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September 30, 2026

Mr. Todd Kilburn
SVP and CFO
Kentucky Community & Technical College System
300 N. Main St.
Versailles, KY 40383

Subject: Estimated December 31, 2026 OPEB Liability

Dear Todd,

At your request, we estimated the Kentucky Community & Technical College System Postretirement Benefit Plan's OPEB liability and the fair value of its plan assets as of December 31, 2026. Based on the approach and assumptions described below, the estimated OPEB liability is **$149.0 million,** and the estimated fair value of plan assets is **$311.6 million**. These amounts result in an estimated net OPEB asset of **$162.6 million** and an estimated funded percentage of approximately **209.1%**.

Basis of Estimate

The estimate reflects the following assumptions and methodology:

- A discount rate of 6.50%.
- An expected return on plan assets of 6.50%.
- The fair value of plan assets as of August 31, 2026, projected to December 31, 2026 using the 6.50% expected return assumption and reflecting expected plan cash flows during the projection period.
- The healthcare cost trend rates shown below. Compared with the healthcare cost trend assumptions used in the June 30, 2026 actuarial valuation, the updated trend rates decreased the estimated liability by approximately 9.4%. The decrease was primarily attributable to a slight reduction in the KCTCS Medicare Advantage premiums, rather than the previously assumed increase, and increases in the UK Medicare Advantage premiums that were lower than previously projected.
- All other data, assumptions, actuarial methods, and plan provisions are unchanged from those used in the June 30, 2026 actuarial valuation report dated August 13, 2026.

Annual Healthcare Cost Trend Rates (as of the June 30, 2025 valuation date)

Year	KCTCS Pre-65	KCTCS MA Trend	UK MA Trend
2025	16.80%	-23.71%	-55.91%
2026	8.76%	-1.10%	0.00%
2027	8.41%	11.75%	12.40%
2028	8.02%	11.08%	11.52%
2029	7.61%	10.40%	10.64%
2030	7.20%	9.71%	9.77%

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2031	6.77%	8.74%	8.89%
2032	6.33%	7.79%	8.01%
2033	5.88%	6.86%	7.13%
2034	5.42%	5.95%	6.26%
2035	4.96%	5.18%	5.38%
2036 and later	4.50%	4.50%	4.50%

Actuarial Risk and Limitations

The results presented in this letter are estimates and are intended solely to provide KCTCS with an indication of the Plan's OPEB liability and the fair value of its plan assets as of December 31, 2026. Actual results may differ significantly from these estimates as a result of experience that differs from the economic and demographic assumptions, changes in assumptions or actuarial methods, changes in plan provisions or applicable law, and investment returns or plan cash flows that differ from those assumed. In particular, the estimated liability is sensitive to changes in healthcare cost trends and the discount rate, while the estimated assets are sensitive to investment performance and plan cash flows. Because this assignment was limited to preparing a point estimate, we did not perform a quantitative analysis of the potential range of future measurements. A more detailed risk assessment may be appropriate if KCTCS intends to use these estimates for purposes other than preliminary planning or financial reporting.

This letter should be considered together with the June 30, 2026 valuation report dated August 13, 2026, which provides additional information regarding the intended purpose of the valuation, the underlying data, assumptions, methods and models, and other applicable limitations and disclosures. The estimate has been prepared in accordance with generally accepted actuarial principles and practices and the applicable Actuarial Standards of Practice.

Please let me know if you have any questions regarding the estimates or the approach used.

Sincerely,

Aon

Signed by:
Lynne Pasi
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Lynne B. Pasi, FSA, EA
Partner

LBP:tlg
cc: Mr. Erik Johnson, Aon

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