Maturities & Paydowns	Fair Value June 30, 2025	Percent
Cash equivalents	\$ 4,919,258	\$ 10,728,590	\$	\$ 9,235,653	\$ 6,412,195	5.8
Fixed income	16,758,846		176,407	3,351,626	13,583,627	12.2
Equity	62,780,493	1,500,277	9,664,861	1,439,859	72,505,772	65.4
Real estate	7,037,595	1,462,669	227,397	765,586	7,962,075	7.2
Alternative investments	6,429,611	952,915	409,433	740,312	7,051,647	6.4
Additional categories	3,048,893	211,432	304,755	214,603	3,350,477	3.0
Total	\$ 100,974,696	\$ 14,855,883	\$ 10,782,853	\$ 15,747,639	\$ 110,865,793	100.0

Retirement Annuity Trust
Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025
(Dollars in thousands)

Investment counselor fees	Assets Under Management	Expense
Equity manager(s)	\$ 13,108,625	\$ 19,520
Fixed income manager(s)	1,479,663	653
Real estate	1,351,588	16,739
Additional categories	2,674,641	10,627
Alternative investments	2,300,693	26,974
Subtotal	\$ 20,915,210	\$ 74,513
Administrative expenses		6,874
Total		\$ 81,387
Basis Points*		29.0

* One basis point is one hundredth of 1% or the equivalent of 0.0001. Total basis points is weighted. Basis points for administrative expenses are calculated against the \$28.05 billion in assets under management for the trust.

Life Insurance Trust
Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025
(Dollars in thousands)

Investment counselor fees	Assets Under Management	Expense
Equity manager(s)	\$ 31,635	\$ 36
Real estate	7,962	107
Alternative investments	7,051	72
Additional categories	2,612	4
Subtotal	\$ 49,260	\$ 219
Administrative expenses		78
Total		\$ 297
Basis Points*		26.8

* One basis point is one hundredth of 1% or the equivalent of 0.0001. Total basis points is weighted. Basis points for administrative expenses are calculated against the \$110.9 million in assets under management for the trust.

Retirement Annuity Trust
Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025

Investment counselor fees		Rockwood Capital Real Estate XII	719,188
Fixed income		TA Realty Core Property	1,439,578
Fort Washington Core Fixed Income	\$ 307,764	The Realty Associates X	—
Galliard Capital Core Fixed Income	344,946	The Realty Associates XI	—
Total fixed income	652,710	The Realty Associates XII	628,332
Domestic equity		The Realty Associates XIII	738,966
Baillie Gifford US Equity Growth	855,013	Total real estate	16,738,994
Fort Washington Focused Equity	2,113,194	Alternative investments	
State Street US Premier Growth Equity	800,000	Actis Global IV	308,000
Todd Asset Management	961,774	Alinda Infrastructure II	(40,499)
UBS Global Asset Management	2,636,707	Alpine Investors Co-Investment VIII	455,836
Wellington Management Company	1,848,488	Alpine Investors Co-Investment IX	776,250
Total domestic equity	9,215,176	AlpInvest Secondaries VII	389,124
International equity		AlpInvest Secondaries VIII	803,750
Baillie Gifford EAFE	4,681,825	Apax Credit Opportunities	213,536
Barings All Country World ex US	3,345,824	Apax VIII	—
BlackRock MSCI ACWI Ex US IMI Index	346,357	Apax IX	270,941
Todd Asset Management	610,499	Apax X	548,985
UBS Global Asset Management	1,320,000	Apax XI	594,289
Total international equity	10,304,505	Apax Digital	760,476
Real estate		Apax Digital II	863,896
Angelo Gordon Net Lease Realty III	898,553	Audax Mezzanine III	—
Angelo Gordon Net Lease Realty IV	1,044,493	Audax Mezzanine IV	101,110
Angelo Gordon Realty Value XI	730,604	Audax Mezzanine V	352,135
Blackstone Partners VII	(1,194)	Audax SC Private Equity Solutions	345,938
Blackstone Partners VIII	365,324	Audax Private Equity IV	—
Blackstone Partners IX	620,384	Audax Private Equity V	—
Blackstone Partners X	975,000	Audax Private Equity VI	—
Carlyle Realty Partners VI	—	Baillie Gifford Private Companies II	404,914
Carlyle Realty Partners VII	152,836	CapitalSouth Partners III	—
Carlyle Realty Partners VIII	331,304	Carlyle Asia Partners V	502,794
Carlyle Realty Partners IX	742,080	Carlyle Europe Partners IV	44,144
Carlyle Property Investors	1,614,377	Carlyle Europe Partners V	616,428
Landmark Real Estate Partners VII	55,134	Carlyle Renewable and Sustainable Energy	404,593
Landmark Real Estate Partners VIII	358,361	Carlyle Renewable and Sustainable Energy II	533,924
Landmark Real Estate Partners IX	650,000	Carlyle Partners VIII	775,155
Prudential PRISA	3,121,189	Fort Washington II	54,277
Rockwood Capital Real Estate IX	50,317	Fort Washington II-K	171,885
Rockwood Capital Real Estate X	634,310	Fort Washington VIII	84,837
Rockwood Capital Real Estate XI	869,858	Fort Washington IX	126,000

Fort Washington IX-K	126,000	Riverstone Energy and Power V	(14,439)
Fort Washington X	126,000	Riverstone Energy and Power VI	225,435
Fort Washington X-S	126,000	Silver Lake Alpine II	284,225
Fort Washington XI	65,978	Silver Lake Alpine VII	456,625
Fort Washington XI-K	122,529	Stepstone Pioneer Capital III	(11,482)
Fort Washington Opportunities IV	273,700	Total alternative investments	26,974,366
Fort Washington Opportunities IV-K	321,300	Additional categories	
Gavea Investments V	17,782	Avenue Special Situations VI	—
Hellman & Friedman Capital Partners VII	—	Barings European Loan	401,109
Hellman & Friedman Capital Partners VIII	231,840	Columbia High Yield Bond	667,367
IFM Global Infrastructure	2,485,103	Deerpath Capital Direct Lending	1,963,668
J.P. Morgan Global Maritime	—	Fort Washington High Yield Bond	602,775
J.P. Morgan Global Transport Income	660,711	Highbridge Specialty Loan III	—
KKR 2006	—	Lord Abbett High Yield Core	421,783
KKR European III	—	Marathon TRS Credit	1,091,457
KKR European IV	203,726	Molpus Lake Superior Timberlands	2,241,597
KKR European V	411,431	Molpus Seven States	462,457
KKR Americas XII	240,647	Oaktree European Capital Solutions	242,057
KKR Health II	466,041	Oaktree Opportunities IX	203,498
Landmark Equity Partners XIV	2,574	Oaktree Opportunities X	157,234
Landmark Equity Partners XV	120,876	Oaktree Opportunities Xb	589,731
Landmark Equity Partners XVI	500,000	Shenkman Capital Management	1,582,396
Landmark Equity Partners XVII	450,000	Total additional categories	10,627,129
Lexington Capital Partners VII	—	Total investment counselor fees	74,512,880
Lexington Capital Partners VIII	179,832		
Lexington Capital Partners IX	495,852	Administrative expenses	
Lexington Capital Partners X	475,000	Custodian	
Manulife Cropland Plus	307,177	Bank of New York Mellon	715,020
Macquarie MIP VI	475,317	Legal and research	
NGP ETP IV	522,838	Seyfarth	117,662
NGP Natural Resources X	—	Wyatt, Tarrant and Combs	1,201
NGP Natural Resources XI	298,391	Other	
NGP Natural Resources XII	567,007	Other administrative and operational	5,337,264
NGP Natural Resources XIII	559,825	Consultant	
NGP Royalty Partners III	197,260	Aon Hewitt	524,736
Oaktree European Principal III	—	Bevis Longstreth	50,000
Oaktree European Principal IV	736,178	George Philip	30,000
Oaktree European Principal V	672,940	Beau Hoskins	56,000
Oaktree Mezzanine III	—	Daniel Freed	42,368
Oaktree Mezzanine IV	58,508	Total consultant	703,104
Oaktree Mezzanine V	446,009	Total administrative expenses	6,874,251
Public Pension Capital	2,626,912		
Riverstone/Carlyle Energy and Power IV	—	Grand total	\$ 81,387,131

Life Insurance Trust
Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025

Investment counselor fees		Investment counselor fees	
Domestic equity		Fort Washington PE Opportunities IV	4,252
Baillie Gifford US Equity Growth	\$ 6,540	Fort Washington PE Opportunities IV-K	4,252
Fort Washington Focused Equity	8,620	Fort Washington X	1,800
Total domestic equity	<u>15,160</u>	Fort Washington X-S	1,800
International equity		Fort Washington XI	1,886
Baillie Gifford EAFE Alpha	10,585	Fort Washington Small Markets II	2,260
BlackRock All Country World ex US IMI	9,830	Landmark Equity Partners XVII	4,500
Total international equity	<u>20,415</u>	Lexington Capital Partners IX	4,956
Real estate		Lexington Capital Partners X	4,752
Angelo Gordon Net Lease Realty IV	10,445	Oaktree European Principal V	6,729
Angelo Gordon Realty Value XI	5,619	Oaktree Mezzanine V	4,459
Blackstone X	7,500	Silver Lake Alpine II	2,607
Carlyle Property Investors	20,511	Silver Lake Partners VII	4,567
Carlyle Realty Partners IX	18,553	Total alternative investments	<u>72,463</u>
Landmark Real Estate Partners IX	5,000	Additional categories	
Rockwood Capital Real Estate Partners XI	5,117	Marathon TRS Credit	3,722
Rockwood Capital Real Estate Partners XII	5,531		
TA Realty Core Property	16,803	Total investment counselor fees	\$ 218,806
The Realty Associates XII	6,284	Administrative expenses	
The Realty Associates XIII	5,683	Custodian	
Total real estate	<u>107,046</u>	Bank of New York Mellon	\$ 63,929
Alternative investments		Other	
AlpInvest Co-Investment VIII	4,560	Other administrative and operational	14,641
AlpInvest Secondaries VII	3,891		
Apax X	5,489	Total administrative expenses	\$ 78,570
Audax Mezzanine V	3,522		
Baillie Gifford Private Equity Companies II	2,137	Grand total	\$ 297,376
Carlyle Renewable and Sustainable Energy	4,044		

Retirement Annuity Trust
Ten Largest Stock Holdings Ranked by Fair Value*
June 30, 2025

		Fair Value	Percent of Total Fair Value
1	Microsoft Corp.	\$ 532,812,162	3.07
2	Nvidia Corp.	509,243,005	2.93
3	Apple	380,864,867	2.20
4	Amazon.com	355,204,038	2.05
5	Meta Platforms	308,205,717	1.78
6	Broadcom	228,099,548	1.31
7	Alphabet Class C	199,861,738	1.15
8	Netflix	128,871,176	0.74
9	Alphabet Class A	116,022,107	0.67
10	JP Morgan Chase	115,893,262	0.67

* Includes only actively managed separate accounts. A complete list of investments is available from TRS.

Retirement Annuity Trust
Ten Largest Fixed Income Holdings Ranked by Fair Value*
June 30, 2025

		Maturity	Coupon	Par Value	Fair Value	Percent of Total Fair Value
1	U S TREASURY NOTE	May 31, 2030	4.000	\$ 44,590,000	\$ 45,014,943	1.27
2	U S TREASURY NOTE	September 30, 2029	3.500	43,900,000	43,447,391	1.23
3	U S TREASURY NOTE	April 15, 2028	3.750	39,835,000	39,881,607	1.12
4	U S TREASURY NOTE	February 15, 2031	1.125	45,000,000	38,921,400	1.10
5	U S TREASURY BOND	August 15, 2054	4.250	37,315,000	34,128,672	0.96
6	U S TREASURY BOND	February 15, 2051	1.875	60,000,000	33,768,600	0.95
7	U S TREASURY BOND	May 15, 2054	4.625	31,940,000	31,070,274	0.88
8	U S TREASURY NOTE	November 15, 2034	4.250	28,535,000	28,633,160	0.81
9	U S TREASURY BOND	August 15, 2050	1.375	55,000,000	27,168,900	0.77
10	U S TREASURY BOND	February 15, 2055	4.625	26,570,000	25,905,750	0.73

*A complete list of investments is available from TRS.

Life Insurance Trust
Ten Largest Stock Holdings Ranked by Fair Value*
June 30, 2025

		Fair Value	Percent of Total Fair Value
1	Nvidia Corp.	\$ 2,531,626	5.32
2	Microsoft Corp.	2,419,453	5.08
3	Apple	2,016,621	4.24
4	Amazon.com	1,353,915	2.84
5	Meta Platforms	1,057,534	2.22
6	Broadcom	845,357	1.78
7	Alphabet Inc. Class C	672,543	1.41
8	Berkshire Hathaway	582,544	1.22
9	Tesla	581,589	1.22
10	Alphabet Inc. Class A	548,646	1.15

* Includes only actively managed separate accounts. A complete list of investments is available from TRS.

Life Insurance Trust
Ten Largest Fixed Income Holdings Ranked by Fair Value*
June 30, 2025

		Maturity	Coupon	Par Value	Fair Value	Percent of Total Fair Value
1	Met Govt. Nashville & Davidson	Jul. 1, 2030	6.393	\$ 2,000,000	\$ 2,113,960	11.08
2	U.S. Treasury Note	Sept. 15, 2025	3.500	1,000,000	998,590	5.23
3	U.S. Treasury Bond	Nov. 15, 2050	1.625	1,500,000	791,715	4.15
4	Gatx Corp.	Nov. 7, 2028	4.550	500,000	500,580	2.62
5	U.S. Treasury Note	Aug. 31, 2025	0.250	500,000	496,500	2.60
6	U.S. Treasury Note	Aug. 31, 2025	0.500	500,000	466,720	2.45
7	McCormick & Co.	Apr. 15, 2030	2.500	500,000	458,075	2.40
8	Fidelity National Financial	Mar. 15, 2031	2.450	500,000	433,825	2.27
9	U.S. Treasury Note	Nov. 15, 2030	0.875	500,000	428,655	2.25
10	U.S. Treasury Bond	Feb. 15, 2052	2.250	700,000	428,316	2.24

*A complete list of investments is available from TRS.

Transaction Commissions for the Year Ended June 30, 2025

Broker Name	Shares Traded	Commissions	Commission Per Share	Percent of Total
ConvergEx ADR Conversions	10,721,039	\$ 191,212	\$ 0.018	21.39
Virtu Americas	15,346,032	127,446	0.008	14.26
Investment Tech Grp Transition	10,718,953	80,394	0.008	8.99
ConvergEx — Algos	12,581,696	66,469	0.005	7.43
RBC Transitions	6,675,149	33,377	0.005	3.73
Liquidnet Inc	2,965,639	29,144	0.010	3.26
ISI Algos	2,635,960	26,360	0.010	2.95
Goldman Sachs	2,015,068	26,313	0.013	2.94
Raymond James & Assoc.	882,364	26,112	0.030	2.92
ConvergEx — Transitions	4,360,940	21,805	0.005	2.44
Tradebook	3,647,124	18,236	0.005	2.04
Piper Jaffray	572,015	17,160	0.030	1.92
ConvergEx — FS	3,364,508	16,823	0.005	1.88
RBC Capital Markets	1,652,155	16,761	0.010	1.87
JP Morgan & Chase	688,010	16,559	0.024	1.85
Jefferies & Co.	1,058,807	16,267	0.015	1.82
Stifel, Nicolaus & Co.	459,917	13,798	0.030	1.54
Liquidnet Inc — Transition	2,745,749	13,730	0.005	1.54
Morgan Stanley	874,497	13,590	0.016	1.52
Barclays	2,349,960	13,061	0.006	1.46
Abel Noser	1,077,449	10,774	0.010	1.21
Abel Noser — Transitions	1,258,720	9,440	0.007	1.06
ISI Group	303,573	9,107	0.030	1.02
Other<1%	4,669,655	80,064	0.017	8.96
Totals*	93,624,979	\$ 894,002	\$ 0.010	100

* The acquisition of initial public offerings (IPOs) represented a portion of small-capitalization stock purchases. IPOs usually have a high commission rate; however, the security issuers and not the investors pay the commissions. In fiscal 2025, the Retirement Annuity Trust bought small capitalization IPOs that generated \$196,018 in commissions. Although these commissions were not paid by TRS, they resulted from the annuity trust's investment activities and are included in the total commissions. Typical stock transactions occur at lower commission rates than IPO transactions, frequently at \$0.03 per share or less. Investment companies usually provide investment research for brokerage clients. Total commissions per share are calculated using total shares traded and total commissions.

Proxy Voting and Corporate Behavior

TRS votes proxy statements in accordance with KRS 161.430 and the board's Proxy Voting Guidelines. TRS shares are voted solely in the best interest of the membership using only pecuniary factors and not to further any nonpecuniary interest. Stock ownership is an implicit endorsement of company management, and, consequently, TRS shares in most cases are voted in support of company management. TRS expects the companies in which it acquires stock to abide by federal, state and local laws.

TRS's fiduciary duty is to obtain the highest investment return within acceptable levels of risk. In fulfilling this duty and regarding corporate behavior, TRS may correspond with the company, meet with company officials, sponsor shareholder resolutions or liquidate TRS's holdings in the company.

Securities Lending

TRS operates its securities lending program through its custodian, Bank of New York Mellon (BNYM), under contract. Securities lending occurs when TRS transfers a security to the borrower, such as a broker-dealer or bank, for cash collateral pursuant to an agreement to return the identical security in the future. Securities are borrowed for a variety of reasons including: settlement of short sales and to cover hedges, options, arbitrage positions and settlement fails. Consequently, the borrower receives custody of the transferred security. The borrower, however, is obligated to return the exact same security at the end of the loan period and to make the retirement system whole for dividends, interest and other distributions as if the security remained in the retirement system's portfolio.

The restrictions applying to loanable securities are as follows:

- There is no limit on the amount of government securities that can be loaned.
- There will be a limit of 30% of the equity portfolio. Securities may be loaned from any equity portfolio.
- A maximum of 50 corporate bonds may be on loan at any time.

TRS maintains with BNYM an approved borrowers list to which TRS will lend securities. The approved borrowers list is comprised of large, high-quality brokers and TRS has discretion to add or remove names from the list.

BNYM acts as lending agent in exchanging securities for collateral. The collateral provided in exchange for securities may include cash or non-cash collateral. For a loan of U.S. securities, collateralization of 102% or greater of the fair value of the securities lent is required. For a loan of foreign securities, collateralization of 105% or greater of the fair value of the securities lent is required. BNYM bears the risk of loss of any cash or non-cash collateral.

Cash collateral may be invested in any of the following:

- Government securities
- Repurchase and reverse repurchase transactions with approved counterparties

Staff closely monitors the lending program to make sure that BNYM is in compliance with lending restrictions. BNYM provides a detailed listing of all securities that are on loan on a daily basis. They also provide a summary report that lists the fair value of securities on loan with a particular borrower and the collateral value that the borrower has provided to cover the loan. The collateralization percentage for each broker also is listed.

Kentucky Investments

The retirement system always is cognizant of its significant role in the commonwealth's economy. Over \$2 billion in benefits are distributed annually to members and annuitants living in Kentucky. The Retirement Annuity Trust has invested about \$342 million directly in Kentucky. These investments include: commercial real estate; bonds issued by public agencies of the commonwealth and those of local municipalities; pools of single-family mortgages in Kentucky; financing for multi-family housing; and investments in global companies that contribute to the commonwealth's economy. Fiduciary duty requires that investments, including any in the commonwealth, be made solely for the benefit of TRS's members and annuitants.

Professional Service Providers

Investment consultant

Aon Investments USA
Daniel Freed
Beau Hoskins

Investment custodian

Bank of New York Mellon

Fixed income managers

Fort Washington Investment Advisors
Galliard Capital Management

Domestic equity managers

Baillie Gifford
Fort Washington Investment Advisors
State Street Global Advisors Trust Co.
Todd Asset Management
UBS Global Asset Management
Wellington Management Co.

International equity managers

Baillie Gifford Overseas Ltd.
Barings Asset Management
BlackRock Institutional Trust Co.
Todd Asset Management
UBS Global Asset Management

Real Estate managers

Ares Management
Blackstone Real Estate Advisors
The Carlyle Group
Prudential Real Estate Investors
Rockwood Capital
TA Realty
TPG Angelo Gordon

Alternatives managers

Actis

Alinda Capital Partners

Apax Partners

Ares Management

Audax Group

Baillie Gifford

The Carlyle Group

Carlyle AlpInvest

Fort Washington Private Equity Investors

Gavea Investimentos

Hellman & Friedman Capital Partners

IFM Investors

J.P. Morgan Asset Management

Kohlberg Kravis Roberts & Co.

Lexington Capital Partners

Macquarie Infrastructure Partners

Molpus Woodlands Group

Natural Gas Partners

Oaktree Capital Management

Public Pension Capital

Riverstone Holdings

Silver Lake Partners

Stepstone Group

Additional categories managers

Avenue Capital Group

Barings Asset Management

Columbia Threadneedle Investments

Deerpath Capital Management

Fort Washington Investment Advisors

Lord, Abbett & Co.

Marathon Asset Management

Monroe Capital Management

Oaktree Capital Management

Shenkman Capital Management

Attorneys

Seyfarth

Wyatt, Tarrant & Combs

Health Insurance Trust

Investment Policy Summary

KRS 161.677 created the Health Insurance Trust on July 1, 2010, and obliges the board to “manage the assets of the fund in the same general manner in which it administers the retirement funds, except that the asset allocation may differ and separate accounting and financial reporting shall be maintained for the trust fund.” KRS 161.430, which governs the investment of funds for the retirement trust, requires that members’ assets be managed in a manner consistent with fiduciary standards set forth in the prudent person rule. Further, 102 KAR 1:178 establishes investment policies for the Health Insurance Trust. This regulation requires the board and Investment Committee to diversify assets prudently and to consider the fund’s “liquidity and its capability of meeting both short and long-term obligations” in setting asset allocation policy.

Due to an imbalance of required distributions over contributions early in the fund’s existence, liquidity needs historically dominated investment policy. This has evolved as contribution rate increases provided in statute have improved cash flow, and the focus now is on establishing an investment policy that achieves the required rate of return and matches the health insurance liability.

Investment Objectives

The definitive objective of the health insurance fund is to provide for beneficiaries’ health insurance benefit obligations, both short and long term. In support of this, investment policy is designed, on an ongoing basis, to meet all liquidity needs, achieve the actuarially assumed 7.1% rate of return over the long term and do so within appropriate risk levels.

Risk Controls

Any investment program faces various risks; as with the retirement funds, the primary risk is that the assets will not support liabilities long term. Risk control measures for the Health Insurance Trust mirror those of the Retirement Annuity Trust, but are customized to reflect the fund’s unique liability. Primary risk control measures include:

- Actuarial valuations are performed each year to evaluate the funding objectives of the Health Insurance Trust. Every 10 years an external audit of the actuary is conducted to ensure that the assumptions made, and calculation methods used, are resulting in properly computed liabilities of the fund.
- Asset-liability studies are conducted about every five years. These studies ensure that the portfolio is designed to meet the fund’s liabilities.
- In accordance 102 KAR 1:178, which governs investment policies for the fund, the Investment Committee adopts and regularly reviews an asset allocation policy designed to meet the fund’s needs.

Asset Allocation

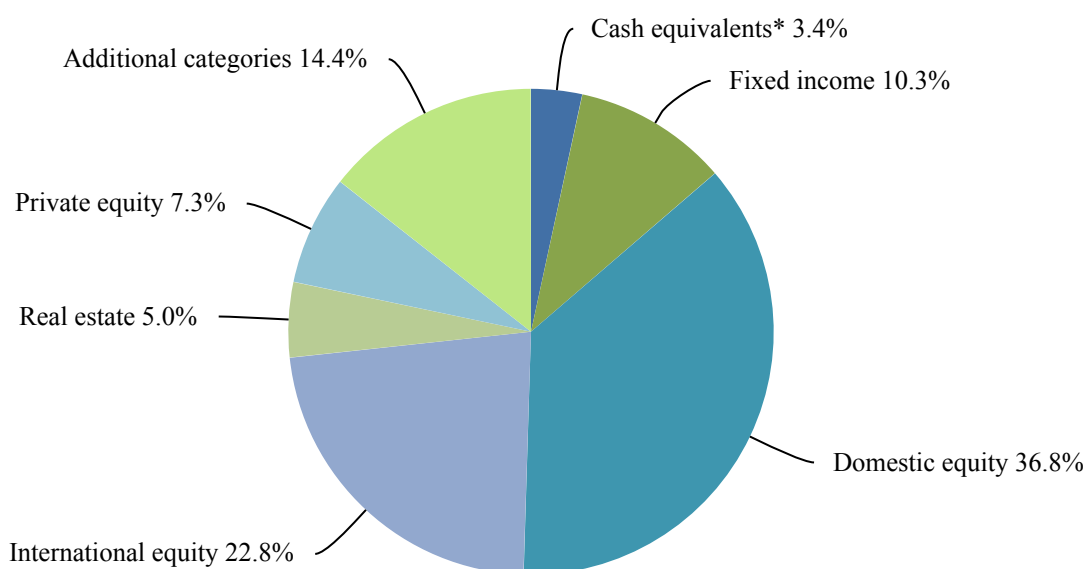
As of June 30, 2025, the Health Insurance Trust had \$3.79 billion in assets. This included \$391.4 million in investment-grade bonds. This trust also had \$243.3 million in high-yield bonds, \$2.26 billion in public equity investments, \$275.5 million in private equity, \$126.1 million in bank loans, \$252.4 million in alternative credit funds and \$189.6 million in real estate.

Asset allocation is adjusted annually by the Investment Committee to reflect changing liquidity needs and actuarial funding status. Due to the trust being cash flow positive, liquidity needs are declining as funding status has improved. The information below shows the health insurance fund’s asset allocation by fair value as of June 30, 2025 and 2024.

	June 30, 2025	Percent	June 30, 2024	Percent
Cash equivalents*	\$ 127,255,399	3.4	\$ 140,845,575	4.5
Fixed income	391,369,933	10.3	258,749,093	8.2
Equity	2,261,565,787	59.6	1,839,242,457	58.3
Real estate	189,603,933	5.0	156,478,824	5.0
Private equity	275,496,532	7.3	246,078,333	7.8
Additional categories	546,066,326	14.4	511,052,833	16.2
Totals	<u>\$ 3,791,357,910</u>	<u>100.0</u>	<u>\$ 3,152,447,114</u>	<u>100.0</u>

* Reflects only cash balances not allocated to other asset classes. Uninvested cash balances allocated to various asset classes are represented in those classes.

Distribution of Investments — Fair Value
As of June 30, 2025



* Reflects only cash balances not allocated to other asset classes. Any uninvested manager cash balances are represented in the asset class of the respective managers.

Health Insurance Trust
Asset Class Strategic Weighting by Fair Value

	Strategic Range	Target	June 30, 2025
Cash equivalents	0-5%	1 %	3.4 %
Fixed income	6-14	9	10.3
Equity	51-64	58	59.6
Domestic large cap	28-38	33	33.4
Domestic mid cap	1-5	3	2.2
Domestic small cap	1-3	2	1.2
International	15-25	20	22.8
Real estate	4-12	6.5	5.0
Alternative investments*	5-12	8.5	7.3
Additional categories	14-25	17	14.4
Total		<u>100 %</u>	<u>100 %</u>

* Includes private equity, venture capital, and infrastructure investments.

Portfolio Results

The Health Insurance Trust returns were generated by the Segal Marco Advisors performance reporting system using a time-weighted rate of return calculation based upon fair value. For fiscal 2025, the Health Insurance Trust's portfolio returned 12.58% versus a policy index return of 12.16%. The fund's public equity returned 16.82% versus 18.47% for the MSCI All Country World IMI Index. A high-quality bond fund returned 6.15% versus 5.89% for the Barclays Government/Credit Index. Private real estate returned 1.49% versus 3.54% for the NCREIF ODCE and the return of 4.23% for the NCREIF Property Index. Private equity returned 4.94%. Additional categories returned 9.85% versus a 10.24% return for the benchmark, Bank of America Merrill Lynch High Yield Master II.

General partner profit sharing, known as carried interest, for the Health Insurance Trust for fiscal 2025 was a decline of \$84,315, consisting by asset class of a decline of \$188,652 in private equity, a decline of \$691,502 in private real estate and \$795,839 in private credit.

Schedule of Investment Results — Gross

	1-year	3-year*	5-year*	10-year*
Total plan	12.58	12.42	11.10	8.57
Policy benchmark**	12.16	12.60	10.79	8.52
Equity	16.82	18.37	13.89	10.26
Domestic equity	15.60	20.61	10.32	
S&P 500 Index	15.16	19.71	16.64	
Russell 3000	15.30	19.08	15.96	
International equity	18.35			
MSCI AC World ex-USA IMI	18.47			
Fixed income	6.15	3.68	0.42	2.43
Barclays Government Credit	5.89	2.61	-0.83	1.92
Total real estate	1.49	-2.73	7.91	9.77
Core real estate	3.17	-1.38	6.77	
NCREIF ODCE (VW)	3.54	-5.43	3.42	
Non-core real estate	-0.77	-4.31	8.73	10.57
NCREIF Property Index	4.23	-2.75	3.70	5.22
Private equity	4.94	4.66	16.43	14.21
Mature private equity	2.64	3.22	16.19	14.27
S&P 500 plus 3%	18.62	23.30	20.14	17.06
Private equity < 5 years	7.78	6.71	15.93	
Additional categories	9.85	8.12	7.22	5.23
B of A Merrill Lynch High Yield Master II	10.24	9.86	6.00	5.29
Cash (unallocated)	4.67	4.55	2.96	2.07
90-day Treasury Bill	4.68	4.68	2.76	1.96

* Rates of return are time-weighted based upon fair value. Returns are annualized for periods longer than one year.

** Overall fund performance is compared to a board-approved benchmark, first established in July 2015, that represents the returns of appropriate benchmarks for the various asset classes weighted by the midpoint of the strategic range for the current fiscal year.

Schedule of Investment Results — Net of Investment Fees and Expenses

2025	12.27 %
2024	12.37
2023	11.52
2022	-9.70
2021	31.10
2020	2.30
2019	6.11
2018	8.44
2017	14.37
2016	-2.20

INVESTMENT SECTION

Portfolio Fair Value as of June 30, 2025			
Internally managed		Actis Global IV	\$ 2,029,034
Cash collections (unallocated)	\$ 127,255,399	Alpine Investor Co-Invest VIII	11,187,547
Fixed income		Alpine Investor Co-Invest IX	2,539,996
Internal Bond	289,990,737	Alpine Investor Secondaries VII	7,467,757
In-house High Yield	8,970,211	Alpine Investor Secondaries VIII	3,371,250
Equity		APAX IX	6,094,115
S&P 400 stock index	84,134,937	APAX X	10,568,301
S&P 500 stock index	1,085,775,395	APAX XI	2,375,057
S&P 600 stock index	46,791,536	APAX Credit Opportunities	3,132,974
Subtotal	\$ 1,642,918,215	Apax Digital	14,003,526
		Apax Digital II	4,992,692
Externally managed		Audax Mezzanine V	2,104,379
Fixed income		Audax Private Equity V	4,691,751
Galliard Capital Management	\$ 101,379,195	Audax SC Private Equity Solutions	3,400,678
Domestic equity		BG Private Companies II	7,413,041
Baillie Gifford US Equity Growth	90,241,009	Carlyle Asia V	9,146,205
Fort Washington Focused Equity	89,918,199	Carlyle Europe Partners IV	2,914,004
International equity		Carlyle Europe V	7,554,633
BlackRock MSCI ACWI IMI	762,880,244	Carlyle Partners VIII	6,377,425
Todd International Intrinsic Value	101,824,467	Carlyle Renewable & Sustainable Energy	9,758,656
Real estate		Carlyle Renewable & Sustainable Energy II	4,585,198
Angelo Gordon Net Lease Realty IV	8,769,486	Fort Washington PE Opportunities III	676,493
Angelo Gordon Realty Value IX	4,534,678	Fort Washington VII	981,839
Blackstone Partners VIII	5,969,089	Fort Washington VIII	6,256,815
Blackstone Partners IX	5,046,410	Fort Washington IX	9,868,703
Blackstone Partners X	4,044,882	Fort Washington IX-K	9,748,537
Carlyle Realty Partners VII	1,930,199	Fort Washington X	4,840,617
Carlyle Realty Partners VIII	3,992,904	Fort Washington X-S	4,255,783
Carlyle Realty Partners IX	10,273,324	Fort Washington XI	2,232,264
Carlyle Property Advisors	27,470,057	Fort Washington IV	2,755,953
Landmark Real Estate Partners VII	1,105,728	Fort Washington IV-K	3,388,661
Landmark Real Estate Partners VIII	5,226,567	Fort Washington PE Small Market II	1,822,308
Landmark Real Estate Partners IX	2,496,388	KKR European IV	6,513,958
Prudential PRISA	15,262,328	KKR European V	4,555,073
Rockwood Capital Real Estate X	2,787,733	KKR Americas XII	12,158,135
Rockwood Capital Real Estate XI	9,313,330	KKR Health II	3,153,537
Rockwood Capital Real Estate XII	3,840,837	Landmark Equity Partners XV	748,869
The Realty Associates XI	11,598	Landmark Equity XVI	6,674,935
The Realty Associates XII	7,024,668	Landmark Equity XVII	4,727,950
The Realty Associates XIII	8,798,410	Lexington Capital Partners IX	4,869,612
TA Realty Core Property	61,705,317	Lexington Capital Partners X	2,935,585
Alternative investments		Macquarie MIP VI	6,214,202

NGP ETP IV	\$ 1,515,945
NGP Natural Resources XI	2,534,155
NGP Natural Resources XII	5,994,263
NGP Natural Resources XIII	1,237,099
NGP Royalty Partners III	2,497,206
Oaktree European Principal IV	11,082,729
Oaktree European Principal V	6,110,614
Oaktree Mezzanine V	3,339,976
Public Pension Capital	32,012
Riverstone E & P VI	3,477,410
Silver Lake Alpine II	8,855,640
Silver Lake Partners VII	3,731,435
Additional categories	
Columbia High Yield	77,486,316
Fort Washington High Yield Bond	81,138,331
Lord Abbett High Yield Core	75,656,476
Marathon European Credit Opportunities III	4,798,139
Marathon TRS Credit	124,273,814
Monroe Capital Private Credit	18,418,278
Oaktree European Capital Solutions	3,036,242
Oaktree Opportunities Xb	8,880,649
Shenkman Capital Management	126,098,593
Deerpath Direct Lending	17,309,278
Subtotal	<u>\$ 2,148,439,695</u>
 Total	 <u><u>\$ 3,791,357,910</u></u>

Investment Summary — Fair Value as of June 30, 2025

	Fair Value June 30, 2024	Acquisitions	Appreciation (Depreciation)	Sales Redemptions, Maturities & Paydowns	Fair Value June 30, 2025	Percent
Cash equivalents	\$ 190,546,793	\$ 983,569,204	\$	\$ 1,019,880,423	\$ 154,235,574	4.1
Fixed income	247,128,630	271,476,612	6,648,547	140,961,710	384,292,079	10.1
Real estate	156,478,824	52,570,161	(97,956)	19,347,096	189,603,933	5.0
Equity	1,823,215,375	276,699,754	301,762,121	148,116,755	2,253,560,495	59.4
Alternative investments	246,078,333	63,406,436	12,333,395	46,321,632	275,496,532	7.3
Additional categories	488,999,159	248,093,235	25,034,241	227,957,338	534,169,297	14.1
Total	\$ 3,152,447,114	\$ 1,895,815,402	\$ 345,680,348	\$ 1,602,584,954	\$ 3,791,357,910	100.0

**Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025**
(Dollars in thousands)

Investment counselor fees	Assets Under Management	Expense
Equity manager(s)	\$ 1,044,864	\$ 821
Fixed income manager(s)	101,379	19
Real estate	189,604	2,403
Additional categories	537,096	2,023
Alternative investments	275,497	3,616
Subtotal	\$ 2,148,440	\$ 8,882
Administrative expenses**		737
Total		\$ 9,619
Basis Points*		25.4

* One basis point is one hundredth of one percent or the equivalent of 0.0001. Total basis points is weighted.

** Basis points for administrative expenses are calculated against the \$3.79 billion in assets under management for the trust.

**Schedule of Investment Counselor Fees and Administrative Expenses
For the Year Ended June 30, 2025**

Investment counselor fees		Baillie Gifford Private Companies II	42,724
Fixed income		Carlyle Asia V	100,558
Galliard Capital Management	\$ 19,096	Carlyle Europe Partners IV	8,829
Total fixed income	19,096	Carlyle Europe V	119,463
Domestic equity		Carlyle Renewable and Sustainable Energy	80,921
Baillie Gifford US Equity Growth	155,390	Carlyle Renewable and Sustainable Energy	106,786
Fort Washington Focused Equity	295,177	Carlyle Partners VIII	155,032
Total domestic equity	450,567	Fort Washington PE Small Market II	22,616
International equity		Fort Washington PE Opportunities III	5,605
BlackRock MSCI ACWI IMI	342,637	Fort Washington PE Opportunities IV	42,500
Todd-Verdus Asset Management	27,727	Fort Washington PE Opportunities IV-K	42,500
Total international equity	370,364	Fort Washington VII	14,528
Real estate		Fort Washington VIII	24,240
Angelo Gordon Net Lease Realty IV	208,899	Fort Washington IX	36,000
Angelo Gordon Realty Value XI	112,401	Fort Washington IX-K	36,000
Blackstone Partners VIII	73,065	Fort Washington X	18,000
Blackstone IX	62,038	Fort Washington X-S	18,000
Blackstone X	150,000	Fort Washington XI	18,850
Carlyle Realty Partners IX	166,968	KKR Americas XII	48,129
Carlyle Realty Partners VII	30,568	KKR IV	40,747
Carlyle Realty Partners VIII	66,256	KKR European V	41,144
Carlyle Property Advisors	273,802	KKR Health II	66,577
Landmark Real Estate Partners VII	10,788	Landmark Equity Partners XV	20,145
Landmark Real Estate Partners VIII	71,386	Landmark Equity Partners XVI	100,000
Landmark IX	100,000	Landmark Equity Partners XVII	90,000
Prudential PRISA	111,516	Lexington Capital Partners IX	49,588
Rockwood Capital Real Estate X	130,736	Lexington Capital Partners X	47,500
Rockwood Capital Real Estate XI	153,503	Macquarie MIP VI	95,063
Rockwood Capital Real Estate XII	110,646	NGP Royalty Partners III	39,452
The Realty Associates XI		NGP ETP IV	87,140
The Realty Associates XII	125,667	NGP Natural Resources XI	59,678
The Realty Associates XIII	113,688	NGP Natural Resources XII	113,401
TA Realty Core Property	331,391	NGP Natural Resources XIII	69,977
Total real estate	2,403,318	Oaktree European Principal IV	147,235
Alternative investments		Oaktree European Principal V	67,293
Actis Global IV	29,000	Oaktree Mezzanine V	44,601
AlpInvest Co-Investment VIII	91,106	Public Pension Capital	32,012
AlpInvest Co-Investment IX	155,250	Riverstone E & P VI	45,083
AlpInvest Secondaries VII	77,824	Silver Lake Alpine II	52,150
AlpInvest Secondaries VIII	160,661	Silver Lake Partners VII	91,327
APAX Credit Opportunities	48,700	Total alternative investments	3,616,051
APAX IX	54,188	Additional categories	
APAX X	109,797	Columbia High Yield Bond	276,346
APAX XI	118,858	Deerpath Capital Direct Lending	502,912
Apax Digital	152,095	Fort Washington High Yield Bond	157,473
Apax Digital II	172,780	Lord Abbett High Yield Core	261,458
Audax Mezzanine V	35,211	Marathon European Credit Opportunities III	
Audax Private Equity V		Marathon TRS Credit	174,036
Audax SC Private Equity Solutions	69,187	Oaktree European Capital Solutions	48,411

INVESTMENT SECTION

Oaktree Opportunities Xb	118,147
Shenkman Capital Management	484,348
Total additional categories	2,023,131
Total investment counselor fees	8,882,527

Administrative expenses

Custodian	
Bank of New York Mellon	235,562
Other	
Other administrative and operational	500,985
Total administrative expenses	\$ 736,547

Grand total	\$ 9,619,074
--------------------	---------------------

Health Insurance Trust Ten Largest Stock Holdings Ranked by Fair Value* June 30, 2025

		Fair Value	Percent of Total Fair Value
1	Nvidia	\$ 86,613,594	5.78
2	Microsoft Corp.	84,416,446	5.63
3	Apple	68,448,405	4.56
4	Amazon.com	53,595,880	3.57
5	Meta Platforms	46,258,315	3.08
6	Broadcom	26,547,025	1.77
7	Alphabet	21,671,204	1.44
8	Alphabet	21,163,461	1.41
9	Tesla	20,111,372	1.34
10	Berkshire Hathaway	20,084,646	1.34

* Includes only actively managed separate accounts. A complete list of investments is available from TRS.

Health Insurance Trust
Ten Largest Fixed Income Holdings Ranked by Fair Value*
June 30, 2025

		Maturity	Coupon		Par Value	Fair Value	Percent of Total Fair Value
1	U.S. Treasury Note	Feb. 15, 2031	1.125	\$	15,000,000	\$ 12,973,800	3.33
2	U.S. Treasury Bond	Feb. 15, 2045	4.750		8,625,000	8,588,603	2.2
3	U.S. Treasury Note	April 30, 2027	3.750		7,355,000	7,353,308	1.88
4	U.S. Treasury Note	Feb. 15, 2034	4.000		6,000,000	5,938,380	1.52
5	U.S. Treasury Note	Feb. 15, 2027	2.250		5,000,000	4,877,750	1.25
6	U.S. Treasury Bond	Feb. 15, 2055	4.625		4,355,000	4,246,125	1.09
7	U.S. Treasury Note	April 30, 2026	4.875		4,000,000	4,025,120	1.03
8	U.S. Treasury Note	Mar. 31, 2026	4.500		4,000,000	4,010,960	1.03
9	Nomura Holdings	June 29, 2035	5.491		4,000,000	4,000,000	1.03
10	Federal Home Loan Bank	Sep. 16, 2044	5.550		4,000,000	3,996,120	1.02

* A complete list of investments is available from TRS.

Health Insurance Trust
Transaction Commissions for the Year Ended June 30, 2025

Broker Name	Shares Traded	Commissions	Commission Per Share	Percent of Total
ConvergEx ADR Conversions	1,510,451	\$ 34,183	0.023	50.03 %
Investment Tech Grp Transition	1,628,444	12,216	0.008	17.88 %
ConvergEx - Transitions	2,042,380	10,212	0.005	14.94 %
Virtu Americas	1,016,268	8,827	0.009	12.92 %
ConvergEx - Algos	526,569	2,889	0.005	4.23 %
Totals	6,724,112	\$ 68,327	0.010	100

Professional Service Providers**Investment consultant**

Aon Investments USA
Daniel Freed
Beau Hoskins

Blackstone Real Estate Advisors
The Carlyle Group
Prudential Real Estate Investors
Rockwood Capital
TA Realty
TPG Angelo Gordon

Investment custodian

Bank of New York Mellon

Fixed income managers

Galliard Capital Management

Alternatives managers

Actis
Ares Management
Apax Partners
Audax Group
Baillie Gifford
The Carlyle Group
Carlyle AlpInvest
Fort Washington Private Equity Investors
Kohlberg Kravis Roberts & Co.
Macquarie Infrastructure Partners
Lexington Capital Partners
Natural Gas Partners
Oaktree Capital Management
Riverstone Holdings
Silver Lake Partners

Equity managers

Baillie Gifford
BlackRock Institutional Trust Co.
Fort Washington Investment Advisors
Todd Asset Management

Additional categories managers

Columbia Threadneedle Investments
Deerpath Capital Management
Fort Washington Investment Advisors
Marathon Asset Management
Monroe Capital Management
Oaktree Capital Management
Shenkman Capital Management

Attorneys

Seyfarth
Wyatt, Tarrant & Combs

Real estate managers

Ares Management

Actuarial Section



Annual Valuation of the Retirement Annuity Trust





November 14, 2025

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

Members of the Board:

Kentucky Revised Statutes (KRS) 161.400 of the law governing the operation of the Teachers' Retirement System of the State of Kentucky (TRS) provides that the actuary shall make an actuarial valuation of the Retirement Annuity Trust. We are pleased to submit 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.

During the 2021 valuation, a new set of economic and demographic assumptions was adopted by the TRS Board of Trustees (Board) that resulted in an increase in liabilities and contribution requirements. To help alleviate the pressure on increased contributions, a direct-rate smoothing technique was implemented to phase-in the required contribution increase, estimated at 8.59% of payroll, over a five-year period beginning with the 2021 valuation. For this 2025 valuation, we have recognized an increase in contributions of at least 1.72% of payroll as a result of the cost of the change in assumptions.

The total combined member and employer contribution rates broken down for TRS 1 (members hired before July 1, 2002), TRS 2 (members hired between July 1, 2002 and June 30, 2008), and TRS 3 (members hired between July 1, 2008 and December 31, 2021), as a percentage of payroll for the fiscal years ending June 30, 2028 and June 30, 2027, required to support the total benefits are shown on pages 137 and 139 of this report. The rates represent an increase since the previous valuation in the total pension actuarially determined employer contribution rates (ADEC) of 1.94% of payroll for the fiscal year ending June 30, 2028.

A breakdown of the changes in the components of the ADEC are as follows:

- an expected increase of 1.72% of payroll for the direct rate smoothing technique of phasing-in contribution requirements due to the 2021 assumption changes,
- no change in the percent of payroll due to the amount required for life insurance benefits, and
- an increase of 0.22% of payroll due to the overall experience of the System for the fiscal year ending June 30, 2025.

The total combined member and employer statutorily required contributions for TRS 4 members are shown on pages 138 and 140 of this report.

The financing objective of the system is that contribution rates will remain relatively level over time as a percentage of payroll, except as otherwise noted. The promised benefits of the system are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method.

Five-year market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the total unfunded actuarial accrued liability that is being amortized by regular annual contributions as a level percentage of payroll in accordance with the funding policy adopted by the board, on the assumption that payroll will increase by 2.75% annually. The assumptions recommended by the actuary and adopted by the board are reasonably related to the experience under the system and to reasonable expectations of anticipated experience under the system.

*Board of Trustees
November 14, 2025
Page 2*

We have prepared the trend information shown in the Schedule of Funding Progress in the Financial Section of the Annual Comprehensive Financial Report (ACFR) and Schedule A, Schedule B, Schedule C, Solvency Test and Analysis of Financial Experience shown in the Actuarial Section of the ACFR. We have also included a sensitivity analysis that is required under Actuarial Standards of Practice Statement No. 51 (ASOP 51) and the Low Default Risk Obligation Measure that is required under ASOP 4.

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 retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the system.

In order to prepare the results in the 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.

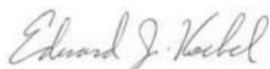
Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases 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 actuarial accrued liabilities and funded ratios are not fair values but less volatile market related values. A smoothing technique is applied to fair values to determine the market-related values. The unfunded actuarial accrued liability amounts and funded ratios using the fair 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.

For fiscal years ending 2007 through 2018, the system was not funded on an actuarially sound basis as the full actuarially determined employer contributions were not made by the State. However, since that time, the State has appropriated enough to satisfy the actuarially determined employer contributions. Also, it is our understanding that the state budget includes an additional appropriation to the pension plan equal to the ADEC for the 2026 fiscal year.

If contributions by the employer to the system in subsequent fiscal years are less than those required, the assets are expected to become insufficient to pay promised benefits. However, assuming that contributions to the system are made by the employer and state from year to year in the future at rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the assets to provide the benefits called for under the system may be safely anticipated.

Respectfully submitted,



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



Alisa Bennett, FSA, EA, FCA, MAAA
President



Micki R. Taylor, ASA, EA, FCA, MAAA
Consulting Actuary

Section I — Summary of Principal Results

- For convenience of reference, the principal results of the aggregate valuation (TRS 1, TRS 2, TRS 3 and TRS 4) and a comparison with the results of the previous valuation are summarized below.

Valuation Date	(Dollars in thousands)	
	June 30, 2025	June 30, 2024
Number of active members	77,024	76,014
Annual salaries	\$ 4,473,010	\$ 4,308,468
Number of annuitants and beneficiaries	61,222	60,358
Annual allowances	\$ 2,576,168	\$ 2,497,828
Assets		
Fair value	\$ 28,394,725	\$ 26,108,136
Actuarial value	27,377,076	25,728,190
Actuarial accrued liability	\$ 44,875,530	\$ 43,545,752
Unfunded actuarial accrued liability (UAAL)	\$ 17,498,454	\$ 17,817,562
Funded ratio	61.0 %	59.1 %
Amortization period (years)	18.9	\$ 19.9

- KRS 161.633 requires that the actuary assess the funding levels, unfunded liabilities, and the actuarially required employer contributions rates payable solely on behalf of individuals who first become members on or after Jan. 1, 2022. The following table shows the results of the valuation as of June 30, 2025, for TRS 4 members:

Group	University		Non-University	
Number of active members	489		16,141	
Annual salaries	\$25,249		\$447,857	
	<u>Foundational</u>	<u>Supplemental</u>	<u>Foundational</u>	<u>Supplemental</u>
Actuarial value of assets	\$ 5,456	\$ 2,040	\$ 146,093	\$ 34,213
Actuarial accrued liability	\$ 3,985	\$ 1,197	\$ 115,746	\$ 19,431
Unfunded actuarial accrued liability	\$ (1,471)	\$ (843)	\$ (30,347)	\$ (14,782)
Funded ratio	136.9 %	170.4 %	126.2 %	174.1 %

- Contribution rates are shown separately for university and non-university members, as well as by member group (TRS 1 through TRS 4) on the following pages.

Contribution Rates for University Members — Other Than TRS 4

Valuation Date	June 30, 2025		June 30, 2024	
For year ending	June 30, 2028		June 30, 2027	
	TRS 1 & TRS 2	TRS 3	TRS 1 & TRS 2	TRS 3
Retirement Annuity Trust:				
Normal*	11.870 %	11.870 %	11.980 %	11.980 %
Actuarial accrued liability	34.030	34.030	31.980	31.980
Total**	45.900 %	45.900 %	43.960 %	43.960 %
Member	7.625 %	7.625 %	7.625 %	7.625 %
State (ARC)	38.275	38.275	36.335	36.335
Total**	45.900 %	45.900 %	43.960 %	43.960 %
Life Insurance Trust:				
State	0.080 %	0.080 %	0.080 %	0.080 %
Health Insurance Trust:				
Member	2.775 %	2.775 %	2.775 %	2.775 %
State match	2.775	2.775	2.775	2.775
Total	5.550 %	5.550 %	5.550 %	5.550 %
Total contributions	51.530 %	51.530 %	49.590 %	49.590 %
Member fixed	10.400 %	10.400 %	10.400 %	10.400 %
State fixed	13.650	13.650	13.650	13.650
Required increase	27.480	27.480	25.540	25.540
Total	51.530 %	51.530 %	49.590 %	49.590 %

* Includes a load for administrative expenses.

** Total contribution rates for year ending June 30, 2027, and June 30, 2028, shown above apply a five-year contribution direct rate smoothing methodology. Fiscal year ending June 30, 2028 is the last year for this smoothing methodology. See Schedule H for anticipated contribution rate increases.

Contribution Rates for University Members — TRS 4

Valuation Date	June 30, 2025		June 30, 2024	
For year ending	June 30, 2028		June 30, 2027	
	Foundational	Supplemental	Foundational	Supplemental
Retirement Annuity Trust:				
Normal*	7.460 %	2.190 %	7.170 %	2.190 %
Actuarial accrued liability	3.235	1.810	3.525	1.810
Total	10.695 %	4.000 %	10.695 %	4.000 %
Member	5.000 %	2.000 %	5.000 %	2.000 %
Employer	5.695	2.000	5.695	2.000
Total	10.695 %	4.000 %	10.695 %	4.000 %
Life Insurance Trust:				
Employer	0.080 %	— %	0.080 %	— %
Health Insurance Trust:				
Member	2.775 %	— %	2.775 %	— %
Employer	2.000	—	2.000	—
Total	4.775 %	— %	4.775 %	— %
Total contributions	15.550 %	4.000 %	15.550 %	4.000 %
Member fixed	7.775 %	2.000 %	7.775 %	2.000 %
Employer Fixed	7.775	2.000	7.775	2.000
Total	15.550 %	4.000 %	15.550 %	4.000 %

* Includes a load for administrative expenses.

Contribution Rates for Non-University Members — Other Than TRS 4

Valuation Date	June 30, 2025		June 30, 2024	
For year ending	June 30, 2028		June 30, 2027	
	TRS 1 & TRS 2	TRS 3	TRS 1 & TRS 2	TRS 3
Retirement Annuity Trust:				
Normal*	16.030 %	16.030 %	16.080 %	16.080 %
Actuarial accrued liability	32.830	33.830	30.840	31.840
Total**	48.860 %	49.860 %	46.920 %	47.920 %
Member	9.105 %	9.105 %	9.105 %	9.105 %
State (ARC)	39.755	40.755	37.815	38.815
Total**	48.860 %	49.860 %	46.920 %	47.920 %
Life Insurance Trust:				
State	0.080 %	0.080 %	0.080 %	0.080 %
Health Insurance Trust:				
Member	3.750 %	3.750 %	3.750 %	3.750 %
State match	3.750	3.750	3.750	3.750
Total	7.500 %	7.500 %	7.500 %	7.500 %
Total Contributions	56.440 %	57.440 %	54.500 %	55.500 %
Member fixed	12.855 %	12.855 %	12.855 %	12.855 %
State fixed	16.105	17.105	16.105	17.105
Required increase	27.480	27.480	25.540	25.540
Total	56.440 %	57.440 %	54.500 %	55.500 %

* Includes a load for administrative expenses.

** Total contribution rates for year ending June 30, 2027, and June 30, 2028, shown above apply a five-year contribution direct rate smoothing methodology. Fiscal year ending June 30, 2028 is the last year for this smoothing methodology. See Schedule H for anticipated contribution rate increases.

Contribution Rates for Non-University TRS 4 Members

Valuation Date For year ending	June 30, 2025 June 30, 2028		June 30, 2024 June 30, 2027	
	Foundational	Supplemental	Foundational	Supplemental
Retirement Annuity Trust:				
Normal*	12.400 %	2.110 %	11.760 %	2.120 %
Actuarial accrued liability	4.520	1.890	5.160	1.880
Total	16.920 %	4.000 %	16.920 %	4.000 %
Member	9.000 %	2.000 %	9.000 %	2.000 %
Employer	7.920	2.000	7.920	2.000
Total	16.920 %	4.000 %	16.920 %	4.000 %
Life Insurance Trust:				
Employer	0.080 %	— %	0.080 %	— %
Health Insurance Trust:				
Member	3.750 %	— %	3.750 %	— %
Employer	3.750	—	3.750	—
Total	7.500 %	— %	7.500 %	— %
Total Contributions	24.500 %	4.000 %	24.500 %	4.000 %
Member fixed	12.750 %	2.000 %	12.750 %	2.000 %
Employer fixed	11.750	2.000	11.750	2.000
Total	24.500 %	4.000 %	24.500 %	4.000 %

* Includes a load for administrative expenses.

- The valuation includes only the assets and liabilities associated with the Retirement Annuity Trust. The valuation of the Health Insurance Trust and the active and retired life insurance benefits has been prepared separately.
- 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 V and VI.
- Schedule B shows the development of the actuarial value of assets. The assumed investment rate of return is 7.1%
- Schedule D of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. There have been no changes since the previous valuation. Direct rate smoothing is being used to phase in the impact of the June 30, 2021 assumption changes to the required contributions over a five-year period. The cost of the assumption changes was estimated at 8.59% of payroll beginning with the June 30, 2021 valuation, which represents an expected increase of at least 1.72% of payroll each year over a five-year period to cover the cost of the change in assumptions.
- Provisions of the system, as summarized in Schedule F, were taken into account in the current valuation. There have been no changes since the previous valuation.
- The aggregate funded ratio for TRS 1 through TRS 4, 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 fair value of assets. The funded ratio is an indication of progress in funding the promised benefits. Since the ratio is less than 100% for TRS 1 through TRS 3, there is a need for additional contributions toward the payment of the unfunded actuarial accrued liability. For TRS 4, the ratio is above 100%, so there is no need for additional contributions. 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

1. Data regarding the membership of the system for use as a basis of the valuation were furnished by the retirement system office. The following table shows the number of active members and their annual salaries as of June 30, 2025, on the basis of which the valuation was prepared.

Group	Number	Annual Salaries (In thousands)
University active members		
TRS 1 and TRS 2	1,133	\$ 90,131
TRS 3	1,220	80,835
TRS 4	489	25,249
Total university active members	2,842	196,215
Non-university active members		
Full-time TRS 1 and TRS 2	24,070	1,969,797
Full-time TRS 3	28,308	1,801,772
Full-time TRS 4	8,231	399,566
Part-time TRS 1 & 2	948	8,731
Part-time TRS 3	4,715	48,638
Part-time TRS 4	7,910	48,291
Total non-university active members	74,182	4,276,795
Grand total	77,024	\$ 4,473,010

2. The following table shows the number and annual retirement allowances payable to annuitants and beneficiaries on the roll of the retirement system as of the valuation date.

**Number and Annual Retirement Allowances of
Annuitants and Beneficiaries on the Roll
as of June 30, 2025**

Group	Number	Annual Retirement Allowances* (In thousands)
Service retirements	53,533	\$ 2,346,453
Disability retirements	2,704	90,492
Beneficiaries of deceased members	4,985	139,223
Total	61,222	\$ 2,576,168

** Includes cost-of-living adjustments effective through July 1, 2025.*

3. In addition, there are 12,354 terminated vested employees entitled to benefits in the future and 55,331 inactive non-vested members.
4. Table 1 of Schedule G shows a distribution by age and years of service of the number and annual salaries of active members included in the valuation, while Table 3 shows the number and annual retirement allowances of annuitants and beneficiaries included in the valuation, distributed by age.

Section III — Assets

1. As of June 30, 2025, the fair value of Retirement Annuity Trust assets for valuation purposes held by the system amounted to \$28.4 billion. This value excludes assets in the Health Insurance Trust, the 403(b) Tax Sheltered Trust and the Life Insurance Trust, which are not included in the assets used for Retirement Annuity Trust valuation purposes. The investment return for the plan year ending June 30, 2025, on a fair value basis was 12%. Schedule C shows the receipts and disbursements for the year preceding the valuation date and a reconciliation of the asset balances for the Retirement Annuity Trust.
2. The five-year fair value of Retirement Annuity Trust assets used for valuation purposes as of June 30, 2025, was \$27.38 billion. The estimated investment return for the plan year ending June 30, 2025, on an actuarial value of assets basis was 9.6%, compared to the assumed investment rate of return for the period of 7.1%. Schedule B shows the development of the actuarial value of assets as of June 30, 2025.
3. Below is a history of actual investment rates of return for the Retirement Annuity Trust over the past five years:

Fiscal Year	Fair Value Rate of Return	Actuarial Value Rate of Return
2025	12.0%	9.6%
2024	11.9%	8.1%
2023	10.2%	6.6%
2022	(10.9)%	7.9%
2021	29.6%	12.9%

Section IV — Comments on Valuation

1. Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the system for TRS 1 through TRS 4 as of June 30, 2025. The valuation was prepared in accordance with the actuarial assumptions and the actuarial cost method, which are described in Schedule D and Schedule E.
2. The valuation balance sheet shows that the system has total prospective liabilities of \$22.72 billion for benefits expected to be paid on account of the present active members. The liability on account of benefits payable to annuitants and beneficiaries amounts to \$27.29 billion of which there are no remaining special appropriations to be made toward funding ad hoc increases and sick leave allowances granted after 1981. The liability for benefits expected to be paid to inactive members and to members entitled to deferred vested benefits is \$672 million. The total prospective liabilities of the system amounts to \$50.68 billion. Against these liabilities, the system has present assets for valuation purposes of \$27.38 billion. When this amount is deducted from the total liabilities of \$50.68 billion, there remains \$23.3 billion as the present value contributions to be made in the future.
3. The contributions to the system consist of normal contributions and actuarial accrued liability contributions. The valuation indicates that total employer normal contributions are required at the rate of 11.87% of payroll for university other than TRS 4 and 9.65% of payroll for university TRS 4 members for both foundational and supplemental plans. The valuation indicates that employer normal contributions at the rate of 16.03% of payroll for non-university members other than TRS 4 and 14.51% of payroll for non-university TRS members for both foundational and supplemental plans are required. This includes a load for administrative expenses of 0.32% of payroll.
4. Prospective normal employer and employee contributions have a present value of \$5.8 billion. When this amount is subtracted from \$23.3 billion, which is the present value of the total future contributions to be made by the employer, there remains \$17.5 billion as the amount of future unfunded actuarial accrued liability contributions.
5. The unfunded actuarial accrued liability decreased by approximately \$319.1 million for the plan year ending June 30, 2025, and the funded ratio increased from 59.1% to 61%. The decrease in the UAAL was primarily due to investment return experience which was better than expected, offset by decrement losses. See Section VII for a complete breakdown of the experience of the system.

Section V — Contributions Payable Under the System

Employee Contributions

1. KRS 161.540 provides that for TRS1, TRS 2, and TRS 3 members, each university member will contribute 10.4% of annual salary to the system and each non-university member contribute 12.855% of annual compensation. Of this amount, for each university member, 2.775% is paid to the Health Insurance Trust for medical benefits and for each non-university member, 3.75% is paid to the Health Insurance Trust for medical benefits. The remainder, 7.625% for university members and 9.105% for non-university members, is applicable for the retirement benefits taken into account in the valuation.

2. KRS 161.540 also provides that for TRS 4 members, each university member will contribute 9.775% of annual compensation to the system for both foundation and supplemental plans and each non-university member will contribute 14.75% of annual compensation for both foundational and supplemental. Of this amount, for each university member, 2.775% is paid to the Health Insurance Trust for medical benefits and for each non-university member, 3.75% is paid to the Health Insurance Trust for medical benefits. Of the remainder, 5% for university members and 9% for non-university members, is applicable to the foundational benefit component of the retirement benefits. Finally, an additional 2% is applicable to the supplemental benefit component of the retirement benefits for all TRS 4 members.

Employer Contributions

3. KRS 161.550 provides that for TRS 1, TRS 2, and TRS 3 members, each employer will contribute an amount to fund pension and life insurance benefits equal to 10.875% of the total annual compensation of university members, 12.355% of the total compensation of non-university TRS 1 and TRS 2 members, and 13.355% of the total annual compensation of non-university TRS 3 members. Additional contributions are made to the Health Insurance Trust as required under 161.550.
4. KRS 161.550 also provides that for TRS 4 members, each employer will contribute an amount to fund pension and life insurance benefits equal to 5.775% for university members and 8% for non-university members.
5. Based on the results of the current valuation, of the amounts shown above, 0.08% of payroll will be allocated to the Life Insurance Trust.
6. Based on the results of the current valuation, an additional 27.48% of payroll for both university and non-university members other than TRS 4, will be required in order to maintain the amortization of the unfunded actuarial accrued liability of the Retirement Annuity Trust based on the funding policy adopted by the board.
7. The total actuarially determined employer contribution (ADEC) rate to the Retirement Annuity Trust is 38.275% for university members other than TRS 4. The total ADEC rate to the pension plan is 39.755% for non-university TRS 1 and TRS 2 members and 40.755% for non-university TRS 3 members. The total member and employer contribution rates to the Retirement Annuity Trust for members other than TRS 4, are shown in the following tables.

Contribution Rates by Source University — Other Than TRS 4

<u>Member</u>	<u>TRS 1, TRS 2 and TRS 3 Members</u>
Fixed total	10.400 %
Fixed Health Insurance Trust	(2.775 %)
Contribution to Retirement Annuity Trust	7.625 %
<u>Employer</u>	
Fixed total	13.650 %
Fixed Health Insurance Trust	(2.775 %)
Subtotal	10.875 %
Life Insurance Trust	(0.080 %)
Additional to comply with board funding policy using Direct-Rate Smoothing of the Impact of the Assumption Changes over five years	27.480 %
Special appropriation	— %
Contribution to Retirement Annuity Trust	38.275 %
Total contribution to Retirement Annuity Trust	45.900 %

**Contribution Rates by Source
Non-University — Other Than TRS 4**

<u>Member</u>	TRS 1 and TRS 2 Members	TRS 3 Members
Fixed total	12.855 %	12.855 %
Fixed Health Insurance Trust	(3.750 %)	(3.750 %)
Contribution to Retirement Annuity Trust	9.105 %	9.105 %
<u>Employer</u>		
Fixed total	16.105 %	17.105 %
Fixed Health Insurance Trust	(3.750 %)	(3.750 %)
Subtotal	12.355 %	13.355 %
Life Insurance Trust	(0.080 %)	(0.080 %)
Additional to comply with board funding policy using Direct-Rate Smoothing of the Impact of the Assumption Changes over five years	27.480 %	27.480 %
Special appropriation		
ADEC contribution to Retirement Annuity Trust	39.755 %	40.755 %
Total contribution to Retirement Annuity Trust	48.860 %	49.860 %

8. The valuation indicates that normal contributions at the rate of 11.87% of active university members' salaries and 16.03% of active non-university members' salaries are required for members other than TRS 4. In addition, the valuation indicates that normal contributions at the rate of 9.65% of active university members' salaries and 14.51% of active non-university members' salaries are required for TRS 4 members. The difference between the total contribution rate and the normal rate remains to be applied toward the liquidation of the unfunded actuarial accrued liability. This actuarial accrued liability rate, based on the assumptions set forth in the board's funding policy and including the impact of direct-rate smoothing of contributions, is 34.03% for university members other than TRS 4, 32.83% for non-university TRS 1 and TRS 2 members, and 33.83% for non-university TRS 3 members. The actuarial accrued liability rate for TRS 4 members is 5.045% for university members and 6.41% for non-university members. These rates are shown in the following table.

Combined Member and Employer Contribution Rates — Members Other Than TRS 4

Rate	Percentage of Active Members' Salaries		
	University	Non-University	
	TRS 1, TRS 2 and TRS 3 Members	TRS 1 and TRS 2 Members	TRS 3 Members
Total normal cost*	11.87 %	16.03 %	16.03 %
Actuarial accrued liability	34.03	32.83	33.83
Total**	45.90 %	48.86 %	49.86 %

* Includes a load for administrative expenses.

** Total contribution rates shown above apply a five-year contribution direct rate smoothing methodology. Fiscal year ending June 30, 2028 is the last year for this smoothing methodology. Please see the projections in Schedule H of the report for anticipated increases to the total contribution rates.

Fixed Contribution Rates — TRS 4 Members

Rate	Percentage of Active Members' Salaries			
	University		Non-University	
	Foundational	Supplemental	Foundational	Supplemental
Total normal cost*	7.460 %	2.19 %	12.40 %	2.11 %
Actuarial accrued liability	3.235	1.81	4.52	1.89
Total	10.695 %	4.00 %	16.92 %	4.00 %

* Includes a load for administrative expenses.

9. The following table shows the components of the total Unfunded Actuarial Accrued Liability (UAAL) and the derivation of the UAAL contribution rate in accordance with the funding policy.

Total UAAL and UAAL Contribution Payment
(Dollars in thousands)

	UAAL		Amortization	
	Original	Current	Years Remaining	Payment
Legacy	\$ 14,010,205	\$ 15,190,569	19	\$ 1,179,653
New incremental June 30, 2015	(351,610)	(288,576)	10	(35,993)
New incremental June 30, 2016*	340,766	291,135	11	33,652
New incremental June 30, 2017	(428,468)	(379,077)	12	(40,941)
New incremental June 30, 2018	(192,240)	(174,924)	13	(17,772)
New incremental June 30, 2019	53,306	49,597	14	4,768
New incremental June 30, 2020	112,464	106,461	15	9,732
New incremental June 30, 2021*	2,042,379	1,958,531	16	170,990
New incremental June 30, 2022	(79,030)	(76,939)	17	(6,439)
New incremental June 30, 2023	605,417	596,386	18	48,009
New incremental June 30, 2024	433,041	430,366	19	33,421
New incremental June 30, 2025	\$ (205,075)	\$ (205,075)	20	\$ (15,403)
Total UAAL		\$ 17,498,454		\$ 1,363,677 **

Blended amortization period (years) 18.9

* Includes assumption changes

** The UAAL payment provided above is the total payment before any consideration of the direct rate smoothing technique per the board's funding policy.

Section VI — Comments on Level of Funding

- Our calculations indicate that the contribution rates shown in the previous section will be sufficient to cover the benefits of the system and the annual 1.5% increases in the allowances of retired members and beneficiaries.
- The valuation indicates that the present fixed contribution rates if continued at the current level percentage, along with an additional required contribution for members other than TRS 4 members, are sufficient to meet the cost of benefits currently accruing and provide for the amortization of the unfunded actuarial accrued liability in accordance with the board funding policy and the direct rate smoothing methodology of phasing in the additional required contribution.
- The ADEC is determined based on the board's funding policy, and the amortization and direct rate smoothing methodologies. Each year, we determine the required increase percentage needed, in addition to the present fixed contribution rates to fund the ADEC over the closed amortization period. The table below provides a historical view of the special appropriations and required increase as a percentage of payroll.

Valuation Date	Year	Special Appropriations Rate	Cumulative Required Increase Rate	Cumulative Total State Additional Contribution Rate	Cumulative Total State Required Contribution Amounts
June 30, 2005	June 30, 2008	4.17 %	1.32 %	5.49 % \$	162,062,900
June 30, 2006	June 30, 2009	4.25	1.88	6.13	197,267,800
June 30, 2007	June 30, 2010	4.28	2.46	6.74	225,574,200
June 30, 2008	June 30, 2011	4.15	3.59	7.74	261,860,000
June 30, 2009	June 30, 2012	3.88	5.81	9.69	347,988,000
June 30, 2010	June 30, 2013	3.69	7.27	10.96	393,444,000
June 30, 2011	June 30, 2014	3.50	8.02	11.52	430,090,000
June 30, 2012	June 30, 2015	3.00	10.42	13.42	497,648,000
June 30, 2013	June 30, 2016	2.90	12.97	15.87	596,397,000
June 30, 2014	June 30, 2017	2.70	13.80	16.50	622,184,000
June 30, 2015	June 30, 2018	2.94	13.49	16.43	624,660,000
June 30, 2016	June 30, 2019	2.83	14.61	17.44	660,830,000
June 30, 2017	June 30, 2020	3.00	14.10	17.10	652,775,000
June 30, 2018	June 30, 2021	2.89	14.27	17.16	662,701,000
June 30, 2019	June 30, 2022	3.05	14.82	17.87	698,411,000
June 30, 2020	June 30, 2023	2.61	15.78	17.39	733,520,000
June 30, 2021	June 30, 2024	2.38	16.18	18.56	741,547,000
June 30, 2022	June 30, 2025	—	18.92	18.92	805,690,000
June 30, 2023	June 30, 2026	—	22.56	22.56	948,616,000
June 30, 2024	June 30, 2027	—	25.54	25.54	1,076,889,000
June 30, 2025	June 30, 2028	—	27.48	27.48	1,160,459,000

4. The amounts above are calculated by the actuary as the minimum additional dollar amount to be contributed by the state in order to comply with the board's funding policy and include the impact of direct-smoothing of the cost of assumption changes over five years beginning with the 2021 valuation. For the years shaded in light and dark gray, the state required contribution amounts were made or are expected to be made in full.
5. As can be seen from the table, the total state additional contribution rate increase is 1.94% of payroll from FY27 to FY28. This increase is based on:
 - an expected increase of 1.72% of payroll for the direct rate smoothing technique of phasing in contribution requirements due to the 2021 assumption changes,
 - an increase of 0.22% of payroll due to the overall experience of the system for the year ending June 30, 2025.
6. Effective Sept. 21, 2020, the amount to be provided by the state shall not be less than the prior year's dollar amount until the plan (TRS 1 through TRS 3) reaches a funded ratio of 100%. Any further benefit improvements or return to work changes must be accompanied by the entire additional contributions necessary to support the benefits.

Section VII — Analysis of Financial Experience

The following table shows the estimated gain or loss from various factors that resulted in an increase of \$319.1 million in the unfunded actuarial accrued liability from \$17.82 billion to \$17.5 billion during the year ending June 30, 2025. The decrease in the unfunded actuarial accrued liability was primarily due to an investment return on an actuarial value basis that was greater than expected (9.6% vs. 7.1%), gains due to turnover and retirements, and gains due to mortality (more deaths than expected). These gains were partially offset by salary increases that were more than expected and the contribution deficiency as a result of the phase-in of contributions for the fiscal year ending June 20, 2025.

Analysis of Financial Experience
(In thousands)

Item	Amount of Increase/ (Decrease)
Interest (7.1%) added to previous unfunded accrued liability	\$ 1,265,047
Expected actuarially accrued liability contribution	(1,176,447)
Experience:	
Valuation asset growth	(619,909)
Pensioners' mortality	(10,613)
Turnover and retirements	(164,038)
New entrants	54,748
Salary increases	332,103
Total	<u>\$ (319,109)</u>

Section VIII — Accounting Information

The information required under Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 is issued in separate reports. The following information is provided for informational purposes only.

- The following is a distribution of the number of employees by type of membership.

**Number of Active and Retired Members
as of June 30, 2025**

Group	Number
Retirees and beneficiaries currently receiving benefits	61,222
Terminated vested employees entitled to benefits but not yet receiving benefits	12,354
Inactive non-vested members	55,331
Active plan members	77,024
Total	<u>205,931</u>

- The schedule of funding progress is shown below.

Schedule of Funding Progress
(Dollars in thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2016	\$ 17,496,894	\$ 32,028,227	\$ 14,531,333	54.6 %	\$ 3,537,226	410.8 %
2017*	18,514,638	32,819,887	14,305,249	56.4	3,563,584	401.4
2018	19,496,056	33,795,671	14,299,615	57.7	3,605,116	396.6
2019*	20,154,161	34,676,713	14,522,552	58.1	3,648,428	398.0
2020	20,796,494	35,582,250	14,785,756	58.4	3,723,482	397.1
2021	22,624,398	39,581,704	16,957,306	57.2	3,784,400	448.1
2022*	24,090,355	40,970,441	16,880,086	58.8	4,033,509	418.5
2023	24,725,018	42,179,888	17,454,870	58.6	4,138,909	421.7
2024	25,728,190	43,545,752	17,817,562	59.1	4,308,468	413.5
2025	27,377,076	44,875,530	17,498,454	61.0	4,473,010	391.2

* Reflects change in assumptions and methods.

3. The information presented above was determined as part of the actuarial valuation at June 30, 2025. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2025
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Remaining amortization period	18.9 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.1%
Projected salary increases**	3% - 7.5%
Cost-of-living adjustments	1.5% annually

* Includes price inflation at 2.5%

** Includes wage inflation at 2.75%

Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Employer Contributions	Actual Employer Contributions	Percentage Contributed
2016	\$ 999,270,174	\$ 565,454,590	57
2017	1,076,617,093	1,060,719,993	99
2018	1,080,892,201	1,048,671,201	97
2019	1,123,034,823	1,123,034,823	100
2020	1,134,281,095	1,134,281,095	100
2021	1,146,977,669	1,146,977,669	100
2022	1,200,342,369	1,679,584,669	140
2023	1,144,448,806	1,144,448,806	100
2024	1,178,681,973	1,178,681,973	100
2025	1,355,135,710	1,395,135,710	103

Section IX — Risk Assessment

Actuarial Standards of Practice (ASOP) No. 51, issued by the Actuarial Standards Board, provides guidance on assessing and disclosing risks related to pension plan funding. This guidance is binding on all credentialed actuaries practicing in the United States. This standard was issued as final in September 2017 with application to measurement dates on or after Nov. 1, 2018.

The term “risk” frequently has a negative connotation, but from an actuarial perspective, it may be thought of as simply the fact that what actually happens in the real world will not always match what was expected, based on actuarial assumptions. Of course, when actual experience is better than expected, the favorable risk is easily absorbed. The risk of unfavorable experience will likely be unpleasant, and so there is an understandable focus on aspects of risk that are negative.

Risk usually can be reduced or eliminated at some cost. Consumers, for example, buy auto and home insurance to reduce the risk associated with accidents or catastrophes. Another way to express this concept, however, is that there is generally some reward for assuming risk. Thus, retirement plans invest not just in U.S. Treasury bonds which have almost no risk, but also in equity, which is considerably riskier — because those investments have an expected reward of a higher return that justifies the risk.

Under ASOP 51, the actuary is called on to identify the significant risks to the pension plan and provide information to help those sponsoring and administering the plan understand the implications of these risks. In this section, we identify some of the key risks for the Plan and provide information to help interested parties better understand these risks.

Sensitivity Analysis

The valuation results are a projection of expected benefit payments based on the actuarial assumptions. Actual experience will differ from these assumptions, either increasing or decreasing liabilities and valuation results. The charts on the following pages provide a simple analysis on how the costs are sensitive to changes in the assumed discount rate, the assumed price inflation rate and the rate of wage inflation. The charts show the actuarial accrued liability, the unfunded actuarial accrued liability, the funded ratio and the employer contribution rate under each of the following scenarios:

- **Table 1** — The discount rate assumption sensitivity analysis shows the valuation results with the baseline discount rate assumption, 7.1%, together with an increase and a decrease of 1% in the discount rate. Under this scenario, the underlying price inflation rate assumption is held constant at 2.5% and the wage inflation assumption is held constant at 2.75%.
- **Table 2** — The price inflation assumption sensitivity analysis shows the valuation results with the baseline underlying price inflation rate assumption, 2.5%, together with decreases in the price inflation rate to 2.25% and 2%. Under this scenario, the decrease in the underlying price inflation rate assumption leads to corresponding decreases in the discount rate (6.85% and 6.6%, respectively), the wage inflation assumption (2.5% and 2.25%, respectively), and the assumed rates of salary increase for active members.
- **Table 3** — 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%. 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 actuarial accrued liability, leading to higher employer contribution rates.

Table 1
Assumed Discount Rate Sensitivity Analysis
as of June 30, 2025
(Dollars in thousands)

	Decrease Discount Rate	Valuation Results	Increase Discount Rate
Actuarial accrued liability	\$ 50,302,937	\$ 44,875,530	\$ 40,365,611
Actuarial value of assets	27,377,076	27,377,076	27,377,076
Unfunded actuarial accrued liability	\$ 22,925,861	\$ 17,498,454	\$ 12,988,535
Funded ratio	54.4 %	61.0 %	67.8 %
Employer ADEC — university	49.695 %	38.275 %	28.315 %
Employer ADEC — non-university*	52.175 %	40.755 %	30.795 %
Discount rate	6.1 %	7.1 %	8.1 %
Wage inflation rate	2.75 %	2.75 %	2.75 %
Price inflation rate	2.5 %	2.5 %	2.5 %

* Less 1% for TRS 1 and TRS 2 members. The ADEC rates do not include the impact of direct-rate smoothing.

Table 2
Price Inflation Assumption Sensitivity Analysis
As of June 30, 2025
(Dollars in thousands)

	Valuation Results	Decrease Inflation Rate 0.25%	Decrease Inflation Rate 0.50%
Actuarial accrued liability	\$ 44,875,530	\$ 45,982,235	\$ 47,138,576
Actuarial value of assets	27,377,076	27,377,076	27,377,076
Unfunded actuarial accrued liability	\$ 17,498,454	\$ 18,605,159	\$ 19,761,500
Funded ratio	61.0 %	59.5 %	58.1 %
Employer ADEC — university	38.275 %	40.945 %	43.755 %
Employer ADEC — non-university*	40.755 %	43.425 %	46.235 %
Discount rate	7.10 %	6.85 %	6.60 %
Wage inflation rate	2.75 %	2.50 %	2.25 %
Price inflation rate	2.5 %	2.25 %	2.0 %

* Less 1% for TRS 1 and TRS 2 members. The ADEC rates do not include the impact of direct-rate smoothing.

Table 3
Wage Inflation Assumption Sensitivity Analysis
As of June 30, 2025
(Dollars in thousands)

	Valuation Results	Decrease Wage Inflation to 1.25%	No Wage Inflation
Actuarial accrued liability	\$ 44,875,530	\$ 44,875,530	\$ 44,875,530
Actuarial value of assets	27,377,076	27,377,076	27,377,076
Unfunded actuarial accrued liability	\$ 17,498,454	\$ 17,498,454	\$ 17,498,454
Funded ratio	61.0 %	61.0 %	61.0 %
Employer ADEC — university	38.275 %	42.825 %	46.925 %
Employer ADEC — non-university*	40.755 %	45.305 %	49.405 %
Discount rate	7.1 %	7.1 %	7.1 %
Wage inflation rate	2.75 %	1.25 %	0.0 %
Price inflation rate	2.5 %	2.5 %	2.5 %

* Less 1% for TRS 1 and TRS 2 members. The ADEC rates do not include the impact of direct-rate smoothing.

Low-Default-Risk Obligation Measure

Under the revised Actuarial Standards of Practice (ASOP) No.4 effective for valuations after Feb. 15, 2023, we are required to include a low-default-risk obligation measure of the system's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or health of the plan. This measure uses the unit credit cost method and reflects all the assumptions and provisions of the funding valuation (including the assumed COLA paid), except that the discount rate is derived from considering low-default risk fixed income securities. We considered the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of June 30, 2025 and with the 30-year spot rate used for all the durations beyond 30 because this provides an appropriate set of discount rates for this intended purpose.

Using these assumptions, we calculate a liability of approximately \$48.6 billion. This amount approximates the termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. If the plan were funded with the intent of being able to be terminated at any valuation date, contribution

requirements may need to increase and would also be more volatile. This assurance of funded status and benefit security is typically more relevant for corporate plans than for governmental plans since governments rarely have the need or option to completely terminate the plan. However, this informational disclosure is required for all plans whether corporate or governmental and care should be taken to ensure the one size fits all metric is not misconstrued.

Schedule A
Valuation Balance Sheet
Showing the Present and Prospective Assets and Liabilities
As of June 30, 2025
(In thousands)

Actuarial Liabilities

(1)	Present value of prospective benefits payable on account of present active members		
	- Service retirement benefits	\$ 21,545,113	
	- Disability retirement benefits	770,753	
	- Death and survivor benefits	125,932	
	- Refunds of member contributions	275,696	
	Total	\$ 22,717,494	
(2)	Present value of prospective benefits payable on account of present retired and disabled members, and beneficiaries of deceased members		
	- Service retirement benefits	\$ 25,187,776	
	- Disability retirement benefits	989,273	
	- Death and survivor benefits	1,113,529	
	Total	\$ 27,290,578	
(3)	Present value of prospective benefits payable on account of inactive members and members entitled to deferred vested benefits	\$ 671,991	
(4)	Total Actuarial Liabilities	\$ 50,680,063	

Present and Prospective Assets

(5)	Actuarial value of assets	\$ 27,377,076	
(6)	Present value of total future contributions = (4)-(5)	\$ 23,302,987	
(7)	Present value of future member contributions and employer normal contributions	\$ 5,804,533	
(8)	Prospective unfunded accrued liability contributions = (6)-(7)	\$ 17,498,454	
(9)	Total Present and Prospective Assets	\$ 50,680,063	

Solvency Test for TRS 1 through TRS 4
(Dollars in millions)

Valuation Date June 30	Aggregate Actuarial Accrued Liability for				Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
2016	\$3,756.0	\$20,416.4	\$7,855.8	\$17,496.9	100 %	67 %	0 %
2017	3,849.9	21,108.0	7,862.1	18,514.6	100	69	0
2018	3,927.8	21,922.5	7,945.4	19,496.1	100	71	0
2019	4,022.4	22,601.6	8,052.7	20,154.2	100	71	0
2020	4,158.7	23,158.6	8,265.0	20,796.5	100	72	0
2021	4,282.8	25,367.6	9,931.3	22,624.4	100	72	0
2022	4,420.7	26,002.2	10,547.5	24,090.4	100	76	0
2023	4,511.0	26,788.6	10,880.3	24,725.0	100	75	0
2024	4,636.5	27,428.1	11,481.2	25,728.2	100	77	0
2025	4,819.3	27,962.6	12,093.6	27,377.1	100	81	0

Schedule B

**Development of Actuarial Value of Assets
For TRS 1 through TRS 4**

(1)	Actuarial value of assets beginning of year	\$25,728,189,539
(2)	Net position at fair value at end of year	28,394,724,584
(3)	Net position at fair value at beginning of year	26,108,136,077
(4)	Cash flow	
a.	Contributions	1,799,224,381
b.	Benefit payments	2,554,936,144
c.	Administrative expense	14,664,182
d.	Net: (4)a - (4)b - (4)c	(770,375,945)
(5)	Investment income	
a.	Fair value total: (2) - (3) - (4)d	3,056,964,452
b.	Assumed rate	7.1 %
c.	Amount for immediate recognition: [(3) x (5)b] + [(4)d x (5)b x 0.5]	1,826,329,315
d.	Amount for phased-in recognition: (5)a - (5)c	1,230,635,137
(6)	Phased-in recognition of investment income	
a.	Current year: 0.20 x (5)d	246,127,027
b.	First prior year	225,211,933
c.	Second prior year	134,580,241
d.	Third prior year	(911,655,908)
e.	Fourth prior year	898,669,898
f.	Total recognized investment gain	592,933,191
(7)	Actuarial value of assets end of year: (1) + (4)d + (5)c + (6)f	\$27,377,076,100
(8)	Difference between fair & actuarial values: (2) - (7)	\$ 1,017,648,484
(9)	Net investment rate of return on actuarial value	9.6 %

Schedule C
Summary of Receipts and Disbursements*
For TRS 1 through TRS 4 (Fair Value)

	For the Year Ending	
	June 30, 2024	June 30, 2023
Receipts for the year		
Contributions		
Members	\$ 404,088,671	\$ 385,906,512
Employers	1,395,135,710	1,178,681,973
Total	1,799,224,381	1,564,588,485
Net investment income	3,056,964,452	2,813,694,027
Total	4,856,188,833	4,378,282,512
Disbursements for the year		
Benefit payments	2,522,487,471	2,466,971,497
Refunds to members	32,448,673	32,921,776
Miscellaneous, including expenses	14,664,182	14,807,287
Total	2,569,600,326	2,514,700,560
Excess of receipts over disbursements	2,286,588,507	1,863,581,952
Reconciliation of net position		
Net position as of the beginning of the year	26,108,136,077	24,244,554,125
Excess of receipts over disbursements	2,286,588,507	1,863,581,952
Net position as of the end of the year	<u>\$ 28,394,724,584</u>	<u>\$ 26,108,136,077</u>
Net investment rate of return on fair value	12.0 %	11.9 %

* Excludes assets of the Health Insurance Trust, the 403(b) Tax-Sheltered Trust and the Life Insurance Trust.

Schedule D
Outline of Actuarial Assumptions and Methods

The assumptions and methods 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.

Investment Rate of Return: 7.1% per annum, compounded annually, including price inflation at 2.5% per annum.

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	≥17
Annual Rate %	7.5	5.5	5	5	5	4.75	4.5	4.25	4	4	4	3.75	3.5	3.5	3.25	3.25	3

Separations From Service: Representative values of the assumed annual rates of death, disability, withdrawal, service retirement and early retirement are as follows:

Males: Annual Rate of

Age	Death*	Disability	Withdrawal			Retirement	
			Service			Before 27 Years of Service	After 27 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		17.0 %
50	0.122	0.28	14.25	4.50	1.10		25.0
55	0.187	0.40	15.00	6.00	1.25	5.25 %	40.0
60	0.291	0.50	15.00	0.00	0.00	13.50	33.0
62	0.354	0.50	15.00	0.00	0.00	15.00	30.0
65	0.481	0.50	20.00	0.00	0.00	20.00	30.0
70	0.774	0.50	20.00	0.00	0.00	25.00	30.0
75	1.234	0.50	20.00	0.00	0.00	100.00	100.0

* Base rates.

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

Females: Annual Rate of

Age	Death*	Disability	Withdrawal			Retirement	
			Service			Before 27 Years of Service	After 27 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		17.0 %
50	0.062	0.38	15.00	4.50	1.25		20.0
55	0.090	0.50	15.00	5.00	1.60	5.0 %	50.0
60	0.132	0.60	17.50	0.00	0.00	15.0	40.0
62	0.158	0.62	17.50	0.00	0.00	15.0	40.0
65	0.213	0.65	25.00	0.00	0.00	25.0	40.0
70	0.372	0.65	25.00	0.00	0.00	30.0	35.0
75	0.696	0.65	25.00	0.00	0.00	100.0	100.0

* Base rates.

** Plus 10% in year when first eligible for unreduced retirement with 27 years of service.

TRS 4 Members

Age	Annual Rate 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% in the first year attaining 30 years of service; plus 25% at age 65 in the first year attaining 30 years of service

Deaths after retirement: Mortality rates were based on the Pub-2010 (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.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates	Projection Scale
Service retirees	Teachers	Male: +2	Male: 102%	75% of MP-2020
	Benefit-Weighted	Female: +2	Female: 98%	
Contingent annuitants	Teachers	Male: +2	Male: 101%	75% of MP-2020
	Benefit-Weighted	Female: None	Female: 100%	
Disability retirees	Teachers	Male: +1	Male: 96%	75% of MP-2020
	Benefit-Weighted	Female: -2	Female: 94%	
Actives	Teachers	Male: +1	Male: 100%	75% of MP-2020
	Benefit-Weighted	Female: -2	Female: 98%	

Representative values of the assumed annual rates of death after service retirement, disability retirement, and survivors of deceased members are shown in this table.

Annual Base Rates of Death For

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

Assets — Five-year market related actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the fair value of assets and the expected actuarial value of assets, based on the ultimate assumed valuation rate of return of 7.1%. The amount recognized each year is 20% of the difference between fair value and expected actuarial value.

Administrative Expense Load — 0.32% of payroll added to the normal cost rate.

Percent Married — 100%, with females three years younger than males.

Part-Timers — Assume 0.25 years of accrual service per year.

Loads — Unused sick leave: 3% of active liability at the time of retirement for members other than TRS 4.

Level Percentage of Payroll Growth Assumption — 2.75%

Schedule E

Actuarial Cost Method

1. 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, sex and compensation. 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. Future salary increases and post-retirement cost-of-living adjustments are also anticipated. 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 inactive members to obtain the present value of all expected benefits payable from the system on account of the present group of members and beneficiaries.
2. 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 actuarial accrued liability contribution.
3. Under the entry age normal cost method, the actuarial present value of each member's projected benefits is allocated on a level basis over the member's compensation between the entry age of the member the assumed exit ages. The portion of the actuarial present value allocated to the valuation year is called the normal cost. The actuarial present value of benefits allocated to prior years of service is called the actuarial liability. The unfunded actuarial liability represents the difference between the actuarial liability and the actuarial value of assets as of the valuation date. The unfunded actuarial liability is calculated each year and reflects experience gains/losses. The accrued liability contribution amortizes the balance of the unfunded actuarial accrued liability over a period of years from the valuation date.

Schedule F

Summary of Main System Provisions

The Teachers' Retirement System of the State of Kentucky began operations 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.

Definitions

Final average salary means the average of the five highest annual salaries which the member has received for service in a covered position and on which the member has made contributions or on which the public board, institution or agency has picked up the member contributions. For a member who retires after attaining age 55 with 27 years of service, final average salary means the average of the three highest annual salaries.

Benefits

Service Retirement Allowance for TRS 1 and TRS 2 Members

Condition for Allowance — Completion of 27 years of service or attainment of age 55 and five years of service.

Amount of Allowance — The annual retirement allowance for non-university members is equal to:

- 2% of final average salary multiplied by service before July 1, 1983, plus
- 2.5% of final average salary multiplied by service after July 1, 1983.
- For individuals who become members of the retirement system on or after July 1, 2002 and have less than 10 years of service at retirement, the retirement allowance is 2% of final average salary multiplied by service. If, however, they have 10 or more years, they receive a benefit percentage of 2.5% for all years of service up to 30 years.
- For members retiring on or after July 1, 2004, the retirement allowance formula is 3% of final average salary for each year of service credit earned in excess of 30 years.

The annual retirement allowance for university members is equal to 2% of final average salary multiplied by all years of service.

For all members, the annual allowance is reduced by 5% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

The minimum annual service allowance for all members is \$440 multiplied by credited service.

Service Retirement Allowance for TRS 3 Members

Condition for Allowance — Completion of 27 years of service; attainment of age 60 and five years of service; or attainment of age 55 and 10 years of service.

Amount of Allowance — The annual retirement allowance for non-university members is equal to:

- 1.7% of final average salary if service is 10 years or less.
- 2% of final average salary if service is greater than 10 years and no more than 20 years.
- 2.3% of final average salary if service is greater than 20 years but no more than 26 years.
- 2.5% of final average salary if service is greater than 26 years but no more than 30 years.
- 3% of final average salary for years of service greater than 30 years.

The annual retirement allowance for university members is equal to:

- 1.5% of final average salary if service is 10 years or less.
- 1.7% of final average salary if service is greater than 10 years and no more than 20 years.
- 1.85% of final average salary if service is greater than 20 years but less than 27 years.
- 2% of final average salary if service is greater than or equal to 27 years.

For all members, the annual allowance is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 27 years of service.

Service Retirement Allowance for TRS 4 Members

Condition for Allowance — Attainment of age 57 and 10 years of service; or attainment of age 65 and 5 years of service.

Amount of Allowance — Foundational Benefit

The annual foundational benefit for members is equal to service times a multiplier times final average salary. The multiplier for non-university members is shown in the following table:

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60		1.70 %	1.95 %	2.20 %
61		1.74 %	1.99 %	2.24 %
62		1.78 %	2.03 %	2.28 %
63		1.82 %	2.07 %	2.32 %
64		1.86 %	2.11 %	2.36 %
65 & over	1.90 %	1.90 %	2.15 %	2.40 %

The multiplier for university members is shown in the following table:

Age	Years of Service			
	5-9.99	10-19.99	20-29.99	30 or more
57-60		0.70 %	0.95 %	1.20 %
61		0.74 %	0.99 %	1.24 %
62		0.78 %	1.03 %	1.28 %
63		0.82 %	1.07 %	1.32 %
64		0.86 %	1.11 %	1.36 %
65 & over	0.90 %	0.90 %	1.15 %	1.40 %

The annual foundational benefit is reduced by 6% per year from the earlier of age 60 or the date the member would have completed 30 years of service.

Amount of Allowance — Supplemental Benefit

The annual supplemental benefit is equal to the account balance which includes member and employer contributions and interest credited annually on June 30. Options include annuitizing the balance or receiving the balance as a lump sum either at the time of retirement or at a later date.

Disability Retirement Allowance

Condition for Allowance — For members hired before Jan. 1, 2022, totally and permanently incapable of being employed as a teacher and under 27 years of service but after completing five years of service.

Amount of Allowance — The disability allowance is equal to 60% of the member's final average salary. The disability allowance is payable over an entitlement period equal to 25% of the service credited to the member at the date of disability or five years, whichever is longer. After the disability entitlement period has expired and if the member remains disabled, the member will be retired under service retirement. The service retirement allowance will be computed with service credit given for the period of disability retirement. The allowance will not be less than \$6,000 per year. The service retirement allowance will not be reduced for commencement of the allowance before age 60 or the completion of 27 years of service.

Benefits Payable on Separation from Service — Any member who ceases to be in service is entitled to receive contributions with allowable interest. A member who has completed five years of creditable service and leaves the contributions with the system may be continued in the membership of the system after separation from service, and file application for service retirement after the attainment of age 60.

Life Insurance

A separate life insurance fund has been created as of June 30, 2000, to pay benefits on behalf of deceased TRS active and retired members.

Death Benefits

A surviving spouse of an active member with less than 10 years of service may elect to receive an annual allowance of \$2,880 except that if income from other sources exceeds \$6,600 per year the annual allowance will be \$2,160.

A surviving spouse of an active member with 10 or more years of service may elect to receive an allowance which is the actuarial equivalent of the allowance the deceased member would have received upon retirement. The allowance will commence on the date the deceased member would have been eligible for service retirement and will be payable during the life of the spouse. If the deceased member is survived by unmarried children under age 18 the following schedule of annual allowances applies.

Number of Children	Annual Allowance
1	\$2,400
2	4,080
3	4,800
4 or more	5,280

The allowances are payable until a child attains age 18 or age 23 if a full-time student. If the member has no eligible survivor, a refund of his accumulated contributions is payable to his estate.

Options

In lieu of the regular Option 1, a retirement allowance payable in the form of a life annuity with refundable balance, any member before retirement may elect to receive a reduced allowance which is actuarially equivalent to the full allowance, in one of the following forms:

Option 2. A single life annuity payable during the member's lifetime with payments for 10 years certain.

Option 3. At the death of the member the allowance is continued throughout the life of the beneficiary.

Option 3(a). At the death of the beneficiary designated by the member under Option 3, the member's benefit will revert to what would have been paid had an option not been selected.

Option 4. At the death of the member one half of the allowance is continued throughout the life of the beneficiary.

Option 4(a). At the death of the beneficiary designated by the member under Option 4, the member's benefit will revert to what would have been paid had an option not been selected.

Postretirement Adjustments

The retirement allowance of each retired member and of each beneficiary shall be increased by 1.5% each July 1.

Contributions

Member Contributions — University members other than TRS 4 contribute 7.625% of salary to the retirement trust. Non-university members other than TRS 4 contribute 9.105% of salary to the retirement trust. University TRS 4 members contribute 7% of salary to the retirement trust. Non-university TRS 4 members contribute 11% of salary to the retirement trust. 2% of each is for the supplemental plan.

Schedule G

Table 1
Age — Service Table
Distribution of Active Members as of June 30, 2025
by Age and Service Groups

Attained Age	Completed Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 26	27 to 29	30 to 34	35 & Over	Number	Number
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
Total	9,212	17,983	12,991	10,468	10,044	9,276	3,187	2,603	1,070	190	77,024	4,473,010,085

Average Age: 43.8

Average Service: 11.1

Retirement Eligible: 10,277

Table 2
Schedule of Active Member Valuation Data

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

Table 3
Number of Retired Members, Beneficiaries
and their Benefits by Age

Attained Age	Number of Members	Total Annual Payments	Average Annual Benefits
49 & Under	798	\$ 9,261,213	\$ 11,606
50 - 54	1,609	70,677,886	43,927
55 - 59	4,933	240,365,280	48,726
60 - 64	6,920	310,567,842	44,880
65 - 69	9,030	383,765,811	42,499
70 - 74	12,141	524,801,495	43,226
75 - 79	13,105	546,568,664	41,707
80 - 84	7,184	290,459,208	40,431
85 - 89	3,561	134,297,616	37,713
90 - 94	1,496	51,711,182	34,566
95 & Over	445	13,691,684	30,768
Total	61,222	\$ 2,576,167,881	\$ 42,079

Average Current Age: 71.7

Average Age at Retirement for All Retirees and Beneficiaries: 56.3

Table 4
Schedule of Retirees, Beneficiaries and Survivors
Added to and Removed from Rolls

Year Ended June 30	Add to Rolls		Removed from Rolls		Rolls at End of Year		Increase In Annual Allowances	Average Annual Allowances
	Number	Annual Allowances (In millions)	Number	Annual Allowances (In millions)	Number	Annual Allowances (In millions)		
2016	2,753	\$ 128.2	1,012	\$ 26.9	51,563	\$ 1,868.9	5.7%	\$ 36,244
2017	2,638	119.8	1,235	35.2	52,966	1,953.5	4.5	36,881
2018	2,499	120.0	1,088	30.0	54,377	2,043.5	4.6	37,581
2019	2,355	113.8	1,119	32.8	55,613	2,124.5	4.0	38,201
2020	2,145	107.6	1,129	34.0	56,629	2,198.1	3.5	38,816
2021	2,137	108.3	1,301	41.1	57,465	2,265.3	3.1	39,421
2022	2,308	117.2	1,335	42.0	58,438	2,340.5	3.3	40,051
2023	2,421	125.9	1,300	42.5	59,559	2,423.9	3.6	40,697
2024	2,262	122.2	1,463	48.3	60,358	2,497.8	3.1	41,384
2025	2,341	129.9	1,477	51.5	61,222	2,576.2	3.1	42,079

30-Year Baseline 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 (30 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.

Active Employee Growth Rate — 0%

Valuation Discount Rate — 7.1%

Investment Rate of Return — 7.1% each year

Actuarial Value of Assets — five year smoothing, no corridor

Amortization Method — Level percent of payroll, closed

Amortization Bases —

Legacy amortization from 2014 valuation amortized over closed 30-year period

Subsequent bases amortized over closed 20-year period from date of valuation

Amortization Period — Weighted 18.9-year period as of valuation date

Future Contributions — Based on expected actuarially determined contributions including the impact of direct-rate smoothing of the impact of the assumption changes over a five-year period beginning with the 2021 valuation

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

Schedule H
30-Year Baseline Projection
(Dollars in millions)

Fiscal Year	Non-University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Actuarially Determined Contribution using Direct Rate Smoothing	Salary Percentage Contribution in Dollars	Additional for Unfunded Accrued Liability
2028	4,380	194	4,574	17,498	61.0	1,731	571	1,160
2029	4,440	196	4,636	17,734	61.4	1,763	579	1,184
2030	4,505	199	4,704	16,900	64.0	1,773	589	1,184
2031	4,571	203	4,774	16,046	66.5	1,783	599	1,184
2032	4,638	207	4,845	15,412	68.4	1,794	610	1,184
2033	4,708	211	4,919	14,957	69.9	1,805	621	1,184
2034	4,779	215	4,994	14,458	71.5	1,841	633	1,208
2035	4,856	220	5,076	13,912	73.0	1,883	645	1,238
2036	4,936	225	5,161	13,316	74.6	1,928	657	1,271
2037	5,021	230	5,251	12,639	76.3	1,976	670	1,306
2038	5,111	236	5,347	11,872	78.1	2,075	684	1,391
2039	5,207	243	5,450	11,003	80.0	2,089	698	1,391
2040	5,310	250	5,560	10,024	82.0	2,199	713	1,486
2041	5,419	258	5,677	8,873	84.3	2,284	728	1,556
2042	5,534	266	5,800	7,628	86.7	2,343	744	1,599
2043	5,653	275	5,928	6,182	89.3	2,391	761	1,630
2044	5,781	285	6,066	4,548	92.3	2,177	779	1,398
2045	5,915	296	6,211	2,739	95.4	2,223	797	1,426
2046	6,056	307	6,363	755	98.7	2,176	817	1,359
2047	6,202	318	6,520		100.0	837	837	
2048	6,356	330	6,686		100.0	858	858	
2049	6,517	343	6,860		100.0	880	880	
2050	6,685	356	7,041		100.0	903	903	
2051	6,867	369	7,236		100.0	927	927	
2052	7,061	382	7,443		100.0	952	952	
2053	7,264	394	7,658		100.0	979	979	
2054	7,473	407	7,880		100.0	1,007	1,007	
2055	7,688	419	8,107		100.0	1,037	1,037	
2056	7,910	431	8,341		100.0	1,067	1,067	
2057	8,141	443	8,584		100.0	1,098	1,098	

Schedule I

Sick Leave and Annual Leave by Employer (KRS 161.400)

Aggregate Costs

(Dollars in thousands)

	Sick Leave Program	Annual Leave Program
	(Only TRS 1, TRS 2, TRS 3 Members)	(Only TRS 1 and TRS 2 Members)
Number of active participants	60,394	26,151
Total payroll	\$ 3,999,904	\$ 2,068,659
Actuarial accrued liability	\$ 442,968	\$ 22,003
TRS funded ratio 2025 valuation	61 %	61 %
Unfunded actuarial accrued liability (UAAL)	\$ 172,758	\$ 8,581
Employer normal cost	\$ 14,614	\$ 933
Payment of UAAL	12,976	645
Actuarially determined contribution	\$ 27,590	\$ 1,578
Employer normal cost rate	0.37 %	0.05 %
Payment of UAAL rate	0.32 %	0.03 %
Actuarially determined contribution rate	0.69 %	0.08 %

Sick Leave and Annual Leave by Employer

Liabilities by Employer

(Dollars in thousands)

	Sick Leave Program	Annual Leave Program
	(Only TRS 1, TRS 2, TRS 3 Members)	(Only TRS 1 and TRS 2 Members)
<u>Employers that use in final average salary</u>		
Adair County Schools	\$ 1,403	\$ 70
Allen County Schools	1,496	74
Anderson County Schools	2,083	103
Ballard County Schools	677	34
Barren County Schools	3,052	152
Bath County Schools	1,175	58
Bell County Schools	1,630	81
Boone County Schools	13,583	675
Bourbon County Schools	1,277	63
Boyd County Schools	2,271	113
Boyle County Schools	1,920	95
Bracken County Schools	608	30
Breathitt County Schools	1,079	54
Breckinridge County Schools	1,500	75
Bullitt County Schools	7,324	364
Butler County Schools	1,186	59
Caldwell County Schools	990	49
Calloway County Schools	1,903	95
Campbell County Schools	2,940	146
Carlisle County Schools	424	21
Carroll County Schools	1,135	56
Carter County Schools	2,170	108
Casey County Schools	1,136	56
Christian County Schools	3,579	178
Clark County Schools	2,766	137
Clay County Schools	2,232	111
Clinton County Schools	962	48
Crittenden County Schools	625	31
Cumberland County Schools	563	28
Daviess County Schools	7,237	359
Edmonson County Schools	923	46
Elliott County Schools	512	25
Estill County Schools	1,103	55
Fayette County Public Schools	36,345	1,805
Fleming County Schools	1,159	58
Floyd County Schools	2,951	147
Franklin County Schools	3,721	185
Fulton County Schools	305	15

Gallatin County Schools	666	33
Garrard County Schools	1,204	60
Grant County Schools	1,176	58
Graves County Schools	1,976	98
Grayson County Schools	2,092	104
Green County Schools	1,124	56
Greenup County Schools	1,415	70
Hancock County Schools	1,060	53
Hardin County Schools	7,970	396
Harlan County Schools	2,108	105
Harrison County Schools	1,902	94
Hart County Schools	1,353	67
Henderson County Schools	3,661	182
Henry County Schools	986	49
Hickman County Schools	451	22
Hopkins County Schools	3,810	189
Jackson County Schools	1,302	65
Jefferson County Schools	82,169	4,078
Jessamine County Schools	4,512	224
Johnson County Schools	2,413	120
Kenton County Schools	8,109	403
Knott County Schools	1,551	77
Knox County Schools	2,442	121
LaRue County Schools	1,571	78
Laurel County Schools	4,895	243
Lawrence County Schools	1,209	60
Lee County Schools	456	23
Leslie County Schools	971	48
Letcher County Schools	1,734	86
Lewis County Schools	1,074	53
Lincoln County Schools	1,938	96
Livingston County Schools	707	35
Logan County Schools	1,642	82
Lyon County Schools	591	29
Madison County Schools	6,357	316
Magoffin County Schools	1,177	58
Marion County Schools	2,185	109
Marshall County Schools	2,982	148
Martin County Schools	931	46
Mason County Schools	1,578	78
McCracken County Schools	4,046	201
McCreary County Schools	1,454	72
McLean County Schools	840	42
Meade County Schools	2,630	131
Menifee County Schools	510	25

Mercer County Schools	1,709	85
Metcalfe County Schools	994	49
Monroe County Schools	1,252	62
Montgomery County Schools	2,112	105
Morgan County Schools	1,106	55
Muhlenberg County Schools	2,777	138
Nelson County Schools	2,093	104
Nicholas County Schools	386	19
Ohio County Schools	1,973	98
Oldham County Schools	5,361	266
Owen County Schools	825	41
Owsley County Schools	490	24
Pendleton County Schools	1,118	56
Perry County Schools	2,285	113
Pike County Schools	4,443	221
Powell County Schools	1,078	54
Pulaski County Schools	4,227	210
Robertson County Schools	229	11
Rockcastle County Schools	1,586	79
Rowan County Schools	1,722	86
Russell County Schools	1,863	93
Scott County Schools	5,163	256
Shelby County Schools	3,473	173
Simpson County Schools	1,872	93
Spencer County Schools	1,530	76
Taylor County Schools	1,648	82
Todd County Schools	886	44
Trigg County Schools	1,137	56
Trimble County Schools	466	23
Union County Schools	1,126	56
Warren County Schools	8,488	422
Washington County Schools	1,163	58
Wayne County Schools	1,634	81
Webster County Schools	1,098	55
Whitley County Schools	2,851	142
Wolfe County Schools	1,048	52
Woodford County Schools	2,026	101
Anchorage City Schools	583	29
Ashland City Schools	1,947	97
Augusta Independent Schools	239	12
Barbourville City Schools	462	23
Bardstown City Schools	2,063	102

Beechwood Independent Schools	811	40
Bellevue City Schools	367	18
Berea City Schools	778	39
Bowling Green City Schools	2,794	139
Burgin City Schools	352	17
Campbellsville City Schools	719	36
Caverna City Schools	426	21
Cloverport City Schools	857	43
Corbin City Schools	1,987	99
Covington City Schools	2,023	100
Danville City Schools	1,311	65
Dawson Springs City Schools	337	17
Dayton City Schools	557	28
East Bernstadt City Schools	342	17
Elizabethtown City Schools	1,418	70
Eminence Independent Schools	407	20
Erlanger-Elsmere City Schools	1,623	81
Fairview Independent Schools	380	19
Fort Thomas Independent Schools	2,079	103
Frankfort City Schools	556	28
Fulton City Schools	93	5
Glasgow City Schools	1,426	71
Harlan City Schools	465	23
Hazard Independent Schools	538	27
Jackson City Schools	265	13
Jenkins City Schools	311	15
Ludlow City Schools	637	32
Mayfield City Schools	1,022	51
Middlesboro City Schools	879	44
Murray City Schools	1,266	63
Newport City Schools	1,219	61
Owensboro City Schools	3,568	177
Paducah City Schools	2,122	105
Paintsville City Schools	511	25
Paris City Schools	335	17
Pikeville City Schools	937	47
Pineville City Schools	286	14
Raceland City Schools	719	36
Russell Independent Schools	1,346	67
Russellville City Schools	405	20
Science Hill City Schools	306	15
Somerset City Schools	1,036	51

ACTUARIAL SECTION

Southgate City Schools	168	8
Walton-Verona Independent Schools	1,055	52
Williamsburg City Schools	417	21
Williamstown City Schools	420	21
KEA	76	4
Ohio Valley Educ. Cooperative	819	41
West Kentucky Educ. Cooperative	278	14
Southeast South-Central Educ. Cooperative	249	12
Green River Regional Educ. Cooperative	727	36
Central Ky Educ. Cooperative	259	13
Kentucky Valley Educ. Cooperative	226	11
Kentucky Educ Development Corp.	840	42
N Ky Cooperative For Education Services	677	34
Total for final average salary	<u>\$ 421,434</u>	<u>\$ 20,932</u>

Sick Leave and Annual Leave by Employer

Liabilities by Employer

(Dollars in thousands)

	Sick Leave Program (Only TRS 1, TRS 2, TRS 3 Members)	Annual Leave Program (Only TRS 1 and TRS 2 Members)
<u>Employers that use only for service credit</u>		
Eastern Kentucky University	\$ 4,089	\$ 203
Morehead State University	2,516	125
Western Kentucky University	3,564	177
Madisonville ABO	437	22
Bowling Green ABO	584	29
Frankfort ABO	334	17
Hazard ABO	564	28
Dept For Technical Education	488	24
Dept For Vocational Rehab	1,641	82
Kentucky School For The Blind	391	19
Kentucky School For The Deaf	514	26
Education Administration	2,148	107
KCTCS Central Office	1,554	77
KCTCS Central Office	1,525	76
Teachers' Retirement System	999	50
Kentucky School Boards Association	124	6
Academic Association	4	
We Lead CS	58	3
Total for service credit	\$ 21,534	\$ 1,071
Grand total	\$ 442,968	\$ 22,003

Annual Valuation of the Health and Life Insurance Trusts





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 and OPEB liabilities related to the life insurance plan funded by the Life Insurance Trust. CavMac (CMC) 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 Dec. 31, 2021), and TRS 4 (members hired on or after Jan. 1, 2022).

The valuation indicates a total actuarially determined contribution of 2.99% as of 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 Insurance Trust and a 7.1% 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% while continuing to step down to an ultimate health care trend assumption of 4.5%, which is 2% higher than our price inflation assumption. The increase in trend is due to continuing high expectations for prescription drug costs and utilization, particularly for specialty drugs. In addition, we note that expected 2025 per member per month (PMPM) costs for 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 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 Part D 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 Plans' liability will be required.

We recommend that the life insurance plan 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 Insurance Trust. This actuarially determined contribution reflects the actuarial value of assets of the Life Insurance Trust and a 7.1% discount rate for valuing liabilities.

Board of Trustees
November 11, 2025
Page 2

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.

CMC has prepared the trend information shown in the Schedule of Funding Progress in the Financial Section of the Annual Comprehensive Financial Report (ACFR) and Section VII shown in the Actuarial Section of the ACFR.

This is to certify that the independent consulting actuaries are members of the American Academy of Actuaries and have 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 health and life insurance trusts 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 fair values, but less volatile market-related values. A smoothing technique is applied to fair values to determine the market-related values. The unfunded liability amounts and funded ratios using the fair 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 Insurance Trust to fund the benefits called for under the retiree medical plan will improve.

Respectfully submitted,



Alisa Bennett, FSA, EA, FCA, MAAA
President



Edward J. Koebel, EA, FCA, MAAA
CEO



Jessica Fain, EA, MAAA
Associate Actuary

Section I — Summary of Principal Results

- 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 (Dollars in thousands)

Valuation Date	June 30, 2025	June 30, 2024
Number of active members	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:		
Fair 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	7.1 %	7.1 %

* Spouses of post-65 retirees, and surviving spouses of deceased retirees 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.

Health Insurance Trust Contribution Rates for University Members

Valuation Date	June 30, 2025			June 30, 2024		
Contribution For 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 (ARC)	2.775	2.775	2.00	2.775	2.775	2.00
State (ARC)*	2.03	2.03	2.03	1.74	1.74	1.74
Statutorily Required Prefunding**	(4.590)	(4.590)	(3.815)	(3.750)	(3.750)	(2.975)
Total	2.99 %	2.99 %	2.99 %	3.54 %	3.54 %	3.54 %

* This represents funding by the state to pay the cost of health insurance for retirees who are not eligible for Medicare and who retired 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 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	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %
Employer (ARC)	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %	3.00 %
State (ARC)*	2.78 %	2.78 %	2.78 %	2.49 %	2.49 %	2.49 %
Statutorily Required Prefunding**	(6.54)	(6.54)	(6.54)	(5.70)	(5.70)	(5.70)
Total	2.99 %	2.99 %	2.99 %	3.54 %	3.54 %	3.54 %

* This represents funding by the state to pay the cost of health insurance for retirees who are not eligible for Medicare and who retired 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 Other Employees

Valuation Date	June 30, 2025			June 30, 2024		
Contribution for 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	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %	3.75 %
Employer (ARC)	3.75	3.75	3.75	3.75	3.75	3.75
State (ARC)*	2.03	2.03	2.03	1.74	1.74	1.74
Statutorily Required Prefunding**	(6.54)	(6.54)	(6.54)	(5.70)	(5.70)	(5.70)
Total	2.99 %	2.99 %	2.99 %	3.54 %	3.54 %	3.54 %

* This represents funding by the state to pay the cost of health insurance for retirees who are not eligible for Medicare and who retired 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).

ACTUARIAL SECTION

We recommend maintaining the Total Employer Contribution rate at 0.08% by rounding the normal contribution up to 0.03% for fiscal year 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

(Dollars in thousands)

Valuation Date	June 30, 2025	June 30, 2024
Number of active members	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:		
Fair 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	7.1%	7.1%

Life Insurance Contribution Rates

Contribution for year ending	June 30, 2028	June 30, 2027
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.

- 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.
- Schedule B shows the development of the actuarial value of assets. The assumed investment rate of return is 7.1% for Health Insurance Trust and 7.1% for Life Insurance Trust.
- Schedule D of this report outlines the full set of actuarial assumptions and methods employed in the current valuation. Since the previous 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 increased for the next few years starting at 7%, while continuing to step down to an ultimate health care trend assumption of 4.5%, which is 2% higher than our price inflation assumption. The increase in trend is due to continuing high expectations for prescription drug costs and utilization, particularly for specialty drugs.
- The impacts of the COVID-19 pandemic, the ACA and the Inflation Reduction Act were considered in this valuation. We note expected 2026 per member per month (PMPM) costs for the stand alone Medicare Part D prescription drug plan is less than expected in spite of the plan changes due to the Inflation Reduction Act, including \$2,000 out of pocket maximum, because of increased Federal reimbursements and the additional \$15 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 Part D plan design, such as the elimination of the 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 fair 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

1. 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

(Dollars in thousands)

Group	Number	Annual Salaries
University TRS 1 and TRS 2	1,133	\$ 90,131
University TRS 3	1,220	80,835
University TRS 4	489	25,249
Total University Active Members	2,842	196,215
Non-University Full Time TRS 1 and TRS 2	24,070	1,969,797
Non-University Full Time TRS 3	28,308	1,801,771
Non-University Full Time TRS 4	8,231	399,567
Non-University Part Time TRS 1 and TRS 2	948	8,731
Non-University Part Time TRS 3	4,715	48,638
Non-University Part Time TRS 4	7,910	48,291
Total Non-University Active Members	74,182	4,276,795
Total	77,024	\$ 4,473,010

2. 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

	Under Age 65	Age 65 and Over	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

Number	1,092	5,141	6,233
Average Age	59.98	75.76	72.99

3. The retiree health plan valuation includes 72,186 active members eligible for 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 health care and life insurance. However, 4,838 were ultimately excluded from the retiree health 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. They are already reflected in the active or retiree headcounts.
4. The retiree health plan valuation includes 8,512 deferred vested members eligible for 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 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 health 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. They are already reflected in the active or retiree headcounts
 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. They are already reflected in the retiree headcounts.

Section III — Assets

1. As of June 30, 2025, the fair value of Health Insurance Trust assets held by the retiree medical plan amounted to \$3.95 billion and the fair value of Life Insurance Trust assets held by the life insurance plan amounted to \$111.3 million. The estimated market investment return for the plan year was 12.27% for the Health Insurance Trust and 12.05% for the Life Insurance Trust.
2. The five-year market related value of health trust assets used for valuation purposes as of June 30, 2025, was \$3.78 billion and the five-year market related value of Life Insurance Trust assets used for valuation purposes as of June 30, 2025 was \$108.7 million. 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 Insurance Trust and the Life Insurance Trust.

Section IV — Comments on Valuation

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 \$2.39 billion 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 \$93.5 million. The liability on account of benefits payable to retirees and covered spouses amounts to \$1.78 billion. The total actuarial accrued liability of the retiree medical plan amounts to \$4.25 billion. Against these liabilities, the retiree medical plan has present assets for valuation purposes of \$3.78 billion. When this amount is deducted from the actuarial accrued liability of \$4.25 billion, there remains \$461 million 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 \$93.3 million, or 2.09% of payroll.
4. The valuation shows that the life insurance plan has an actuarial accrued liability of \$17.2 million 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 \$5.1 million. The liability on account of benefits payable to retirees amounts to \$106 million. The total actuarial accrued liability of the life insurance plan amounts to \$128.4 million. 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 \$108.7 million. When this amount is deducted from the actuarial accrued liability of \$128.4 million, there remains \$19.7 million 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 \$1.1 million, which is rounded up to 0.03% of payroll.

Section V — Derivation of Experience Gains and Losses

1. 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 (dollars in thousands).

Experience Gain/(Loss) of the:	Health Insurance Trust	Life Insurance Trust
(1) UAAL as of June 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: [(1) + (2)] x .071 - (3) x (.071)/2 for MIF [(1) + (2)] x .071 - (3) x (.071)/2 for LIF	56,790	1,568
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	\$ 780,394	\$ 21,935
(6) Change due to updated health care trend rates	49,995	—
(7) Change due to claims experience	(75,234)	—
(8) Expected UAAL after changes: (5) + (6) + (7)	\$ 755,155	\$ 21,935
(9) Actual UAAL as of June 30, 2025	460,977	19,650
(10) Total gain/(loss): (9) - (8)	(294,178)	(2,285)
(a) Contribution and investment gain/(loss)	(329,306)	(1,125)
(b) Experience gain/(loss) (10) - (10a)	35,128	(1,160)
(11) Accrued liabilities as of June 30, 2024	\$ 4,035,741	\$ 125,526
(12) Experience gain/(loss) as percent of actuarial accrued liabilities at start of year (10b) / (11)	0.9 %	(0.92 %)

Section VI — Contributions Payable Under the Plans

1. KRS 161.420 and 161.550 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 Contributions Made to Medical 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 %	2.000 %	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%

2. For the year ending June 30, 2025, member contributions will be 2.775% for university employees and 3.75% 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.
3. The state is scheduled to contribute 0.08% of salary to the Life Insurance Trust for the year ending June 30, 2027. CMC recommends maintaining this rate for the year ending June 30, 2028, to support sufficiently the benefits of the life insurance plan.

Required Contribution Rates For Year Ending June 30, 2026 Health Insurance Trust

Normal	2.01 %
Accrued liability	1.53 %
Total	3.54 %

	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
Members	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 Required Prefunding**	(4.590)	(4.590)	(3.815)	(6.540)	(6.540)	(6.540)	(6.540)	(6.540)	(6.540)
Total	2.990 %	2.990 %	2.990 %	2.990 %	2.990 %	2.990 %	2.990 %	2.990 %	2.990 %

* This represents funding by the state to pay the cost of health insurance for retirees who are not eligible for Medicare and who retired 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) and 161.550(5).

**Required Contribution Rates
Life Insurance Trust
For Year Ending June 30, 2028**

Normal	0.03 %
Accrued liability	0.05
Total	0.08 %
Member	0.00 %
State	0.08
Total	0.08 %

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 \$460.98 million for the retiree medical plan and \$19.65 million 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 an 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.

Section VII — Comments on the Level of Funding

1. Beneficiary contributions and the system's monthly contribution for retirees who opt into the retiree medical plan is 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. The full cost for non-Medicare eligible dependents is paid through payments from beneficiaries 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 fund sufficiently the retiree medical plan and to ensure the future solvency of the Health Insurance Trust. For all membership, a combined member contribution together with the 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 in
Retiree Medical Plan as of June 30, 2025**

Group	Number
Retirees currently receiving health benefits	41,033
Spouses of retirees currently receiving health benefits	6,233
Terminated employees entitled to benefits but not yet receiving benefits	8,512
Active plan members	72,186
Total	<u>127,964</u>

**Number of Active and Retired Members in
Life Insurance Plan as of June 30, 2025**

Group	Number
Retirees	54,731
Terminated employees	12,239
Active plan members	71,706
Total	<u>138,676</u>

**Schedule of Funding Progress
Health Insurance Trust
(Dollars in thousands)**

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	A	B	(B-A)	(A/B)	C	[(B-A)/C]
2016*	\$ 795,055	\$ 3,634,073	\$ 2,839,018	21.9 %	\$ 3,537,226	80.3 %
2017	985,694	3,691,719	2,706,025	26.7	3,563,584	75.9
2018	1,213,918	3,340,709	2,126,791	36.3	3,605,116	58.9
2019	1,442,522	3,133,202	1,690,680	46.0	3,648,428	46.3
2020	1,700,968	2,757,653	1,056,685	61.7	3,723,482	28.4
2021	2,072,648	3,456,677	1,384,029	60.0	3,784,400	36.6
2022	2,401,147	3,768,713	1,367,566	63.7	4,033,509	33.9
2023	2,788,970	3,909,612	1,120,642	71.3	4,138,909	27.1
2024	3,246,186	4,035,741	789,555	80.4	4,308,468	18.3
2025	3,784,696	4,245,673	460,977	89.1	4,473,010	10.3

* Reflects change in decrement and participation assumptions.

Schedule of Funding Progress
Life Insurance Trust
(Dollars in thousands)

Actuarial Valuation Date June 30	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
	A	B	(B-A)	(A/B)	C	[(B-A)/C]
2016*	\$ 97,269	\$ 106,059	\$8,790	91.7 %	\$ 3,537,226	0.25 %
2017	95,730	109,069	13,339	87.8	3,563,584	0.37
2018	93,808	112,471	18,663	83.4	3,605,116	0.52
2019	92,506	117,485	24,979	78.7	3,648,428	0.68
2020	92,229	122,194	29,965	75.5	3,723,482	0.80
2021	95,483	116,656	21,173	81.9	3,784,400	0.56
2022	96,926	119,197	22,271	81.3	4,033,509	0.55
2023	99,027	122,611	23,584	80.8	4,138,909	0.57
2024	102,760	125,526	22,766	81.9	4,308,468	0.53
2025	108,719	128,369	19,650	84.7	4,473,010	0.44

* Reflects change in decrement and participation assumptions.

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	June 30, 2025
Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed
Remaining amortization period	16 years Health Insurance Trust 20 years Life Insurance Trust
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.1% Health Insurance Trust 7.1% Life Insurance Trust
Medical trend assumption**	7.0%
Ultimate trend rate	4.5%
Year of ultimate trend rate	2036

* Includes price inflation at 2.5%.

** Alternate trend rates were used for Medicare Part B premiums and are disclosed in Schedule D.

**Schedule of Employer Contributions
Health Insurance Trust**

Year Ended June 30	Statutorily Required Contribution	Actual Employer Contribution	Percentage of Statutory Contributed
	(A)	(B)	(B) / (A)
2016	\$ 178,638,370	\$ 178,638,370	100.0 %
2017	\$ 180,375,986	\$ 180,375,986	100.0
2018	187,102,413	187,102,413	100.0
2019	183,146,155	183,146,155	100.0
2020	184,625,474	184,625,474	100.0
2021	184,887,065	184,887,065	100.0
2022	200,235,203	151,765,145	75.8
2023	208,815,818	208,815,818	100.0
2024	224,320,176	224,320,176	100.0
2025	238,078,275	238,078,275	100.0

**Schedule of Employer Contributions
Life Insurance Trust**

Year Ended June 30	Actuarially Determined Contribution (ADC)	Actual Employer Contribution	Percentage of ADC Contributed
	(A)	(B)	(B) / (A)
2016	\$ 1,057,851	\$ 1,037,769	98.1 %
2017	1,065,122	1,049,683	98.6
2018	1,075,305	1,058,329	98.4
2019	1,081,535	1,421,227	131.4
2020	1,842,977	1,796,389	97.5
2021	2,252,365	2,138,375	94.9
2022	2,736,268	2,754,863	100.7
2023	3,268,967	3,223,560	98.6
2024	3,311,127	3,356,772	101.4
2025	3,446,774	3,526,383	102.3

Schedule A
Results of the Valuation
June 30, 2025
(Dollars in thousands)

	Health Insurance Trust	Life Insurance Trust
Payroll	\$ 4,473,010	\$ 4,473,010
Actuarial Accrued Liability		
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
 Present Assets for Valuation Purposes	 \$ 3,784,696	 \$ 108,719
 Unfunded Actuarial Accrued Liability	 \$ 460,977	 \$ 19,650
 Contributions	Year Ended June 30, 2026	Year Ended June 30, 2028
Normal	2.09 %	0.03 %
Accrued liability	0.90	0.05
Total	2.99 %	0.08 %

Health Insurance Trust
Solvency Test
(Dollars in millions)

Valuation Date June 30	Accrued Liability for			Valuation Assets	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Deferred Vested, Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
2016	n/a	\$ 1,950.9	\$ 1,683.2	\$ 795.1	n/a	41 %	0 %
2017	n/a	1,985.1	1,706.6	985.7	n/a	50	0
2018	n/a	1,692.3	1,648.4	1,213.9	n/a	72	0
2019	n/a	1,604.3	1,528.9	1,442.5	n/a	90	0
2020	n/a	1,354.0	1,403.7	1,701.0	n/a	100	25
2021	n/a	1,690.3	1,766.3	2,072.6	n/a	100	22
2022	n/a	1,832.1	1,936.6	2,401.1	n/a	100	29
2023	n/a	1,836.8	2,072.8	2,789.0	n/a	100	46
2024	n/a	1,865.9	2,169.8	3,246.2	n/a	100	64
2025	n/a	1,850.3	2,395.4	3,784.7	n/a	100	81

**Life Insurance Trust
Solvency Test**
(Dollars in millions)

Valuation Date June 30	Accrued Liability for				Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions	(2) Deferred Vested, Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)
2016	n/a	\$ 89.0	\$ 17.1	\$ 97.3	n/a	100 %	49 %
2017	n/a	92.1	17.0	95.7	n/a	100	21
2018	n/a	94.2	18.3	93.8	n/a	99	0
2019	n/a	99.1	18.4	92.5	n/a	93	0
2020	n/a	103.5	18.7	92.2	n/a	89	0
2021	n/a	100.7	16.0	95.5	n/a	95	0
2022	n/a	102.8	16.4	96.9	n/a	94	0
2023	n/a	106.1	16.5	99.0	n/a	93	0
2024	n/a	108.7	16.8	102.8	n/a	95	0
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
June 30, 2025**

(1)	Actuarial value of assets beginning of year	\$3,246,185,590
(2)	Fair value of assets end of year	3,951,267,870
(3)	Fair 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.	Fair value total: (2) - (3) - (4)d	409,341,368
b.	Assumed rate	7.1 %
c.	Amount for immediate recognition: [(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	70,777,495
(7)	Actuarial value of assets end of year: (1) + (4)d + (5)c + (6)f	3,784,695,855
(8)	Difference between fair & actuarial values: (2) - (7)	\$ 166,572,015
(9)	Rate of return on actuarial value	9.36 %

**Development of the Actuarial Value of Assets
Life Insurance Trust
June 30, 2025**

(1)	Actuarial value of assets beginning of year	\$102,759,762
(2)	Fair value of assets end of year	111,331,590
(3)	Fair 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.	Fair value total: (2) - (3) - (4)d	12,104,730
b.	Assumed rate	7.1 %
c.	Amount for immediate recognition: [(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	1,163,278
(7)	Actuarial value of assets end of year: (1) + (4)d + (5)c + (6)f	108,718,680
(8)	Difference between fair & actuarial values: (2) - (7)	\$ 2,612,910
(9)	Rate of return on actuarial value	8.16 %

Schedule C

**Health Insurance Trust
Summary of Receipts and Disbursements
(Fair Value)**

	For the Year Ended	
	June 30, 2025	June 30, 2024
Receipts for the Year		
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 shared responsibility	76,829,765	70,379,396
Total employer	238,078,275	224,320,176
Total receipts	463,427,776	442,586,908
Recovery income	183,753,972	156,776,530
Net investment income	409,341,368	340,293,378
Total	1,056,523,116	939,656,816
Disbursements for the Year		
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
Excess of Receipts Over Disbursements	633,557,012	574,297,777
Reconciliation of Asset Balances		
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	<u>\$3,951,267,870</u>	<u>\$ 3,317,710,858</u>
Investment rate of return on fair value	12.27%	12.37%

Life Insurance Trust
Summary of Receipts and Disbursements
(Fair Value)

	For the Year Ended	
	June 30, 2025	June 30, 2024
Receipts for the Year		
Contributions		
Members	\$	\$
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
Total	15,631,113	13,671,857
Disbursements for the Year		
Benefit payments	5,825,052	6,106,000
Miscellaneous, including expenses	33,593	36,650
Total	5,858,645	6,142,650
Excess of Receipts Over Disbursements	9,772,468	7,529,207
Reconciliation of Asset Balances		
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	<u>\$111,331,590</u>	<u>\$101,559,122</u>
Investment rate of return on fair value	12.05 %	11.18 %

Schedule D

Statement of 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 Sept. 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 — 7.1% per annum, compounded annually for Health Insurance Trust.
7.1% per annum, compounded annually for Life Insurance Trust.

Health Care Cost Trend Rates — Following is a chart detailing trend assumptions.

Fiscal Year Ended	Annual Trend Rate	
	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.

Expected Annual Claims — For retirees ages 65 and older, per capita health care costs are adjusted to reflect expected health care 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:

Participant 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 valuation process of the retiree medical plan. As 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 GASB Statements No. 74 and 75 will be issued in separate reports.

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 per month is paid to the Department of Employee Insurance (DEI) and is not included in the under-age-65 costs listed below. For retirees ages 65 and older, the average costs shown are normalized to age 65, and then age adjusted in calculating liabilities.

Monthly Under Age 65 (KEHP) Full Costs as of Jan. 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 Cross-Reference*	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 Jan. 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 Jan. 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 Cross-Reference*	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 Jan. 1, 2025, or after.*

Time-specific adjustment plus Shared Responsibility Cost — The following charts are the Time-Specific Adjustment Costs paid by retirees in addition to the Plan Option Costs shown prior.

Time-Specific Adjustments for Retirees Employed Before July 1, 2002, as of Jan. 1, 2026

Plan	Years of Service	Single	Parent Plus	Couple	Family	Family Cross-Reference*
Living Well 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
Living Well 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
Living Well 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
Living Well 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 Jan. 1, 2025, or after.

Time-Specific Adjustments for Retirees Employed On/After July 1, 2002, as of Jan. 1, 2026

Plan	Years of Service	Single	Parent Plus	Couple	Family	Family Cross-Reference*
Living Well 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
Living Well 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
Living Well 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
Living Well 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 Jan. 1, 2025, or after.

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.

Member Participation

Years of Service	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 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.

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	5 - 10	10 - 15	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.

ACTUARIAL SECTION

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	≥17
Annual Rate %	7.5	5.5	5	5	5	4.75	4.5	4.25	4	4	4	3.75	3.5	3.5	3.25	3.25	3

Payroll Growth — 2.75% per annum, compounded annually.

Price Inflation — 2.5% 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 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 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 fair 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 fair value and expected actuarial value. The ultimate assumed valuation rate of return is assumed to be 7.1% for the Health Insurance Trust and 7.1% 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 or 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.

Separations From Service — Representative values of the assumed annual rates of salary increases, death, disability, withdrawal, service retirement and early retirement are as follows.

TRS 1, TRS 2 & TRS 3 Members

Males: Annual Rate of							
Age	Death*	Disability	Withdrawal			Retirement	
			Years of Service			Before 27 Years of Service	After 27 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		17.0 %
50	0.122	0.28	14.25	4.50	1.10		25.0
55	0.187	0.40	15.00	6.00	1.25	5.25 %	40.0
60	0.291	0.50	15.00	0.00	0.00	13.5	33.0
62	0.354	0.50	15.00	0.00	0.00	15.0	30.0
65	0.481	0.50	20.00	0.00	0.00	20.0	30.0
70	0.774	0.50	20.00	0.00	0.00	25.0	30.0
75	1.234	0.50	20.00	0.00	0.00	100.0	100.0

* Base Rates

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

TRS 1, TRS 2 & TRS 3 Members

Females: Annual Rate of							
Age	Death*	Disability	Withdrawal			Retirement	
			Years of Service			Before 27 Years of Service	After 27 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		17.0 %
50	0.062	0.38	15.00	4.50	1.25		20.0
55	0.090	0.50	15.00	5.00	1.60	5.0 %	50.0
60	0.132	0.60	17.50	0.00	0.00	15.0	40.0
62	0.158	0.62	17.50	0.00	0.00	15.0	40.0
65	0.213	0.65	25.00	0.00	0.00	25.0	40.0
70	0.372	0.65	25.00	0.00	0.00	30.0	35.0
75	0.696	0.65	25.00	0.00	0.00	100.0	100.0

* Base rates

** Plus 10% in year when first eligible for unreduced retirement with 27 years of service

TRS 4 Members

Age	Annual Rate 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	25.0
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% in the first year attaining 30 years of service; plus 25% at age 65 in the first year attaining 30 years of service

Deaths after retirement: Mortality rates were based on the Pub-2010 (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.

Mortality Assumption — All mortality rates use Pub-2010 benefit-weighted tables.

Group	Membership Table	Set Forward (+) / Set Back (-)	Adjustment to Rates	Projection Scale
Service retirees	Teachers	Male: +2	Male: 102%	75% of MP-2020
	Benefit-Weighted	Female: +2	Female: 98%	
Contingent annuitants	Teachers	Male: +2	Male: 101%	75% of MP-2020
	Benefit-Weighted	Female: None	Female: 100%	
Disability retirees	Teachers	Male: +1	Male: 96%	75% of MP-2020
	Benefit-Weighted	Female: -2	Female: 94%	
Actives	Teachers	Male: +1	Male: 100%	75% of MP-2020
	Benefit-Weighted	Female: -2	Female: 98%	

Representative values of the assumed annual rates of death after service retirement and after disability retirement are shown here.

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

Schedule E

Summary of Main Plan Provisions

The Teachers' Retirement System of the State of Kentucky was established 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 Coverage

Service Retirement —

TRS 1 and TRS 2 Members	Completion of 27 years of service, or Attainment of age 55 and 5 years of service
TRS 3 Members	Completion of 27 years of service, or Attainment of age 55 and 10 years of service Attainment of age 60 and 5 years of service
TRS 4 Members	Attainment of age 57 and 10 years of service 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 15 years of service to be eligible for retiree medical plan coverage.

Disability Retirement — Disabled TRS 1 and TRS 2 employees with at least five 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 employees hired after July 1, 2008, 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 Jan. 1, 2013, are only eligible to enroll in the MEHP. Under-age-65 members who retired prior to Jan. 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 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 employees hired prior to July 1, 2008, and who terminated with at least five years of service, retiree medical plan coverage eligibility is attained at age 60 with unreduced pension benefits. For employees hired on or after July 1, 2008, and who terminated with at least 15 years of service, retiree medical plan coverage is assumed to begin at age 60.

Reemployed Retirees — Retirees and spouses working and eligible for health insurance through an employer that participates in one of the Kentucky state retirement systems are not eligible for health insurance 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.

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
Jan. 1, 2011	115.40	$(1/3 \times 115.40)$	39.00
July 1, 2011	115.40	$(2/3 \times 115.40)$	77.00
Jan. 1, 2012	99.90	$(2/3 \times 99.90)$	66.00
July 1, 2012	99.90	99.90	99.90
Jan. 1, 2013	104.90	104.90	104.90
Jan. 1, 2014	104.90	104.90	104.90
Jan. 1, 2015	104.90	104.90	104.90
Jan. 1, 2016	121.80	121.80	121.80
Jan. 1, 2017	134.00	134.00	134.00
Jan. 1, 2018	134.00	134.00	134.00
Jan. 1, 2019	135.50	135.50	135.50
Jan. 1, 2020	144.60	144.60	144.60
Jan. 1, 2021	148.50	148.50	148.50
Jan. 1, 2022	170.10	170.10	170.10
Jan. 1, 2023	164.90	164.90	164.90
Jan. 1, 2024	174.70	174.70	174.70
Jan. 1, 2025	185.00	185.00	185.00
Jan. 1, 2026	202.90	202.90	202.90

Retiree Years of Service Percentage Contribution — Retirees contribute percentages based on years of service at retirement, which are then applied to the Retiree Contribution Rate Basis as shown on the table below.

Retiree Percentage Contribution*
TRS 1

Years of Service	Age 65 or Older and Covered Before Jan.1, 2005	Age 65 After or Covered After Dec.31, 2004	TRS 2	TRS 3 & TRS 4
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 Jan 1, 2002.

Covered Member Retiree Medical Plan — For Jan. 1, 2026, the TRS Board of Trustees approved a single contributions 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 \$202.90. 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 Under Age 65 Plan Full Costs*
Effective Jan. 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	
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 Cross-Reference**	1,247.34	1,300.24	1,244.12	1,153.50	

* 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.

Spouse Contributions — 100% of the full cost for non-Medicare eligible dependents is paid through payments from beneficiaries. 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, 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
Effective Jan. 1, 2026

Tier Elected by Surviving Spouse	Under Age 65 (KEHP)				Age 65 and Older (MEHP)
	LivingWell CDHP	LivingWell PPO	LivingWell Basic CDHP	LivingWell 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

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 & Covered Before Jan. 1, 2005	Age 65 After or Covered After Dec. 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 Jan. 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 — Effective July 1, 2000, the Teachers' Retirement System shall:

- Provide a life insurance benefit in a minimum amount of \$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 \$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
- Provide a life insurance benefit in a minimum amount of \$2,000 for its active contributing TRS 1, TRS 2, and TRS 3 members. Provide a life insurance benefit in a minimum amount of \$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 1
Age - Service Table
Distribution of Active Members as of June 30, 2025
by Age and Service Groups

Attained Age	Completed Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 26	27 to 29	30 to 34	35 & Over	Number	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
Total	9,212	17,983	12,991	10,468	10,044	9,276	3,187	2,603	1,070	190	77,024	\$4,473,010,085

Average Age: 43.8

Average Service: 11.1

Retirement Eligible: 10,277

Table 2
Schedule of Total Active Member Valuation Data

Valuation Date June 30	Number	Annual Payroll	Annual Average Pay	Percentage Increase in Average Pay
2016	71,848	\$ 3,537,226,348	\$ 49,232	1.19 %
2017	72,130	3,563,584,342	49,405	0.35
2018	72,205	3,605,115,787	49,929	1.06
2019	72,647	3,648,427,710	50,221	0.58
2020	73,151	3,723,481,576	50,901	1.35
2021	69,256	3,784,400,223	54,644	7.35
2022	74,785	4,033,509,178	53,935	(1.3)
2023	75,644	4,138,908,992	54,716	1.45
2024	76,014	4,308,468,045	56,680	3.59
2025	77,024	4,473,010,085	58,073	2.46

Table 3
Eligible Deferred Vested Members
Male and Female Demographic Breakdown
as of June 30, 2025
Health Insurance Trust

Attained Age	Number of Males	Number of Females	Total Number
Under 30	0	0	0
30-34	11	41	52
35-39	161	466	627
40-44	391	1,221	1,612
45-49	406	1,256	1,662
50-54	394	1,433	1,827
55-59	266	1,102	1,368
60 & Over	294	1,070	1,364
Total	1,923	6,589	8,512

Life Insurance Trust			
Attained Age	Number of Males	Number of Females	Total Number
Under 30	32	103	135
30-34	189	722	911
35-39	366	1,163	1,529
40-44	506	1,618	2,124
45-49	512	1,623	2,135
50-54	502	1,705	2,207
55-59	322	1,306	1,628
60 & Over	361	1,209	1,570
Total	2,790	9,449	12,239

Table 4
All Retirees and Spouses Receiving Health Care Benefits
as of June 30, 2025
Male and Female Demographic Breakdown

Attained Age	Number of Males	Number of Females	Total Number
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 and over	4	38	42
Total	14,440	32,826	47,266

Table 5
Schedule of Retirees, Beneficiaries and Survivors Added To and Removed From Rolls *
Health Insurance Trust

Year Ended June 30	Members Added	Spouses** Added	Total Added	Members Removed	Spouses** Removed	Total Removed	Members at Year End	Spouses** at Year End	Total at Year End
2016	2,045	726	2,771	1,305	674	1,979	38,815	7,181	45,996
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.

Table 6
Schedule of Retirees, Beneficiaries and Survivors Added To and Removed From Rolls *
Life Insurance Trust

(Dollars in thousands except Average Life Insurance Benefit)

Year Ended June 30	Number Added	Life Insurance Benefit	Number Removed	Life Insurance Benefit	Number at Year End	Life Insurance Benefit	Increase in Life Insurance Benefit	Average Life Insurance Benefit
2016	2,394	\$ 11,970	807	\$ 4,035	47,071	\$ 235,355	3.49 %	\$ 5,000
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.*

Sensitivity Analysis — Health Insurance Trust

The June 30, 2025, valuation results of the Health Insurance 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 inflation (trend). 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, 7.1%, together with a decrease in the discount rate to 6.1% and an increase in the discount rate to 8.1%. Under this scenario, the underlying inflation rate assumption is held constant at 2.5% 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, 2.5%, together with decreases in the inflation rate to 2.25% and 2%. 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, 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%. 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% increase in all assumed trend rates and a 1% decrease in all assumed trend rates.
- The MEHP cost sensitivity analysis shows the valuation results with the baseline costs along with the 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

Assumed Discount Rate Sensitivity Analysis
(Dollars in thousands)

	Decrease Discount Rate	Valuation Results	Increase 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 %	0.9 %	(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).

Inflation Assumption Sensitivity Analysis
(Dollars in thousands)

	Valuation Results	Decrease Inflation Rate 0.25%	Decrease Inflation Rate 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	0.9 %	1.07 %	1.26 %
Total	2.99 %	3.2 %	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).

Wage Inflation Assumption Sensitivity Analysis

(Dollars in thousands)

	Valuation Results	Decrease Payroll Growth 1.25%	No Payroll Growth
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).

Health Care Trend Assumption Sensitivity Analysis
(Dollars in thousands)

	Decrease Trend Rates 1%	Valuation Results	Increase Trend Rates 1%
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)%	0.9 %	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).

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 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 worse case scenario of \$900 per month.

Health Insurance Trust
MEHP Cost Sensitivity Analysis — Incremental Step Scenario
(Dollars in thousands)

	Baseline		
Incremental Step Scenario	0%	50%	100%
MA Rate:	\$200	\$550	\$900
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	0.9 %	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).

Sensitivity Analysis — Life Insurance Trust

The June 30, 2025, valuation results of the Life Insurance 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 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, and 7.1% together with a decrease in the discount rate to 6.1% and an increase in the discount rate to 8.1%. Under this scenario, the underlying inflation rate assumption is held constant at 2.5% 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, 2.5%, together with decreases in the inflation rate to 2.25% and 2%. 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%. 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.

Schedule H
Assumed Discount Rate Sensitivity Analysis
(Dollars in thousands)

	Decrease Discount Rate	Valuation Results	Increase 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%	0%	0%
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 %

Inflation Assumption Sensitivity Analysis
(Dollars in thousands)

	Valuation Results	Decrease Inflation Rate 0.25%	Decrease Inflation Rate 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%	0%	0%
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%.

Wage Inflation Assumption Sensitivity Analysis
(Dollars in thousands)

	Valuation Results	Decrease Payroll Growth 1.25%	No Payroll Growth
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 %	0 %	0 %
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%.

**30-Year Baseline Projection
Health Insurance Trust**

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 (30 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.

- Active Employee Growth Rate — 0%
- Valuation Discount Rate — 7.1%
- Investment Rate of Return — 7.1% each year
- Actuarial Value of Assets — Five 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. 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 Advantage premiums, or lower than expected investment return or payroll growth.

Schedule I

Health Insurance Trust

Baseline - MEHP rate = \$200 PMPM

(Dollars in thousands)

Fiscal Year	Contribution Fiscal Year	Non- University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Total Contributions
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		100.0	96,751
2028	2029	4,440,415	196,495	4,636,910		100.0	98,737
2029	2030	4,504,654	199,464	4,704,118		100.0	100,909
2030	2031	4,570,795	202,997	4,773,792		100.0	103,253
2031	2032	4,637,789	206,730	4,844,519		100.0	105,755
2032	2033	4,707,895	210,773	4,918,668		100.0	108,433
2033	2034	4,779,162	215,382	4,994,544		100.0	111,250
2034	2035	4,855,553	219,965	5,075,518		100.0	114,251
2035	2036	4,935,713	224,711	5,160,424		100.0	117,441
2036	2037	5,020,551	230,303	5,250,854		100.0	120,798
2037	2038	5,110,833	236,161	5,346,994		100.0	124,365
2038	2039	5,207,242	242,692	5,449,934		100.0	128,165
2039	2040	5,309,901	249,814	5,559,715		100.0	132,184
2040	2041	5,418,853	257,726	5,676,579		100.0	136,437
2041	2042	5,533,652	266,322	5,799,974		100.0	140,933
2042	2043	5,653,215	275,322	5,928,537		100.0	145,628
2043	2044	5,780,831	285,147	6,065,978		100.0	150,592
2044	2045	5,914,842	295,668	6,210,510		100.0	155,806

Fiscal Year	Contribution Fiscal Year	Non-University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Total Contributions
2045	2046	6,055,607	306,825	6,362,432		100.0	161,300
2046	2047	6,202,038	318,390	6,520,428		100.0	167,003
2047	2048	6,355,714	330,445	6,686,159		100.0	172,991
2048	2049	6,516,594	343,047	6,859,641		100.0	179,269
2049	2050	6,684,735	355,724	7,040,459		100.0	185,804
2050	2051	6,867,093	368,750	7,235,843		100.0	192,952
2051	2052	7,060,883	381,671	7,442,554		100.0	200,793
2052	2053	7,264,238	394,469	7,658,707		100.0	209,293
2053	2054	7,472,841	406,682	7,879,523		100.0	218,402
2054	2055	7,688,340	418,612	7,936,613		100.0	228,101

30-Year Sensitivity Projection Health Insurance Trust

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 (30 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.

- Active Employee Growth Rate — 0%
- Valuation Discount Rate — 7.1%
- Investment Rate of Return — 7.1% each year
- Actuarial Value of Assets — Five 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 — shown in table

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 Medicare Advantage premiums, or lower than expected investment return or payroll growth. In this case, the statutory contribution rates will 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 Insurance Trust

1% Increase trend risk scenario

(Dollars in thousands)

Fiscal Year	Contribution Fiscal Year	Non- University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Total Contribution Including Member Contributions
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		100.0	133,822
2030	2031	4,570,795	202,997	4,773,792		100.0	138,380
2031	2032	4,637,789	206,730	4,844,519		100.0	143,284
2032	2033	4,707,895	210,773	4,918,668		100.0	148,565
2033	2034	4,779,162	215,382	4,994,544		100.0	154,210
2034	2035	4,855,553	219,965	5,075,518		100.0	160,248
2035	2036	4,935,713	224,711	5,160,424		100.0	166,691
2036	2037	5,020,551	230,303	5,250,854		100.0	173,516
2037	2038	5,110,833	236,161	5,346,994		100.0	180,784
2038	2039	5,207,242	242,692	5,449,934		100.0	188,533
2039	2040	5,309,901	249,814	5,559,715		100.0	196,758
2040	2041	5,418,853	257,726	5,676,579		100.0	205,491
2041	2042	5,533,652	266,322	5,799,974		100.0	214,770
2042	2043	5,653,215	275,322	5,928,537		100.0	224,568
2043	2044	5,780,831	285,147	6,065,978		100.0	234,966
2044	2045	5,914,842	295,668	6,210,510		100.0	245,951
2045	2046	6,055,607	306,825	6,362,432		100.0	257,583
2046	2047	6,202,038	318,390	6,520,428		100.0	269,818
2047	2048	6,355,714	330,445	6,686,159		100.0	282,739
2048	2049	6,516,594	343,047	6,859,641		100.0	296,377
2049	2050	6,684,735	355,724	7,040,459		100.0	310,733
2050	2051	6,867,093	368,750	7,235,843		100.0	326,139
2051	2052	7,060,883	381,671	7,442,554		100.0	342,690
2052	2053	7,264,238	394,469	7,658,707		100.0	360,383
2053	2054	7,472,841	406,682	7,879,523		100.0	379,285
2054	2055	7,688,340	418,612	8,106,952		100.0	399,365

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.

Health Insurance Trust

50% risk scenario - MEHP rate = \$550 PMPM

(Dollars in thousands)

Fiscal Year	Contribution Fiscal Year	Non-University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Total Contribution Including Member Contributions
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	562,363
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		100.0	351,670
2051	2052	7,060,883	381,671	7,442,554		100.0	367,171
2052	2053	7,264,238	394,469	7,658,707		100.0	383,656
2053	2054	7,472,841	406,682	7,879,523		100.0	401,057
2054	2055	7,688,340	418,612	8,106,952		100.0	419,372

If 100% of these reimbursements were to discontinue, TRS MEHP costs could increase to as much as \$809.00. 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.

Health Insurance Trust

100% risk scenario - MEHP rate = \$900 PMPM

(Dollars in thousands)

Fiscal Year	Contribution Fiscal Year	Non- University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Total Contribution Including Member Contributions
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	97,173,329	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

**30-Year Baseline Projection
Life Insurance Trust**

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 (30 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.

- Active Employee Growth Rate — 0%
- Valuation Discount Rate — 7.1%
- Investment Rate of Return — 7.1% each year
- Actuarial Value of Assets — Five-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 of 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 Insurance Trust**

(Dollars in thousands)

Fiscal Year	Contribution Fiscal Year	Non- University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Actuarially Determined Contribution
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		100.0	1,784
2037	2040	5,110,833	236,161	5,346,994		100.0	1,827
2038	2041	5,207,242	242,692	5,449,934		100.0	1,867
2039	2042	5,309,901	249,814	5,559,715		100.0	1,904

Fiscal Year	Contribution Fiscal Year	Non- University Payroll	University Payroll	Total Payroll	Unfunded Accrued Liability	Funded Ratio	Actuarially Determined Contribution
2040	2043	5,418,853	257,726	5,676,579		100.0	1,936
2041	2044	5,533,652	266,322	5,799,974		100.0	1,968
2042	2045	5,653,215	275,322	5,928,537		100.0	1,998
2043	2046	5,780,831	285,147	6,065,978		100.0	2,026
2044	2047	5,914,842	295,668	6,210,510		100.0	2,051
2045	2048	6,055,607	306,825	6,362,432		100.0	2,073
2046	2049	6,202,038	318,390	6,520,428		100.0	2,093
2047	2050	6,355,714	330,445	6,686,159		100.0	2,112
2048	2051	6,516,594	343,047	6,859,641		100.0	2,131
2049	2052	6,684,735	355,724	7,040,459		100.0	2,149
2050	2053	6,867,093	368,750	7,235,843		100.0	2,161
2051	2054	7,060,883	381,671	7,442,554		100.0	2,167
2052	2055	7,264,238	394,469	7,658,707		100.0	2,168
2053	2056	7,472,841	406,682	7,879,523		100.0	2,166
2054	2057	7,688,340	418,612	8,106,952		100.0	2,162

Statistical Section



This section of the Teachers’ Retirement System of the State of Kentucky’s Annual Comprehensive Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures and required supplementary information regarding TRS’s overall financial health. Schedules and information are derived from TRS’s internal sources.

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Financial Trends..... 225

These schedules contain trend information to help the reader understand how TRS’s financial performance and well-being have changed over time.

Demographic and Economic Information..... 228

These schedules offer demographic and economic indicators to help the reader understand the environment within which TRS’s financial activities take place.

Operating Information 233

These schedules contain benefits, service and employer contribution data to help the reader understand how TRS’s financial report relates to TRS’s services and activities.

Retirement Annuity Trust

Past 10 Fiscal Years

Additions by Source

Year	Employer Contributions	Member Contributions	Net Investment Income (Loss)	Total Additions to Plan Net Position
2025	\$ 1,395,135,710	\$ 404,088,671	\$ 3,056,964,452	\$ 4,856,188,833
2024	1,178,681,973	385,906,512	2,813,694,027	4,378,282,512
2023	1,144,448,806	366,774,504	2,266,085,160	3,777,308,470
2022	1,679,584,669	356,966,620	(2,727,775,055)	(691,223,766)
2021	1,146,977,669	327,833,177	6,017,184,311	7,491,995,157
2020	1,134,281,095	324,664,055	1,094,023,378	2,552,968,528
2019	1,123,034,823	321,172,166	1,085,189,349	2,529,396,338
2018	1,048,671,201	319,127,087	1,953,214,031	3,321,012,319
2017	1,060,719,993	313,625,434	2,475,752,798	3,850,098,225
2016	565,454,590	313,044,226	(245,214,860)	633,283,956

Deductions by Type

Year	Service Retirees	Disability Retirees	Survivors	Total Benefits	Refunds — Separation	Refunds — Death	Administrative Expense	Total Deductions to Plan Net Position
2025	\$2,410,974,902	\$ 90,384,863	\$ 21,127,706	\$2,522,487,471	\$ 29,921,875	\$ 2,526,798	\$ 14,664,182	\$ 2,569,600,326
2024	2,355,814,939	90,003,684	21,152,874	2,466,971,497	30,323,591	2,598,185	14,807,287	2,514,700,560
2023	2,281,150,748	89,272,686	20,902,766	2,391,326,200	24,861,526	2,048,255	14,470,733	2,432,706,714
2022	2,196,122,634	88,683,021	21,047,117	2,305,852,772	23,810,213	2,934,990	12,005,095	2,344,603,070
2021	2,126,870,064	88,451,354	19,919,198	2,235,240,616	22,244,967	3,128,851	12,601,841	2,273,216,275
2020	2,059,900,271	87,666,903	19,672,067	2,167,239,241	26,822,159	1,650,058	12,166,651	2,207,878,109
2019	1,989,082,744	86,215,602	19,065,726	2,094,364,072	29,855,075	2,548,074	12,352,308	2,139,119,529
2018	1,901,237,575	84,500,330	18,879,429	2,004,617,334	29,618,564	1,453,857	11,388,493	2,047,078,248
2017	1,817,594,617	82,466,114	18,551,397	1,918,612,128	24,586,074	1,719,166	10,313,715	1,955,231,083
2016	1,735,374,416	79,808,432	18,015,782	1,833,198,630	25,320,322	2,427,420	8,636,438	1,869,582,810

Changes in Plan Net Position

Year	Total Additions to Plan Net Position	Total Deductions to Plan Net Position	Changes in Plan Net Position
2025	\$ 4,856,188,833	\$ 2,569,600,326	\$ 2,286,588,507
2024	4,378,282,512	2,514,700,560	1,863,581,952
2023	3,777,308,470	2,432,706,715	1,344,601,755
2022	(691,223,766)	2,344,603,070	(3,035,826,836)
2021	7,491,995,157	2,273,216,275	5,218,778,882
2020	2,552,968,528	2,207,878,109	345,090,419
2019	2,529,396,338	2,139,119,529	390,276,809
2018	3,321,012,319	2,047,078,248	1,273,934,071
2017	3,850,098,225	1,955,231,083	1,894,867,142
2016	633,283,956	1,869,582,810	(1,236,298,854)

Health Insurance Trust

Past 10 Fiscal Years

Additions by Source

Year	Employer Contributions	Member Contributions*	Net Investment Income (Loss)	Total Additions to Plan Net Position
2025	\$ 238,078,275	\$ 161,425,326	\$ 409,341,368	\$ 808,844,969
2024	224,320,176	155,327,151	340,293,378	719,940,705
2023	208,815,818	149,209,656	243,052,241	601,077,715
2022	151,765,145	145,681,855	(219,500,061)	77,946,939
2021	184,887,065	128,117,484	503,200,749	816,205,298
2020	184,625,474	133,588,771	32,474,949	350,689,194
2019	183,146,155	131,676,820	74,385,482	389,208,457
2018	187,102,413	130,777,471	76,840,512	394,720,396
2017	180,375,986	128,819,243	95,452,597	404,647,826
2016	178,638,370	128,068,781	(9,332,490)	297,374,661

* Amounts paid by retirees and recovery income is netted against insurance expenses beginning 2016.

Deductions by Type

	Insurance Benefit Expense				
Year	Under Age 65	Age 65 & Over	Total Insurance Benefits Expense	Administrative Expense	Total Deductions to Plan Net Position
2025	\$ 148,993,602	\$ 24,072,345	\$ 173,065,947	\$ 2,222,010	\$ 175,287,957
2024	119,207,504	24,314,428	143,521,932	2,120,996	145,642,928
2023	110,701,357	14,164,648	124,866,005	1,974,318	126,840,323
2022	106,170,919	1,030,520	107,201,439	2,074,227	109,275,666
2021	106,822,555	23,825,579	130,648,134	1,728,008	132,376,142
2020	109,708,027	36,278,725	145,986,752	2,047,238	148,033,990
2019	114,509,069	49,156,947.85	163,666,016.85	1,803,192	165,469,208.85
2018	120,519,991	40,561,709	161,081,700	1,747,561	162,829,261
2017	124,079,802	54,420,744	178,500,546	1,538,574	180,039,120
2016	127,673,325	61,196,669	188,869,994	1,686,070	190,556,064

Changes in Plan Net Position

Year	Total Additions to Plan Net Position	Total Deductions to Plan Net Position	Changes in Plan Net Position
2025	\$ 808,844,969	\$ 175,287,957	\$ 633,557,012
2024	719,940,705	145,642,928	574,297,777
2023	601,077,715	126,840,323	474,237,392
2022	77,946,939	109,275,666	(31,328,727)
2021	816,205,298	132,376,142	683,829,156
2020	350,689,194	148,033,990	202,655,204
2019	389,208,457	165,469,209	223,739,248
2018	394,720,396	162,829,261	231,891,135
2017	404,647,826	180,039,120	224,608,706
2016	297,374,661	190,556,064	106,818,597

Life Insurance Trust

Past 10 Fiscal Years

While TRS began separate reporting of its Life Insurance Trust effective Feb. 1, 2018, for investment purposes, life insurance funds always have been accounted for separately, which is the basis of the following schedules.

Additions by Source

Year	Employer Contributions	Net Investment Income (Loss)	Total Additions to Plan Net Position
2025	\$ 3,526,383	\$ 12,104,730	\$ 15,631,113
2024	3,356,772	10,315,085	13,671,857
2023	3,223,560	8,682,485	11,906,045
2022	2,754,863	(15,582,277)	(12,827,414)
2021	2,138,375	24,075,148	26,213,523
2020	1,796,389	5,166,203	6,962,592
2019	1,421,227	5,058,188	6,479,415
2018	1,058,329	1,110,421	2,168,750
2017	1,049,683	915,497	1,965,180
2016	1,037,769	4,829,336	5,867,105

Deductions by Type

Changes in Plan Net Position

Year	Life Insurance	Administrative Expense	Total Deductions to Plan Net Position	Year	Total Additions to Plan Net Position	Total Deductions to Plan Net Position	Changes in Plan Net Position
2025	\$ 5,825,052	\$ 33,593	\$ 5,858,645	2025	\$ 15,631,113	\$ 5,858,645	\$ 9,772,468
2024	6,106,000	36,650	6,142,650	2024	13,671,857	6,142,650	7,529,207
2023	6,219,000	37,633	6,256,633	2023	11,906,045	6,256,633	5,649,412
2022	6,178,000	40,999	6,218,999	2022	(12,827,414)	6,218,999	(19,046,413)
2021	6,120,000	34,498	6,154,498	2021	26,213,523	6,154,498	20,059,025
2020	5,317,000	35,980	5,352,980	2020	6,962,592	5,352,980	1,609,612
2019	5,153,000	30,392	5,183,392	2019	6,479,415	5,183,392	1,296,023
2018	5,452,920	30,979	5,483,899	2018	2,168,750	5,483,899	(3,315,149)
2017	5,151,013	27,690	5,178,703	2017	1,965,180	5,178,703	(3,213,523)
2016	4,595,489	27,195	4,622,684	2016	5,867,105	4,622,684	1,244,421

**Distribution of Active Contributing Members
as of June 30, 2025**

Age	By Age		Years of	By Service	
	Male	Female		Male	Female
20-24	988	3,958	Less than 1	2,625	8,954
25-29	1,812	6,075	1-4	4,648	14,931
30-34	1,912	6,299	5-9	3,085	9,715
35-39	2,174	7,358	10-14	2,418	7,552
40-44	2,713	8,565	15-19	2,256	7,141
45-49	2,772	8,452	20-24	2,021	6,664
50-54	2,617	7,683	25-29	1,417	4,108
55-59	1,673	5,231	30-34	303	662
60-64	1,026	3,072	35 or more	50	73
65 & over	1,136	3,107	Total	18,823	59,800
Total	18,823	59,800			

**Principal Participating Employers - All Plans
Current Year and Nine Years Ago**

Employer	2025			2016		
	Covered Employees	Rank	Percentage of System	Covered Employees	Rank	Percentage of System
Jefferson County Schools	11,311	1	14.39 %	10,288	1	13.89 %
Fayette County Schools	5,379	2	6.84	4,480	2	6.05
Boone County Schools	2,167	3	2.76	1,908	3	2.58
Warren County Schools	1,820	4	2.31	1,331	4	1.80
Hardin County Schools	1,608	5	2.05	1,308	5	1.77
Kenton County Schools	1,308	6	1.66	1,259	7	1.70
Bullitt County Schools	1,274	7	1.62	1,272	6	1.72
Oldham County Schools	1,234	8	1.57	1,198	8	1.62
Madison County Schools	1,202	9	1.53	1,088	10	1.47
Daviess County Schools	1,132	10	1.44	1,126	9	1.52
Other employers (see below)	50,188		63.83	48,798		65.89
Total (200 employers)	<u>78,623</u>		<u>100 %</u>	<u>74,056</u>		<u>100 %</u>

Other Employers

(detailed from above chart)

Type	Number of Employers	Employees
Local school districts	161	45,366
Higher education	6	2,923
State agencies	10	1,274
Educational cooperatives	8	492
Other	5	133
Total	<u>190</u>	<u>50,188</u>

TRS Schedule of Participating Employers

Local School District Employers

Adair County	Campbellsville	Floyd County	Jessamine County	Mercer County	Rowan County
Allen County	Carlisle County	Fort Thomas	Johnson County	Metcalfe County	Russell
Anchorage	Carroll County	Frankfort	Kenton County	Middlesboro	Russell County
Anderson County	Carter County	Franklin County	Knott County	Monroe County	Russellville
Ashland	Casey County	Fulton	Knox County	Montgomery County	Science Hill
Augusta	Caverna	Fulton County	LaRue County	Morgan County	Scott County
Ballard County	Christian County	Gallatin County	Laurel County	Muhlenberg County	Shelby County
Barbourville	Clark County	Garrard County	Lawrence County	Murray	Simpson County
Bardstown	Clay County	Glasgow	Lee County	Nelson County	Somerset
Barren County	Clinton County	Grant County	Leslie County	Newport	Southgate
Bath County	Cloverport	Graves County	Letcher County	Nicholas County	Spencer County
Beechwood	Corbin	Grayson County	Lewis County	Ohio County	Taylor County
Bell County	Covington	Green County	Lincoln County	Oldham County	Todd County
Bellevue	Crittenden County	Greenup County	Livingston County	Owen County	Trigg County
Berea	Cumberland County	Hancock County	Logan County	Owensboro	Trimble County
Boone County	Danville	Hardin County	Ludlow	Owsley County	Union County
Bourbon County	Daviess County	Harlan	Lyon County	Paducah	Walton-Verona
Bowling Green	Dawson Springs	Harlan County	Madison County	Paintsville	Warren County
Boyd County	Dayton	Harrison County	Magoffin County	Paris	Washington County
Boyle County	East Bernstadt	Hart County	Marion County	Pendleton County	Wayne County
Bracken County	Edmonson County	Hazard	Marshall County	Perry County	Webster County
Breathitt County	Elliott County	Henderson County	Martin County	Pike County	Whitley County
Breckinridge County	Elizabethtown	Henry County	Mason County	Pikeville	Williamsburg
Bullitt County	Eminence	Hickman County	Mayfield	Pineville	Williamstown
Burgin	Erlanger-Elsmere	Hopkins County	McCracken County	Powell County	Wolfe County
Butler County	Estill County	Jackson	McCreary County	Pulaski County	Woodford County
Caldwell County	Fairview	Jackson County	McLean County	Raceland	
Calloway County	Fayette County	Jefferson County	Meade County	Robertson County	
Campbell County	Fleming County	Jenkins	Menifee County	Rockcastle County	

Higher Education and Agency Employers

Central Kentucky Education Cooperative	Kentucky State University
Eastern Kentucky University	Kentucky Valley Educational Cooperative
Education and Workforce Development Cabinet	Morehead State University
Green River Regional Education Cooperative	Murray State University
Kentucky Academic Association	Northern Kentucky Cooperative for Educational Services
Kentucky Community & Technical College System	Ohio Valley Educational Cooperative
Kentucky Department of Education	Southeast South-Central Educational Cooperative
Kentucky Education Association	Teachers' Retirement System of the State of Kentucky
Kentucky Educational Development Cooperative	West Kentucky Education Cooperative
Kentucky High School Athletic Association	Western Kentucky University
Kentucky School Boards Association	

**Distribution of Retirement and Health Insurance Payments Statewide
For the Year Ended June 30, 2025**

County	Payments	Recipients	County	Payments	Recipients
Adair	\$ 12,131,607	269	Laurel	\$ 34,981,654	827
Allen	10,269,883	230	Lawrence	7,926,860	200
Anderson	10,536,131	286	Lee	3,885,793	91
Ballard	5,815,164	146	Leslie	7,494,672	168
Barren	26,806,005	586	Letcher	15,091,073	373
Bath	6,732,744	173	Lewis	8,657,620	207
Bell	15,722,409	370	Lincoln	15,966,470	356
Boone	59,039,611	1,254	Livingston	4,539,765	105
Bourbon	10,054,918	227	Logan	14,304,683	336
Boyd	25,570,723	595	Lyon	5,131,372	118
Boyle	24,421,689	558	Madison	73,157,821	1,706
Bracken	5,098,774	123	Magoffin	10,112,769	232
Breathitt	10,409,161	249	Marion	10,062,966	231
Breckinridge	10,092,989	237	Marshall	19,503,714	446
Bullitt	28,208,963	579	Martin	5,962,373	148
Butler	5,735,272	124	Mason	10,962,464	264
Caldwell	8,742,980	207	McCracken	32,665,672	781
Calloway	33,059,718	793	McCreary	9,501,849	223
Campbell	40,068,590	869	McLean	5,532,453	128
Carlisle	2,464,392	63	Meade	11,142,083	235
Carroll	4,897,224	105	Menifee	3,251,196	88
Carter	18,042,234	446	Mercer	13,311,297	329
Casey	8,123,903	196	Metcalfe	4,711,635	112
Christian	24,839,487	599	Monroe	7,965,087	176
Clark	18,837,657	444	Montgomery	17,284,784	411
Clay	15,578,750	344	Morgan	8,210,279	200
Clinton	7,363,219	181	Muhlenberg	18,496,236	406
Crittenden	2,668,044	70	Nelson	25,003,459	563
Cumberland	4,104,824	91	Nicholas	3,173,508	82
Daviess	60,688,743	1,403	Ohio	10,557,257	260
Edmonson	5,079,255	123	Oldham	31,131,622	653
Elliott	2,945,810	73	Owen	5,021,701	121
Estill	8,646,715	197	Owsley	5,296,327	126
Fayette	162,416,522	3,688	Pendleton	7,515,601	161
Fleming	9,376,270	219	Perry	20,611,890	450
Floyd	24,539,832	579	Pike	35,339,245	822
Franklin	33,848,599	947	Powell	7,322,629	163
Fulton	3,491,230	81	Pulaski	39,350,550	930
Gallatin	2,228,721	53	Robertson	1,186,377	28
Garrard	11,071,030	252	Rockcastle	10,190,943	228
Grant	10,777,738	231	Rowan	26,390,512	613
Graves	20,282,231	453	Russell	12,225,272	280
Grayson	15,061,388	343	Scott	28,404,364	651
Green	6,750,576	161	Shelby	28,517,021	613
Greenup	19,572,135	451	Simpson	7,492,892	175
Hancock	3,639,487	85	Spencer	9,657,485	203
Hardin	54,529,720	1,194	Taylor	17,192,747	397
Harlan	18,434,497	431	Todd	4,770,885	115
Harrison	9,964,098	245	Trigg	9,541,098	229
Hart	8,779,247	189	Trimble	3,457,038	79
Henderson	22,537,361	532	Union	5,476,912	132
Henry	9,306,242	217	Warren	91,737,929	2,145
Hickman	1,834,178	42	Washington	6,904,866	161
Hopkins	22,682,962	524	Wayne	12,517,197	291
Jackson	8,233,740	205	Webster	6,422,173	159
Jefferson	391,793,504	7,828	Whitley	35,228,191	817
Jessamine	25,235,281	589	Wolfe	5,869,435	150
Johnson	18,274,248	389	Woodford	19,151,715	438
Kenton	53,718,048	1,202			
Knott	11,384,571	269			
Knox	15,185,370	354			
LaRue	9,613,214	204			
			Total in Kentucky	\$ 2,449,833,109	55,299

**Distribution of Retirement and Health Insurance Payments Worldwide
as of June 30, 2025**

**Number of Recipients in United States
Outside Kentucky**

239 Alabama	6 Montana
6 Alaska	9 Nebraska
96 Arizona	31 Nevada
39 Arkansas	9 New Hampshire
96 California	20 New Jersey
87 Colorado	18 New Mexico
15 Connecticut	55 New York
14 Delaware	363 North Carolina
8 District of Columbia	2 North Dakota
1,578 Florida	782 Ohio
324 Georgia	36 Oklahoma
9 Hawaii	36 Oregon
13 Idaho	85 Pennsylvania
137 Illinois	4 Rhode Island
1,008 Indiana	315 South Carolina
27 Iowa	14 South Dakota
33 Kansas	1,231 Tennessee
42 Louisiana	271 Texas
20 Maine	30 Utah
52 Maryland	4 Vermont
32 Massachusetts	192 Virginia
79 Michigan	47 Washington
31 Minnesota	114 West Virginia
72 Mississippi	40 Wisconsin
103 Missouri	11 Wyoming



**Number of Recipients
Outside United States**

1 Military APO
2 Australia
1 Barbados
5 Canada
1 Czech Republic
1 Germany
1 Japan
1 Philippines
1 Poland
3 Puerto Rico
3 Spain
1 Sweden

	Number of Recipients	Amount of Payments
Inside Kentucky	55,299	\$ 2,449,833,109
Outside Kentucky	7,906	267,749,278
Total	63,205	<u><u>\$ 2,717,582,387</u></u>

Growth in Annuitants as of June 30, 2025

Fiscal Year	Service Retirees	Disability Retirees	Beneficiaries of Retired Members	Beneficiaries of Deceased Members Eligible to Retire	Survivors	Disabled Adult Child
2025	53,675	2,713	3,621	605	430	358
2024	52,838	2,753	3,518	619	416	362
2023	52,086	2,788	3,452	622	390	364
2022	51,085	2,801	3,311	627	395	349
2021	50,267	2,840	3,175	634	359	352
2020	49,526	2,859	3,019	648	353	349
2019	48,727	2,842	2,886	644	344	343
2018	47,606	2,831	2,757	648	353	339
2017	46,356	2,806	2,675	655	349	333
2016	45,096	2,762	2,544	652	370	327

Schedule of Annuitants by Type of Benefit as of June 30, 2025

Monthly Benefit (\$)	Number of Annuitants	Type of Benefit*					
		1	2	3	4	5	6
1 - 500	4,764	3,730	9	222	16	429	358
501 - 1,000	3,129	2,704	114	257	54	0	0
1,001 - 1,500	2,762	2,043	227	405	86	1	0
1,501 - 2,000	3,130	2,217	320	528	65	0	0
2,001 - 2,500	3,626	2,747	384	417	78	0	0
2,501 - 3,000	5,256	4,174	570	422	90	0	0
3,001 - 3,500	8,130	7,133	524	400	73	0	0
3,501 - 4,000	8,623	8,004	286	289	44	0	0
4,001 - 4,500	6,645	6,233	152	233	27	0	0
4,501 - 5,000	4,695	4,434	62	170	29	0	0
5,001 & over	10,642	10,256	65	278	43	0	0
Total	61,402	53,675	2,713	3,621	605	430	358

* Type of Benefit

1 — Normal Retirement for Age & Service

2 — Disability Retirement

3 — Beneficiaries of Retired Members

4 — Beneficiaries of Deceased Member

Eligible to Retire

5 — Survivor Payments

6 — Disabled Adult Child

Schedule of Annuitants by Option Selected as of June 30, 2025

Monthly Benefit (\$)	Option Selected*							
	1	2	3	4	5	6	7	8
1 - 500	2,492	632	316	41	5	419	71	788
501 - 1,000	1,782	469	282	67	11	384	131	3
1,001 - 1,500	1,364	366	280	127	11	357	249	8
1,501 - 2,000	1,495	380	276	130	11	446	379	13
2,001 - 2,500	1,803	445	334	147	2	522	336	37
2,501 - 3,000	2,569	551	493	173	2	893	447	128
3,001 - 3,500	4,080	948	678	204	6	1,455	696	63
3,501 - 4,000	4,641	1,143	607	197	4	1,256	744	31
4,001 - 4,500	3,489	842	477	172	5	1,028	605	27
4,501 - 5,000	2,410	551	394	125	6	702	500	7
5,001 & OVER	5,496	1,225	986	364	19	1,517	1,027	8
Total	31,621	7,552	5,123	1,747	82	8,979	5,185	1,113

* Option selected:

1 — Straight-life annuity with refundable balance

2 — Period certain benefit and life thereafter

3 — Joint-survivor annuity

4 — Joint-survivor annuity, one-half benefit to beneficiary

5 — Other payment - special option

6 — Joint-survivor annuity with pop-up option

7 — Joint-survivor annuity, one-half benefit to beneficiary with pop-up option

8 — Disability, survivors and disabled adult children - set by statute

Retirement Annuity Trust
Average Initial Benefit Payments for the Past 10 Years
 Service Retirements by Years of Service Credit

Retirement Effective Dates	0-4.99	5-9.99	10-14.99	15-19.99	20-24.99	25-29.99	≥ 30	Total
Year ending June 30, 2016								
Average monthly benefit	\$ 177	\$ 519	\$ 1,316	\$ 1,998	\$ 2,934	\$ 3,935	\$ 5,389	\$ 3,195
Final average salary	\$ 3,642	\$ 3,791	\$ 4,847	\$ 5,188	\$ 5,777	\$ 6,019	\$ 6,858	\$ 5,664
Number of retired members	61	254	194	217	356	807	448	2,337
Year ending June 30, 2017								
Average monthly benefit	\$ 176	\$ 473	\$ 1,235	\$ 2,039	\$ 2,902	\$ 3,935	\$ 5,179	\$ 3,040
Final average salary	\$ 3,691	\$ 3,506	\$ 4,588	\$ 5,208	\$ 5,722	\$ 6,024	\$ 6,666	\$ 5,514
Number of retired members	53	259	162	212	346	766	320	2,118
Year ending June 30, 2018								
Average monthly benefit	\$ 152	\$ 486	\$ 1,254	\$ 2,098	\$ 2,990	\$ 4,002	\$ 5,412	\$ 3,175
Final average salary	\$ 3,760	\$ 3,668	\$ 4,702	\$ 5,397	\$ 5,883	\$ 6,068	\$ 6,980	\$ 5,677
Number of retired members	64	255	147	193	356	844	330	2,189
Year ending June 30, 2019								
Average monthly benefit	\$ 130	\$ 460	\$ 1,190	\$ 2,073	\$ 2,847	\$ 4,027	\$ 5,393	\$ 3,078
Final average salary	\$ 3,041	\$ 3,595	\$ 4,523	\$ 5,260	\$ 5,738	\$ 6,185	\$ 7,049	\$ 5,607
Number of retired members	79	239	153	197	330	779	295	2,072
Year ending June 30, 2020								
Average monthly benefit	\$ 134	\$ 433	\$ 1,187	\$ 2,060	\$ 3,002	\$ 4,157	\$ 5,343	\$ 3,115
Average final average salary	\$ 3,260	\$ 3,276	\$ 4,447	\$ 5,369	\$ 5,972	\$ 6,379	\$ 7,042	\$ 5,672
Number of retired members	84	214	129	179	283	718	245	1,852
Year ending June 30, 2021								
Average monthly benefit	\$ 105	\$ 465	\$ 1,313	\$ 2,081	\$ 2,943	\$ 4,133	\$ 5,445	\$ 3,143
Final average salary	\$ 2,900	\$ 3,414	\$ 4,821	\$ 5,208	\$ 5,836	\$ 6,288	\$ 7,120	\$ 5,649
Number of retired members	83	219	131	179	284	760	249	1,905
Year ending June 30, 2022								
Average monthly benefit	\$ 104	\$ 462	\$ 1,124	\$ 2,102	\$ 2,911	\$ 4,147	\$ 5,355	\$ 3,205
Final average salary	\$ 2,903	\$ 3,407	\$ 4,337	\$ 5,407	\$ 5,696	\$ 6,314	\$ 7,082	\$ 5,688
Number of retired members	95	190	122	206	336	816	292	2,057
Year ending June 30, 2023								
Average monthly benefit	\$ 129	\$ 472	\$ 1,204	\$ 2,133	\$ 3,035	\$ 4,246	\$ 5,445	\$ 3,350
Final average salary	\$ 3,057	\$ 3,697	\$ 4,723	\$ 5,412	\$ 5,892	\$ 6,406	\$ 7,005	\$ 5,840
Number of retired members	76	216	133	191	323	916	318	2,173
Year ending June 30, 2024								
Average monthly benefit	\$ 136	\$ 487	\$ 1,230	\$ 2,161	\$ 3,047	\$ 4,377	\$ 5,662	\$ 3,408
Final average salary	\$ 3,684	\$ 3,684	\$ 4,823	\$ 5,631	\$ 5,957	\$ 6,616	\$ 7,342	\$ 5,994
Number of retired members	95	222	119	149	281	836	309	2,011
Year ending June 30, 2025								
Average monthly benefit	\$ 126	\$ 535	\$ 1,253	\$ 2,310	\$ 3,101	\$ 4,464	\$ 5,885	\$ 3,467
Final average salary	\$ 3,304	\$ 3,928	\$ 5,044	\$ 6,012	\$ 6,081	\$ 6,754	\$ 7,603	\$ 6,141
Number of retired members	96	233	138	161	285	877	300	2,090
Ten Years Ended June 30, 2025								
Average monthly benefit	\$ 133	\$ 480	\$ 1,235	\$ 2,099	\$ 2,967	\$ 4,148	\$ 5,449	\$ 3,219
Final average salary	\$ 3,293	\$ 3,604	\$ 4,691	\$ 5,391	\$ 5,848	\$ 6,312	\$ 7,061	\$ 5,745
Number of retired members	786	2,301	1,428	1,884	3,180	8,119	3,106	20,804

The annuity for most TRS retirees is in lieu of Social Security. Final average salary is a monthly equivalent of the average final average salary for the respective group.

Health Insurance Trust
Average Insurance Premium Supplements for the Last 10 Years
 Service Retirements by Years of Service Credit

Retirement Effective Dates	0-9.99	10-14.99	15-19.99	≥ 20	Total
Year ending June 30, 2016					
Average monthly supplement	\$ 87	\$ 182	\$ 323	\$ 484	
Number of retired members	68	98	178	1,407	1,751
Year ending June 30, 2017					
Average monthly supplement	\$ 75	\$ 192	\$ 333	\$ 477	
Number of retired members	62	71	194	1,291	1,618
Year ending June 30, 2018					
Average monthly supplement	\$ 85	\$ 122	\$ 299	\$ 464	
Number of retired members	59	71	169	1,375	1,674
Year ending June 30, 2019					
Average monthly supplement	\$ 75	\$ 181	\$ 305	\$ 483	
Number of retired members	48	72	158	1,239	1,517
Year ending June 30, 2020					
Average monthly supplement	\$ 64	\$ 201	\$ 295	\$ 473	
Number of retired members	57	56	141	1,096	1,350
Year ending June 30, 2021					
Average monthly supplement	\$ 80	\$ 199	\$ 300	\$ 484	
Number of retired members	66	54	137	1,104	1,361
Year ending June 30, 2022					
Average monthly supplement	\$ 74	\$ 203	\$ 284	\$ 487	
Number of retired members	68	42	128	1,207	1,445
Year ending June 30, 2023					
Average monthly supplement	\$ 78	\$ 238	\$ 297	\$ 544	
Number of retired members	48	44	108	1,286	1,486
Year ending June 30, 2024					
Average monthly supplement	\$ 98	\$ 269	\$ 362	\$ 639	
Number of retired members	57	32	98	1,143	1,330
Year ending June 30, 2025					
Average monthly supplement	\$ 101	\$ 237	\$ 340	\$ 621	
Number of retired members	60	30	105	1,201	1,396

Sick Leave Payments Summary for Members Completing Service By June 30, 2025

Total members retiring (including July 1, 2025 retirees.)	2,291
Total members receiving sick leave payments	1,534
Total amount of sick leave payments included in final average salary	\$ 23,163,824
Average sick leave payment per retiree	\$ 15,100
Total increase in final three or five year average salary base	\$ 7,018,738
Average increase in final average salary	\$ 4,575
Total service credit of 1,534 retirees	40,545
Average service credit of 1,534 retirees	26.43

Anticipated Payout of Additional Annuity

Actuarial cost of sick leave as salary credit	\$ 57,376,186
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Funding of Sick Leave Payment Used in Annuity

Member contributions (\$23,163,824 x 9.105%)	\$ 2,109,066
Employer contributions (\$23,163,824 x 12.305%)	2,850,309
Total Contributions	<u>\$ 4,959,375</u>
Anticipated additional payout	\$ 57,376,186
Less: total member and state contributions	<u>4,959,375</u>
Total	<u><u>\$ 52,416,811</u></u>