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November 14, 2023

Mr. David Eager
Executive Director
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

**Re: Contribution Necessary to Fully Prefund a 1.5% Increase in Retiree Benefits on the Systems Operated by the Kentucky Public Pensions Authority on July 1, 2024**

Dear Mr. Eager:

The purpose of this letter is to communicate the financial cost if the General Assembly enacts an increase in monthly retirement allowances as permitted under KRS 61.691(2) and KRS 78.5518(2).

As of the June 30, 2023 actuarial valuation, there are no pension funds with a funding level greater than 100%, and therefore, no increase in monthly retirement allowance can be paid under KRS 61.691(2)(b)1 and KRS 78.5518(2)(b)1.

The contribution necessary to fully prefund a 1.5% increase in all monthly retirement allowances paid by the corresponding pension funds as of July 1, 2024 is provided below. The respective appropriations provided below are sufficient and appropriate to fund a 1.5% benefit increase and therefore, the benefit increase would not impact the on-going employer contribution requirement for the pension funds.

| Pension Fund | Appropriation Necessary to Fully Prefund a 1.5% Increase in Retirement Allowances as of July 1, 2024 |
|---|---|
| KERS Non-Hazardous | $170 million |
| KERS Hazardous | $13 million |
| SPRS | $13 million |
| CERS Non-Hazardous | $137 million |
| CERS Hazardous | $58 million |

The table above reflects the cost of a one-time 1.5% increase in retiree benefits on July 1, 2024 or July 1, 2025. If a 1.5% increase is provided annually over the biennium (i.e. if two 1.5% increases are provided – one on July 1, 2024 and one on July 1, 2025), the cost would be two times what is shown in the table. For example, the cost to the KERS non-hazardous fund would be $340 million ($170 million for each increase).

**Basis of Calculations**

GRS based the calculations and analysis in this letter on the member and financial data provided by KPPA for use in performing the actuarial valuation as of June 30, 2023. Our calculations are based upon assumptions regarding future events, which may or may not materialize. Depending on actual plan experience, actual results could deviate significantly.

All three of the undersigned are members of the American Academy of Actuaries and meet all of the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. In addition, all three are independent of KPPA and are experienced in performing valuations for large public retirement systems. This communication shall not be construed to provide tax advice, legal advice or investment advice.

Sincerely,
**Gabriel, Roeder, Smith & Company**

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

Janie Shaw, ASA, EA, MAAA
Consultant

Krysti Kiesel, ASA, MAAA
Consultant and Actuary