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Actuarial Valuation Report

Kentucky Community & Technical College System

Kentucky Community & Technical College System Postretirement Benefit Plan

For the Fiscal Year Ending June 30, 2027

Measurement Date June 30, 2026



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Introduction

This report documents the results of the actuarial valuation for the fiscal year ending June 30, 2027 of the Kentucky Community & Technical College System Postretirement Benefit Plan for the Kentucky Community & Technical College System. The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of June 30, 2026. The information provided in this report is intended strictly for documenting information relating to company and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75 (GASB 75) including any guidance or interpretations provided by the Company and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the Kentucky Community & Technical College System's auditors. Additional disclosures may be required under GASB 74.

A valuation model was used to develop the liabilities for this valuation. The valuation model relies on ProVal software, which was developed by Winklevoss Technologies, LLC. Experts within Aon selected this software and determined it is appropriate for performing valuations. We coded and reviewed the software for the provisions, assumptions, methods, and data of the Kentucky Community & Technical College System Postretirement Benefit Plan.

A model was used to develop the appropriate GASB discount rate. The undersigned relied on experts at Aon for the development of the capital market assumptions and the model underlying the expected rate of return.

The valuation model outputs various cost scenarios. The "1 percent increase" and "1 percent decrease" interest rate scenarios vary only the discount rate assumption, in order to illustrate the impact of a change in that assumption in isolation. In practice, certain other assumptions, such as the expected or realized asset returns, would also be expected to vary when the discount rate changes. Therefore, the output from these scenarios should be used solely for assessing the impact of the discount rate in isolation and may not represent a realistic set of results for other purposes.

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The “1 percent increase” and “1 percent decrease” healthcare cost trend scenarios vary only the healthcare cost trend assumption, in order to illustrate the impact of a change in that assumption in isolation. Therefore, the output from these scenarios should be used solely for assessing the impact of the healthcare cost trend in isolation and may not represent a realistic set of results for other purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to (but not limited to) such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or 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); and
- Changes in plan provisions or applicable law.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

Funded status measurements shown in this report are determined based on various measures of plan assets and liabilities. For entity and plan disclosure and reporting purposes, funded status is determined using plan assets measured at market value. Plan liabilities are measured based on the interest rates and other assumptions summarized in the Actuarial Assumptions and Methods section of this report.

These funded status measurements may not be appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the plan’s benefit obligations, and funded status measurements for Kentucky Community & Technical College System and plan disclosure and reporting purposes may not be appropriate for assessing the need for or the amount of future contributions. In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by Kentucky Community & Technical College System as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Kentucky Community & Technical College System selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 75. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of OPEB valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

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To our knowledge, no colleague of Aon providing services to Kentucky Community & Technical College System has any material direct or indirect financial interest in Kentucky Community & Technical College System. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Kentucky Community & Technical College System.

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August 13, 2026

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Accounting Requirements

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Development of GASB 75 Net OPEB Expense

Calculation Details

The following table illustrates the Net OPEB Liability under GASB 75.

		Fiscal Year Ending 6/30/2026	Fiscal Year Ending 6/30/2027
(1)	OPEB Liability		
	(a) Retired Participants and Beneficiaries Receiving Payment	$ 120,608,436	$ 84,342,254
	(b) Active Participants	93,203,250	77,815,216
	(c) Total	$ 213,811,686	$ 162,157,470
(2)	Plan Fiduciary Net Position	(269,814,331)	(300,264,082)
(3)	Net OPEB Liability	$ (56,002,645)	$ (138,106,612)
(4)	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	126.19%	185.17%
(5)	Deferred Outflow of Resources for Contributions Made After Measurement Date	$ 0	TBD

Expense

The following table illustrates the OPEB expense under GASB 75.

		Fiscal Year Ending 6/30/2026	Fiscal Year Ending 6/30/2027
(1)	Service Cost	$ 1,741,706	$ 1,387,294
(2)	Interest Cost	12,935,534	13,808,685
(3)	Expected Investment Return	(16,014,628)	(17,353,225)
(4)	Employee Contributions	0	0
(5)	Administrative Expense	86,887	83,975
(6)	Plan Changes	0	0
(7)	Amortization of Unrecognized		
	(a) Liability (Gain)/Loss	(3,385,747)	(3,292,570)
	(b) Asset (Gain)/Loss	(4,449,232)	(1,143,614)
	(c) Assumption Change (Gain)/Loss	2,848,116	(29,611,565)
(8)	Total Expense	$ (6,237,364)	$ (36,121,020)

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Shown below are details regarding the calculation of Service Cost, Interest Cost and Expected Investment Return components of the Expense.

	Fiscal Year Ending 6/30/2026	Fiscal Year Ending 6/30/2027
(1) Development of Service Cost:		
(a) Normal Cost at Beginning of Measurement Period	$ 1,741,706	$ 1,387,294
(2) Development of Interest Cost:		
(a) Total OPEB Liability at Beginning of Measurement Period	$ 206,796,996	$ 213,811,686
(b) Normal Cost at Beginning of Measurement Period	1,741,706	1,387,294
(c) Actual Benefit Payments	(6,525,177)	(5,603,583)
(d) Discount Rate	6.30%	6.50%
(e) Interest Cost	$ 12,935,534	$ 13,808,685
(3) Development of Expected Investment Return:		
(a) Plan Fiduciary Net Position at Beginning of Measurement Period	$ 249,677,011	$ 269,814,331
(b) Actual Contributions — Employer	0	0
(c) Actual Contributions — Employee	0	0
(d) Actual Benefit Payments	(6,525,177)	(5,603,583)
(e) Administrative Expenses	(86,887)	(83,975)
(f) Other	0	0
(g) Expected Return on Assets	6.50%	6.50%
(h) Expected Return	$ 16,014,628	$ 17,353,225

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Reconciliation of Net OPEB Liability

Shown below are details regarding the Total OPEB Liability, Plan Fiduciary Net Position, and Net OPEB Liability for the Measurement Period from June 30, 2025 to June 30, 2026:

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Net Position (b)**	**Net OPEB Liability (c) = (a) – (b)**
Balance Recognized at 6/30/2026 (Based on 6/30/2025 Measurement Date)	$ 213,811,686	$ 269,814,331	$ (56,002,645)
Changes Recognized for the Fiscal Year:			
Service Cost	$ 1,387,294	NA	$ 1,387,294
Interest on the Total OPEB Liability	13,808,685	NA	13,808,685
Changes of Benefit Terms	0	NA	0
Differences Between Expected and Actual Experience	(2,381,188)	NA	(2,381,188)
Changes of Assumptions	(58,865,424)	NA	(58,865,424)
Benefit Payments	(5,603,583)	(5,603,583)	0
Contributions From the Employer	NA	0	0
Contributions From the Employee	NA	0	0
Net Investment Income	NA	36,137,309	(36,137,309)
Administrative Expense	NA	(83,975)	83,975
Net Changes	$ (51,654,216)	$ 30,449,751	$ (82,103,967)
Balance Recognized at 6/30/2027 (Based on 6/30/2026 Measurement Date)	$ 162,157,470	$ 300,264,082	$ (138,106,612)

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Liability (Gain)/Loss

The following table illustrates the liability gain/loss under GASB 75.

	Fiscal Year Ending 6/30/2026	Fiscal Year Ending 6/30/2027
(1) OPEB Liability at Beginning of Measurement Period	$ 206,796,996	$ 213,811,686
(2) Service Cost	1,741,706	1,387,294
(3) Interest on the Total OPEB Liability	12,935,534	13,808,685
(4) Changes of Benefit Terms	0	0
(5) Changes of Assumptions	3,287,322	(58,865,424)
(6) Benefit Payments	(6,525,177)	(5,603,583)
(7) Expected OPEB Liability at End of Measurement Period	$ 218,236,381	$ 164,538,658
(8) Actual OPEB Liability at End of Measurement Period	213,811,686	162,157,470
(9) OPEB Liability (Gain)/Loss	$ (4,424,695)	$ (2,381,188)
(10) Average Future Working Life Expectancy	2.39	1.92
(11) OPEB Liability (Gain)/Loss Amortization	$ (1,851,337)	$ (1,240,202)

Asset (Gain)/Loss

The following table illustrates the asset gain/loss under GASB 75.

	Fiscal Year Ending 6/30/2026	Fiscal Year Ending 6/30/2027
(1) OPEB Asset at Beginning of Measurement Period	$ 249,677,011	$ 269,814,331
(2) Contributions — Employer	0	0
(3) Contributions — Employee	0	0
(4) Expected Investment Income	16,014,628	17,353,225
(5) Benefit Payments	(6,525,177)	(5,603,583)
(6) Administrative Expense	(86,887)	(83,975)
(7) Other	0	0
(8) Expected OPEB Asset at End of Measurement Period	$ 259,079,575	$ 281,479,998
(9) Actual OPEB Asset at End of Measurement Period	269,814,331	300,264,082
(10) OPEB Asset (Gain)/Loss	$ (10,734,756)	$ (18,784,084)
(11) Amortization Factor	5.00	5.00
(12) OPEB Asset (Gain)/Loss Amortization	$ (2,146,951)	$ (3,756,817)

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Deferred Outflows/Inflows

The following table illustrates the Deferred Inflows and Outflows as of June 30, 2027 under GASB 75.

		Deferred Outflows	Deferred Inflows
(1)	Difference Between Actual and Expected Experience	$ 0	$ 1,863,007
(2)	Net Difference Between Expected and Actual Earnings on OPEB Plan Investments	0	27,324,827
(3)	Assumption Changes	536,424	28,206,349
(4)	Sub Total	$ 536,424	$ 57,394,183
(5)	Contributions Made in Fiscal Year Ending 6/30/2027 After Measurement Date	TBD	NA
(6)	Total	$ TBD	$ 57,394,183

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Amortization of Deferred Inflows/Outflows

The table below lists the amortization bases included in the deferred inflows/outflows as of June 30, 2027.

Date Established	Type of Base	Period		Balance		Annual Payment
		Original	Remaining	Original	Remaining	
6/30/2024	Liability (Gain)/Loss	2.39	0.00	$ (1,231,955)	$ 0	$ (515,462)
6/30/2025	Liability (Gain)/Loss	2.39	0.39	(4,424,695)	(722,021)	(1,851,337)
6/30/2026	Liability (Gain)/Loss	1.92	0.92	(2,381,188)	(1,140,986)	(1,240,202)
6/30/2022	Asset (Gain)/Loss	5.00	0.00	41,565,333	0	8,313,067
6/30/2023	Asset (Gain)/Loss	5.00	1.00	(6,245,581)	(1,249,117)	(1,249,116)
6/30/2024	Asset (Gain)/Loss	5.00	2.00	(11,518,974)	(4,607,589)	(2,303,795)
6/30/2025	Asset (Gain)/Loss	5.00	3.00	(10,734,756)	(6,440,854)	(2,146,951)
6/30/2026	Asset (Gain)/Loss	5.00	4.00	(18,784,084)	(15,027,267)	(3,756,817)
6/30/2024	Assumptions	2.39	0.00	(2,009,673)	0	(840,867)
6/30/2025	Assumptions	2.39	0.39	3,287,322	536,424	1,375,449
6/30/2026	Assumptions	1.92	0.92	(58,865,424)	(28,206,349)	(30,659,075)
	Total Charges				(56,857,759)	(34,875,106)

Amounts Recognized in the deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the OPEB expense as follows:

Year End June 30:

2028	$	(38,989,612)
2029	$	(8,207,562)
2030	$	(5,903,769)
2031	$	(3,756,816)
2032	$	0
Total Thereafter	$	0

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Plan Fiduciary Net Position Projection

The following table illustrates the projection of the fiduciary net position for use in the calculation of the discount rate as of June 30, 2026.

($ in millions)

Year Ending June 30 [1]	Beginning Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Fiduciary Net Position [2] (f)
2026	$ 300.3	$ 0.0	$ 6.9	$ 0.1	$ 19.1	$ 312.4
2027	312.4	0.0	7.9	0.1	19.8	324.2
2028	324.2	0.0	8.8	0.1	20.5	335.8
2029	335.8	0.0	9.6	0.1	21.2	347.3
2030	347.3	0.0	10.2	0.1	21.9	358.9
2031	358.9	0.0	10.9	0.1	22.6	370.5
2032	370.5	0.0	11.6	0.1	23.3	382.1
2033	382.1	0.0	12.3	0.1	24.0	393.7
2034	393.7	0.0	12.9	0.1	24.8	405.5
2035	405.5	0.0	13.4	0.1	25.5	417.4
2036	417.4	0.0	13.6	0.1	26.2	430.0
2037	430.0	0.0	13.8	0.1	27.0	443.1
2038	443.1	0.0	14.0	0.1	27.9	456.9
2039	456.9	0.0	14.1	0.1	28.8	471.4
2040	471.4	0.0	14.2	0.1	29.7	486.9
2041	486.9	0.0	14.1	0.1	30.7	503.4
2042	503.4	0.0	14.2	0.1	31.8	520.8
2043	520.8	0.0	14.1	0.1	32.9	539.5
2044	539.5	0.0	13.9	0.1	34.2	559.6
2045	559.6	0.0	13.8	0.1	35.5	581.2
2046	581.2	0.0	13.4	0.1	36.9	604.5
2047	604.5	0.0	13.2	0.1	38.4	629.6
2048	629.6	0.0	12.9	0.1	40.1	656.6
2049	656.6	0.0	12.7	0.2	41.9	685.7
2050	685.7	0.0	12.3	0.2	43.8	716.9
2051	716.9	0.0	12.0	0.2	45.8	750.5
2052	750.5	0.0	11.7	0.2	48.0	786.7
2053	786.7	0.0	11.3	0.2	50.4	825.7
2054	825.7	0.0	10.9	0.2	53.0	867.6
2055	867.6	0.0	10.4	0.2	55.7	912.7

[1] Years later than 2055 were omitted from this table.

[2] (f) = (a) + (b) – (c) – (d) + (e)

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Plan Fiduciary Net Position

The last year in which projected benefit payments are due from the Plan is 2112.

The Plan's projected fiduciary net position is not projected to reach $0.

As such, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "depletion date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 6.50 percent per annum was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2027 shown earlier in this report, pursuant to paragraph 48 of GASB Statement No. 74 and paragraph 36 of GASB Statement No. 75.

In projecting the Plan's fiduciary net position the following assumptions were made:

(1) Interest rate for discounting was 6.50 percent per annum.

(2) Projected total contributions are employer contributions to the unfunded actuarial accrued liability and normal cost (including administrative expenses).

(3) No assumed future contributions made by the Kentucky Community & Technical College System.

(4) Projected benefit payments have been determined in accordance with Paragraphs 43-47 of GASB Statement No. 74 and Paragraphs 30-35 of GASB Statement No. 75, and are based on the closed group of active, retired members and beneficiaries as of April 1, 2025. Benefit payments are assumed to be paid beginning of year.

(5) Administrative expenses are $0.1 million for 2026. Expenses are assumed to be paid mid-year.

(6) Projected investment earnings are based on the assumed investment rate of return of 6.50 percent per annum.

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Interest Rate Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2026:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
(1) Total OPEB Liability	$ 243,179,055	$ 213,811,686	$ 189,570,395
(2) Plan Fiduciary Net Position	(269,814,331)	(269,814,331)	(269,814,331)
(3) Net OPEB Liability (Asset)	$ (26,635,276)	$ (56,002,645)	$ (80,243,936)

The following table illustrates the impact of interest rate sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2027:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
(1) Total OPEB Liability	$ 183,293,805	$ 162,157,470	$ 144,624,502
(2) Plan Fiduciary Net Position	(300,264,082)	(300,264,082)	(300,264,082)
(3) Net OPEB Liability (Asset)	$ (116,970,277)	$ (138,106,612)	$ (155,639,580)

Healthcare Cost Trend Sensitivity

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2026:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 189,503,617	$ 213,811,686	$ 243,033,342
(2) Plan Fiduciary Net Position	(269,814,331)	(269,814,331)	(269,814,331)
(3) Net OPEB Liability (Asset)	$ (80,310,714)	$ (56,002,645)	$ (26,780,989)

The following table illustrates the impact of healthcare cost trend sensitivity on the Net OPEB Liability for fiscal year ending June 30, 2027:

	1% Decrease	Trend Rate	1% Increase
(1) Total OPEB Liability	$ 142,751,979	$ 162,157,470	$ 185,508,023
(2) Plan Fiduciary Net Position	(300,264,082)	(300,264,082)	(300,264,082)
(3) Net OPEB Liability (Asset)	$ (157,512,103)	$ (138,106,612)	$ (114,756,059)

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Disclosure — Changes in the Net OPEB Liability and Related Ratios

Changes in the Net OPEB Liability and Related Ratios[1]

	Fiscal Year Ending				
	2018	2019	2020	2021	2022
Total OPEB Liability					
Service Cost	$ 4,839,271	$ 2,901,484	$ 2,877,496	$ 2,079,652	$ 2,471,557
Interest Cost	11,366,312	11,323,533	12,131,312	10,682,592	11,106,162
Changes of Benefit Terms	0	0	0	6,785,833	7,104,620
Differences Between Expected and Actual Experiences	(39,171,680)	0	(4,044,678)	(606,592)	936,788
Changes of Assumptions	(1,929,172)	(2,046,262)	(26,946,517)	3,311,992	(7,997,309)
Benefit Payments	0	(3,853,897)	(3,833,397)	(4,000,969)	(4,786,298)
Net Change in Total OPEB Liability	$ (28,251,906)	$ 8,914,193	$ (19,815,784)	$ 18,252,508	$ 8,835,520
Total OPEB Liability (Beginning)	191,648,950	163,397,044	172,311,237	152,495,453	170,747,961
Total OPEB Liability (Ending)	$ 163,397,044	$ 172,311,237	$ 152,495,453	$ 170,747,961	$ 179,583,481
Plan Fiduciary Net Position					
Contributions—Employer	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions—Member	0	0	0	0	0
Net Investment Income	15,184,054	14,029,874	12,604,469	2,302,681	48,364,546
Benefit Payments	0	(3,853,897)	(3,833,397)	(4,000,969)	(4,786,298)
Administrative Expense	0	0	(43,578)	(98,655)	(62,282)
Other	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	$ 15,184,054	$ 10,175,977	$ 8,727,494	$ (1,796,943)	$ 43,515,966
Plan Fiduciary Net Position (Beginning)	170,932,728	186,116,782	196,292,759	205,020,253	203,223,310
Plan Fiduciary Net Position (Ending)	$ 186,116,782	$ 196,292,759	$ 205,020,253	$ 203,223,310	$ 246,739,276
Net OPEB Liability (Ending)	$ (22,719,738)	$ (23,981,522)	$ (52,524,800)	$ (32,475,349)	$ (67,155,795)
Net Position as a Percentage of OPEB Liability	113.90%	113.92%	134.44%	119.02%	137.40%
Covered-Employee Payroll	$ 137,767,993	$ 161,818,741	$ 161,379,649	$ 170,174,396	$ 167,981,155
Net OPEB Liability as a Percentage of Payroll	-16.49%	-14.82%	-32.55%	-19.08%	-39.98%

[1] GASB 75 was effective first for employer fiscal years beginning after June 15, 2017.

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Disclosure — Changes in the Net OPEB Liability and Related Ratios

Changes in the Net OPEB Liability and Related Ratios[1]

	Fiscal Year Ending				
	2023	2024	2025	2026	2027
Total OPEB Liability					
Service Cost	$ 1,975,145	$ 2,064,233	$ 1,632,455	$ 1,741,706	$ 1,387,294
Interest Cost	11,628,532	12,245,309	13,011,585	12,935,534	13,808,685
Changes of Benefit Terms	0	0	0	0	0
Differences Between Expected and Actual Experiences	(417,634)	(3,077,428)	(1,231,955)	(4,424,695)	(2,381,188)
Changes of Assumptions	1,810,915	6,987,342	(2,009,673)	3,287,322	(58,865,424)
Benefit Payments	(5,401,276)	(5,799,362)	(6,204,673)	(6,525,177)	(5,603,583)
Net Change in Total OPEB Liability	$ 9,595,682	$ 12,420,094	$ 5,197,739	$ 7,014,690	$ (51,654,216)
Total OPEB Liability (Beginning)	179,583,481	189,179,163	201,599,257	206,796,996	213,811,686
Total OPEB Liability (Ending)	$ 189,179,163	$ 201,599,257	$ 206,796,996	$ 213,811,686	$ 162,157,470
Plan Fiduciary Net Position					
Contributions—Employer	$ 0	$ 0	$ 0	$ 0	$ 0
Contributions—Member	0	0	0	0	0
Net Investment Income	(25,706,286)	20,064,879	26,246,767	26,749,384	36,137,309
Benefit Payments	(5,401,276)	(5,799,362)	(6,204,673)	(6,525,177)	(5,603,583)
Administrative Expense	(95,814)	(77,300)	(89,200)	(86,887)	(83,975)
Other	0	0	0	0	0
Net Change in Plan Fiduciary Net Position	$ (31,203,376)	$ 14,188,217	$ 19,952,894	$ 20,137,320	$ 30,449,751
Plan Fiduciary Net Position (Beginning)	246,739,276	215,535,900	229,724,117	249,677,011	269,814,331
Plan Fiduciary Net Position (Ending)	$ 215,535,900	$ 229,724,117	$ 249,677,011	$ 269,814,331	$ 300,264,082
Net OPEB Liability (Ending)	$ (26,356,737)	$ (28,124,860)	$ (42,880,015)	$ (56,002,645)	$ (138,106,612)
Net Position as a Percentage of OPEB Liability	113.93%	113.95%	120.74%	126.19%	185.17%
Covered-Employee Payroll	$ 175,488,128	$ 182,141,930	$ 192,080,073	$ 202,724,319	$ 215,069,429
Net OPEB Liability as a Percentage of Payroll	-15.10%	-15.44%	-22.32%	-27.63%	-64.21%

[1] GASB 75 was effective first for employer fiscal years beginning after June 15, 2017.

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Disclosure — Contribution Schedule

Contributions

	Fiscal Year Ending				
	2018	2019	2020	2021	2022
Actuarially Determined Contribution	$ 1,607,114	$ 0	$ 0	$ 0	$ 0
Contributions Made in Relation to the Actuarially Determined Contribution	0	0	0	0	0
Contribution Deficiency (Excess)	$ 1,607,114	$ 0	$ 0	$ 0	$ 0
Covered-Employee Payroll	$ 137,767,993	$ 161,818,741	$ 161,379,649	$ 170,174,396	$ 167,981,155
Contributions as a Percentage of Payroll	0.00%	0.00%	0.00%	0.00%	0.00%

	Fiscal Year Ending				
	2023	2024	2025	2026	2027
Actuarially Determined Contribution	$ 0	$ 0	$ 0	$ 0	TBD
Contributions Made in Relation to the Actuarially Determined Contribution	0	0	0	0	TBD
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0	TBD
Covered-Employee Payroll	$ 175,488,128	$ 182,141,930	$ 192,080,073	$ 202,724,319	$ 215,069,429
Contributions as a Percentage of Payroll	0.00%	0.00%	0.00%	0.00%	TBD

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Notes to Schedule:

Valuation Date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal with average remaining future service-year closed amortization period for initial unfunded and subsequent actuarial gains/losses.
Asset Valuation Method	Market
Salary Increases	3.00%
Investment Rate of Return	6.50%, net of OPEB plan investment expense, including inflation.
Retirement Age	All participants are assumed to be eligible for Medicare upon attainment of age 65.
Mortality	Pub-2016 Employee Mortality projected using Scale MP-2021.

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Appendix

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Participant Data

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Participant Data

The actuarial valuation was based on personnel information from Kentucky Community & Technical College System records as of April 1, 2025. Following are some of the pertinent characteristics from the personnel data as of that date. Prior valuation characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

Health Care Participants	April 1, 2023	April 1, 2025
Active Participants		
Number	898	728
Average Age	57.5	58.4
Average Service	24.2	25.8
Inactive Participants		
Retirees and Surviving Spouses	1,104	1,173
Average Age	71.6	72.6
Covered Spouses	112	96
Average Age	69.2	74.0
Total Participants		
Number	2,114	1,997

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Asset Allocation

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Asset Allocation

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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. Best estimates of geometric real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30 are summarized in the following table[1]:

Asset Class	Expected Nominal Rate of Return	Expected Real Rate of Return	Allocation
Global Equity	7.40%	4.78%	52.00%
Core Bonds	5.00%	2.44%	18.00%
Credit	9.00%	6.34%	7.00%
Diversifying Strategies	6.70%	4.10%	10.00%
Core Real Estate	5.90%	3.32%	5.00%
REITs	7.00%	4.39%	4.00%
Public Natural Resources	6.20%	3.61%	4.00%
Total Portfolio	6.87%	4.26%	100.00%

The discount rate used to measure the total OPEB liability is 6.50 percent. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Fund's fiduciary net position was not projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was not applied to all periods of projected benefit payments to determine the total OPEB liability.

[1] These rates of return reflect the Kentucky Community & Technical College System's best estimate.

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Health Care Claims Development

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Health Care Claims Development

The sample per capita claims cost assumptions shown below by age, benefit, and plan represent the true underlying baseline experience estimated for Kentucky Community Technical College System's sponsored postretirement benefits and costs. These rates cover the period from July 1, 2025 through June 30, 2026 and are rolled forward with trend for the June 30, 2026 disclosure and expense for the period July 1, 2026 through June 30, 2027.

Age	Basic CDHP	Living Well PPO	Living Well CDHP
50	$13,771	$10,751	$11,491
55	$16,865	$13,129	$14,021
60	$20,782	$16,138	$17,268
64	$24,034	$18,637	$19,949

The average medical and Rx per capita claims costs were developed from 2025 fully insured premium rates of the plan. Premium rates were provided by Kentucky Community Technical College System. The expected medical and Rx per capita claims costs were based on the active and pre-65 enrollment weighted average of the 2025 rates as provided by Kentucky Community Technical College System and trended to the mid-point of the annual period following the valuation date. Average medical and Rx per capita claims costs were then age-adjusted based on the demographics of the population, and the assumed health care aging factors shown in the table below.

Implicit per capita administrative costs were assumed to be 5% of fully insured premium rates.

Based on the actuary's experience and professional expertise, the claims development methodology followed generally accepted actuarial practices and is consistent with applicable ASOPs. Based on comparison of the historical actual claims costs, we believe the assumed per capita claims costs are reasonable and representative of future costs.

The 2025 calendar year premium rates used in the per capita claims cost development are shown below:

Rating Group	Experience Population	Benefit	Rating Tier	Monthly Premium Rate
Basic CDHP	Pre-65	Medical/Rx	Retiree Only	$ 901.04
Basic CDHP	Pre-65	Medical/Rx	Retiree + Spouse	$ 1,863.04
Living Well PPO	Pre-65	Medical/Rx	Retiree Only	$ 949.04
Living Well PPO	Pre-65	Medical/Rx	Retiree + Spouse	$ 1,981.62
Living Well CDHP	Pre-65	Medical/Rx	Retiree Only	$ 930.76
Living Well CDHP	Pre-65	Medical/Rx	Retiree + Spouse	$ 1,866.24

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Health Care Aging (Morbidity) Factors

Since health care costs increase with age, and an OPEB valuation is by its nature an analysis of a closed group that will age throughout the measurement, the effect that this aging of the population will have on claims costs must be reflected in the valuation. The claim costs for medical and prescription drugs were assumed to increase with age according to the table below.

Age Band	Medical	Rx	Composite
40 – 44	3.00%	4.80%	3.30%
45 – 49	3.70%	4.70%	3.80%
50 – 54	4.20%	4.70%	4.30%
55 – 59	4.40%	4.60%	4.40%
60 – 64	3.70%	4.60%	3.80%

The aging factor assumptions shown above were based on normative data analyses, along with consideration of the results from the 2013 Society of Actuaries sponsored study “Health Care Costs — From Birth to Death” prepared by Dale H. Yamamoto, reporting on the effect of age on claims costs. In addition to age, this study shows the effect of service type (medical vs. pharmacy) and gender on claims costs. We believe they are reasonable, and representative of future cost differences due to age.

Health Care Cost Trend Rates

The health care cost trend assumptions shown below were based on national average information from a variety of sources, including S&P Healthcare Economic Index, National Health Expenditure data, plan renewal data, and vendor Rx reports, with adjustments based on the provisions of the benefits sponsored by Kentucky Community Technical College System. We believe they are reasonable, and representative of future costs increases.

June 30, 2026 Disclosure and July 1, 2026 Expense Trend Rates

Year	KCTCS/UK Pre-65	KCTCS MA Trend	UK MA Trend
2025 – 2026	16.80%	-23.71%	-55.91%
2026 – 2027	8.80%	12.32%	13.30%
2027 – 2028	8.41%	11.66%	12.40%
2028 – 2029	8.02%	10.99%	11.52%
2029 – 2030	7.61%	10.31%	10.64%
2030 – 2031	7.20%	9.62%	9.77%
2031 – 2032	6.77%	8.68%	8.89%
2032 – 2033	6.33%	7.75%	8.01%
2033 – 2034	5.88%	6.85%	7.13%
2034 – 2025	5.42%	5.95%	6.26%
2035 – 2036+	4.96%	5.19%	5.38%
2036 – 2037+	4.50%	4.50%	4.50%

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Inflation Reduction Act — Trend

Prescription drug costs and trends have not been adjusted for the provisions introduced in the Inflation Reduction Act (IRA) related to the manufacturer rebate for certain drugs with prices increasing faster than inflation. There is significant uncertainty about how manufacturers will react to these provisions in drug pricing policy and any Part D inflation rebates generated by that policy will be paid to Medicare rather than to plan sponsors.

Prescription drug costs and trends have not been adjusted for the provisions introduced in the IRA related to Medicare's price negotiations with manufacturers. There is significant uncertainty about the net impact of those negotiations to Part D plan costs. Components of net plan cost other than list price are expected to be impacted, including member cost, manufacturer rebates, manufacturer discounts, federal reinsurance and federal direct subsidy. Reasonable estimates of the net impact of those components combined could result in plan cost that is higher, lower, or unchanged.

ASOP 56:

Models are used to estimate underlying per capita medical and prescription drug costs, subsequently utilized as assumption inputs for valuation models used to develop the liabilities for the 2026 and future valuations. The Aon consulting team leveraged expertise of Health experts within Aon as it relates to reviewing the models developed by experts outside of Aon, and those used for development of the per capita claims costs and future trend rates.

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Actuarial Assumptions and Methods

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Actuarial Assumptions and Methods

Discount Rate	6.50%[1]
20 Yr. Municipal Bond Rate	4.67%
Municipal Bond Rate Basis	Bond Buyer GO 20-Bond Municipal Bond Index
Expected Return on Assets	6.50%
Salary Increases	3.00%
Retirement Age	
Active Participants	30% are assumed to retire at full eligibility (rule of 75 with 15 years of service). See Table 1 for rates at other ages.
Mortality	
Healthy	Base Table: Pub-2016 "Teachers" Employee Mortality Projection: Mortality rates are projected generationally from 2016 using Scale MP-2021
Disabled	Base Table: Pub-2016 "Non-Safety" Disabled Retiree Mortality Projection: Mortality rates are projected generationally from 2016 using Scale MP-2021
Withdrawal Rates	See Table 2
Decrement Timing	Beginning of year decrements
Health Care Participation Rate	
Future Retirees	90% of all future retirees are assumed to elect medical coverage. 15% of retirees electing coverage who are married are assumed to elect spousal coverage. Future UK pre-65 retirees not eligible to retire as of July 1, 2007 are assumed to elect UK benefits. Future KCTCS pre-65 retirees are assumed to elect the same medical plan they currently have as actives. 75% of actives who have waived active coverage and 75% of retirees who have waived pre-65 retiree coverage are assumed to elect a Medicare Advantage Plan once they become eligible. Participation rates are based on actual experience and anticipated experience.

[1] Based on the employer's funding policy, projected assets are projected to always be sufficient to cover projected benefit payments, so the EROA is used as the discount rate.

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Current Retirees	3% of current and future retirees and their spouses are assumed to lapse coverage (based on nature of the Plan as well as actual experience and anticipated experience).
Spouse Coverage Election Rate	
Future Retirees	It is assumed that 60% of males and 40% of females are married and elect coverage for their spouses. Males are assumed to be three years older than their female spouses.
Current Retirees	Spousal coverage is based on actual retiree coverage elections. Actual spouse age is used where available. In instances where this information is not available, males are assumed to be three years older than their female spouses.
Administrative Expenses	Actual administrative expenses during the measurement period are recognized in expense.
Asset Method	Market Value of Assets
Actuarial Cost Method	Entry Age Normal cost method
Measurement Date	June 30, 2026
Measurement Period	June 30, 2025 to June 30, 2026
Valuation Date	July 1, 2025
Census Data	As of April 1, 2025

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Changes in Financial Accounting Methods/Assumptions Since the Prior Year

Method Changes

There have been no method changes in the financial accounting valuation since the prior year.

Assumption Changes

The financial accounting valuation reflects the following assumption changes:

- Trend rates were updated to better reflect expected experience of the plan.

Rationale for Assumptions

Each economic that has a significant effect on the measurement, and that the actuary has determined does not significantly conflict with what, in the actuary's professional judgment, is reasonable for the purpose of the measurement, is reviewed as of each measurement date. Demographic assumptions are reviewed in conjunction with each full valuation based upon recent experience of the plan and adjusted are made as needed. No significant patterns of gains or losses based upon the demographic assumptions have occurred in the last five years.

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Actuarial Assumptions and Methods

Table 1

Retirement Rates

Age	Rate
<50	0.00%
50	1.00%
51	1.00%
52	1.00%
53	1.00%
54	1.00%
55	5.00%
56	3.00%
57	3.00%
58	3.00%
59	3.00%
60	8.00%
61	8.00%
62	20.00%
63	10.00%
64	10.00%
65	50.00%
66	75.00%
67	75.00%
68	75.00%
69	75.00%
70+	100.00%

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Table 2

Withdrawal Rates

Age	Years of Service				Age	Years of Service			
	0	1	2	3+		0	1	2	3+
<20	0.00%	0.00%	0.00%	0.00%	40	25.10%	18.20%	13.60%	7.50%
20	34.30%	28.80%	24.20%	21.40%	41	24.60%	17.70%	13.10%	7.20%
21	33.80%	28.20%	23.60%	20.20%	42	24.20%	17.30%	12.70%	7.00%
22	33.40%	27.60%	23.00%	19.10%	43	23.70%	16.90%	12.30%	6.80%
23	32.90%	27.00%	22.40%	17.90%	44	23.20%	16.60%	12.00%	6.60%
24	32.40%	26.50%	21.90%	16.80%	45	22.80%	16.20%	11.60%	6.30%
25	32.00%	25.90%	21.30%	15.60%	46	22.30%	15.90%	11.30%	6.10%
26	31.50%	25.30%	20.70%	14.50%	47	21.90%	15.50%	10.90%	5.90%
27	31.10%	24.70%	20.10%	13.30%	48	21.40%	15.20%	10.60%	5.60%
28	30.60%	24.20%	19.60%	12.80%	49	20.90%	14.80%	10.20%	5.40%
29	30.10%	23.60%	19.00%	12.20%	50	20.50%	14.50%	9.90%	5.20%
30	29.70%	23.00%	18.40%	11.60%	51	20.00%	14.10%	9.50%	4.90%
31	29.20%	22.40%	17.80%	11.00%	52	19.60%	13.80%	9.20%	4.70%
32	28.80%	21.90%	17.30%	10.50%	53	19.10%	13.50%	8.90%	4.50%
33	28.30%	21.40%	16.80%	10.00%	54	18.60%	13.10%	8.50%	4.30%
34	27.80%	20.90%	16.30%	9.50%	55+	0.00%	0.00%	0.00%	0.00%
35	27.40%	20.50%	15.90%	9.10%					
36	26.90%	20.00%	15.40%	8.60%					
37	26.50%	19.60%	15.00%	8.20%					
38	26.00%	19.10%	14.50%	7.90%					
39	25.50%	18.60%	14.00%	7.70%					

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Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

Kentucky Community & Technical College System selected the economic, demographic and health care claim cost assumptions and prescribed them for use for purposes of compliance with GASB 75. Aon provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and accumulated postretirement benefit obligation for determining OPEB expense is the entry age normal cost method. Under this cost method, the actuarial accrued liability is based on a prorated portion of the present value of all benefits earned to date over expected future working lifetime as defined by GASB. The proration is determined so that the cost with respect to service accrued from date of hire is recognized as a level percentage of pay each year. The Normal Cost is equal to the prorated cost for the year of the valuation.

Accounting Information Under GASB 75

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 75.

The total OPEB liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date. The service cost represents the actuarial present value of benefits that are attributed to the 2027 fiscal year, reflecting the effect of assumed future health care claim cost and/or pay increases.

The total OPEB liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date reflecting all normal costs over the period when benefits were earned.

The OPEB expense is the annual amount to be recognized in the income statement as the cost of OPEB benefits for this plan for the period ending June 30, 2027.

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Plan Provisions

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Plan Provisions

Postretirement Medical Benefits

Eligibility

Rule of 75, with a minimum of fifteen years of service. Employees hired on or after July 1, 2009 are not eligible for KCTCS retiree health benefits, and employees hired on or after January 1, 2006 are not eligible for UK retiree health benefits.

Benefit

Former UK Faculty and Staff

Medical benefits for retirees are provided through the following plans based on Medicare status:

Pre-Medicare: Same plan choices as active employees.

Post-Medicare: UnitedHealthcare Advantage Plan.

Pre-65 retirees who were eligible to retire as of July 1, 2007 receive a credit equal to approximately 90% of the cost of the least expensive pre-Medicare plan for single coverage. Retirees must pay the difference between the credit and the rate for the plan option and tier chosen (which is a retiree rate, not an active rate). The credit for 2025 is $781 per month. There is no dependent subsidy.

Pre-65 retirees who were not eligible to retire as of July 1, 2007 receive a lower percentage of the cost of the least expensive pre-Medicare plan for single coverage. The percentage varies based on age and years of service at retirement. However, such employees may opt over to the KCTCS personnel system and its health insurance.

Age	Service Tiers		
	15 – 19	20 – 24	25+
<60	80%	60%	40%
60	75%	55%	35%
61	70%	50%	30%
62	65%	45%	25%
63	60%	40%	20%
64	55%	35%	15%
65+	10%	10%	10%

Retirees age 65 and older are required to pay the difference between the credit and post-Medicare cost. The post-Medicare credit for 2025 is $186.00 per month. This arrangement post-Medicare generates no "hidden" employer subsidy.

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KCTCS “403b” Retirees	Pre-Medicare retirees continue coverage under the KEHP (state health plan). Pre-Medicare retirees receive coverage at no cost. The premium paid by retirees is less than the actual cost for early retirees. Dependent coverage has the same credit subsidy as active employees. Effective January 1, 2022, benefits for post-Medicare retirees are offered through a Medicare Advantage Plan. The plan includes medical, prescription drug, dental, vision and hearing benefits. Post-Medicare retirees are required to pay the difference between the credit and post-Medicare plan cost. The post-Medicare credit for 2025 is $511.78 per month, not to exceed the cost of the plan the retiree elects.
UK Opt-Over Retirees	Employees under the UK personnel system who met the eligibility requirements to retire under UK were allowed to retire from the UK personnel system, then opt over into the KCTCS personnel system. They have KCTCS benefits but were allowed to either keep their UK retiree health and be subject to the UK Actively Working contribution schedule (the credit is $577 per month) or defer their UK retiree health and enroll in a KCTCS active plan. When they cease working, they will go back to a UK Retiree Health Plan or go into a Medicare Advantage plan if they are over age 65.
Surviving Spouses	Former UK Faculty and Staff: The surviving spouse may receive one-half of the single credit if the retiree had coverage on the spouse and was eligible to receive the credit at the time of death. Surviving spouse coverage continues for life, but the credit ends if the spouse remarries. KCTCS "403(b)" Retirees: The surviving spouse may receive one-half of the single credit if the retiree had coverage on the spouse through KCTCS at the time of death. Surviving spouse coverage continues for life, but the credit ends if the spouse remarries.

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Disabled Participants

Disabled participants are covered on the retiree health plan upon attainment of age 65 unless disability commences after age 60. Then it follows the following schedule:

KCTCS Personnel System

Age	Duration
60 – 64	5 years
65 – 68	to age 70
69 or older	one year

UK Personnel System

Age	Duration
60	60 months
61	48 months
62	42 months
63	36 months
64	30 months
65	24 months
66	21 months
67	18 months
68	15 months
69 and over	12 months

Contributions

Retirees are required to pay the difference between the premium for the medical plan and tier they elect, and the credit outlined above. Below are the 2025 plan year contributions KCTCS and UK retirees pay for retiree health coverage (i.e., active premium rate less credit paid by employer). Post-65 retirees do not pay for retiree health coverage.

KCTCS — Single Rates

Pre-65 Standard PPO	Pre-65 Standard CDHP	Pre-65 Living Well PPO	Pre-65 Living Well CDHP
$0.00	$ 0.00	$ 0.00	$ 0.00

UK — Single Rates

Pre-65 HMO	Pre-65 RHP	Pre-65 PPO	Pre-65 EPO
$45.00	$ 112.00	$ 74.00	$ 347.00

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Total OPEB Liability by College

Agency	TOL 7/1/2026
Ashland Community & Technical College	$ 6,441,718
Big Sandy Community & Technical College	$ 7,049,591
Bluegrass Community & Technical College	$ 16,650,060
Corrections	$ 216,049
Elizabethtown Community & Technical College	$ 10,848,865
Fire Commission	$ 857,842
Gateway Community & Technical College	$ 3,250,610
Hazard Community & Technical College	$ 13,219,210
Henderson Community College	$ 6,784,803
Hopkinsville Community College	$ 7,406,352
Jefferson Community & Technical College	$ 21,448,129
Madisonville Community College	$ 6,766,019
Maysville Community & Technical College	$ 5,948,495
Owensboro Community & Technical College	$ 9,074,062
Somerset Community & Technical College	$ 11,110,601
Sounthcentral Community & Technical College	$ 1,413,737
Southeast Community & Technical College	$ 8,616,139
System Office	$ 15,463,941
Western Kentucky Community & Technical College	$ 9,591,247
Total	**$ 162,157,470**