Actuarial Analysis Summary

BR or Bill Ref.	HB406	**Actuarial Analysis Conducted For:**	
Date:	1/30/2026	☐ KERS NH ☐ KERS Haz ☐ SPRS ☐ TRS	
Actuary:	GRS	☒ CERS NH ☒ CERS Haz ☐ LRP ☐ JRP	

Section I: Executive Summary

In the opinion of the actuary, this bill would make the affected state-administered retirement system(s) actuarially:

☐ MORE SOUND ☐ LESS SOUND ☒ NO IMPACT

If actuarially MORE SOUND OR LESS SOUND, please summarize the factors leading to the actuary's opinion:

The proposed legislation requires that the employer contribution rates be increased, effective July 1, 2027, to cover the full actuarial cost of the one-time payment, if elected by the Board of Trustees. As long as employer contribution requirements are increased accordingly, we do not believe this benefit change will impact the current actuarial soundness of the funds.

The additional supplemental payment would be approximately $78 million for the CERS non-hazardous pension fund, which would require a 2.47% increase in the employer contribution rate for one year or a 1.26% of pay increase in the employer contribution rate for two years. Similarly, the additional supplemental payment would be approximately $28 million for the CERS hazardous pension fund, which would require a 3.67% increase in the employer contribution rate for one year or a 1.87% of pay increase in the employer contribution rate for two years.

Does this bill increase or decrease employer costs?	☒ **INCREASE**	☐ **DECREASE**	☐ **NO IMPACT**
Does this bill increase or decrease benefits?	☒ **INCREASE**	☐ **DECREASE**	☐ **NO IMPACT**
Does this bill increase or decrease benefit participation?	☐ **INCREASE**	☐ **DECREASE**	☒ **NO IMPACT**

If the bill impacts employer costs, benefits, or benefit participation, please explain and estimate the impact in Sections II and VI.

Since the stipend is a one-time payment, the cost is immediately incurred and distributed. As such, there is no impact to the long-term cost of the pension funds.

Section II: Financial Projections

	Combined Pension and Retiree Health Plan					
	CERS Non-Hazardous*		CERS Hazardous*		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected Employer Cost* ($ in Millions)						
30-Yr Nominal $	$18,224	$18,224	$8,281	$8,281	N/A	N/A
30-Yr Net Present Value $	$8,286	$8,286	$3,823	$3,823	N/A	N/A
Proj. Normal Cost for New Hire	4.34% of pay	4.34% of pay	8.11% of pay	8.11% of pay	N/A	N/A

**Projected costs are for all employers and all fund sources for entire 30-year period.*
Proj. normal cost is the normal cost for new hires after subtracting employee contributions.

	Pension Plan					
	CERS Non-Hazardous		CERS Hazardous		N/A	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL ($ in Millions)						
Baseline (Year 1)	$6,240	$6,240	$2,709	$2,709	N/A	N/A
5 Years	$5,385	$5,385	$2,363	$2,363	N/A	N/A
10 Years	$5,025	$5,025	$2,162	$2,162	N/A	N/A
20 Years	$2,965	$2,965	$1,182	$1,182	N/A	N/A
30 Years	$0	$0	$0	$0	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	61%	61%	57%	57%	N/A	N/A
5 Years	69%	69%	66%	66%	N/A	N/A
10 Years	73%	73%	73%	73%	N/A	N/A
20 Years	86%	86%	89%	89%	N/A	N/A
30 Years	100%	100%	100%	100%	N/A	N/A

	Retiree Health Plan					
	CERS Non-Hazardous		**CERS Hazardous**		**N/A**	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL ($ in Millions)						
Baseline (Year 1)	($231)	($231)	$177	$177	N/A	N/A
5 Years	($366)	($366)	$86	$86	N/A	N/A
10 Years	($256)	($256)	$131	$131	N/A	N/A
20 Years	($166)	($166)	$158	$158	N/A	N/A
30 Years	($308)	($308)	$0	$0	N/A	N/A
Projected Funding Ratio (%)						
Baseline (Year 1)	107%	107%	91%	91%	N/A	N/A
5 Years	109%	109%	96%	96%	N/A	N/A
10 Years	106%	106%	94%	94%	N/A	N/A
20 Years	103%	103%	93%	93%	N/A	N/A
30 Years	104%	104%	100%	100%	N/A	N/A

Section III: Brief Summary of Bill

The proposed legislation allows the Board of Trustees to elect to provide recipients of a monthly retirement allowance from CERS a one-time supplemental payment added to their July 2026 retirement allowance payment, equal to the monthly retirement allowance the recipient receives from the system in the month of June 2026. The member must have been retired from the retirement system for at least 12 months.

The proposed legislation further requires employer contribution rates be increased, effective July 1, 2027, to cover the full actuarial cost of the one-time payment.

Section IV: Statement of Assumptions and Methods

Did the analysis rely solely upon the same assumptions & methods previously established and utilized by the actuary in the retirement system's most recent actuarial valuation? ☒ **YES** ☐ **NO**

If NO, please describe each new assumption or method utilized, the basis for selecting the revised assumption or method, and whether each new assumption or method increased or decreased projected employer costs:
N/A

Section V: Comment from Actuary

N/A

Section VI: Detailed Actuarial Analysis and Projections *(May be attached as Appendix)*

Please see attached.

Actuarial Analysis Summary

BR or Bill Ref.	HB406	**Actuarial Analysis Conducted For:**	
Date:	1/30/2026	☒ KERS NH ☒ KERS Haz ☒ SPRS ☐ TRS	
Actuary:	GRS	☐ CERS NH ☐ CERS Haz ☐ LRP ☐ JRP	

Section I: Executive Summary

In the opinion of the actuary, this bill would make the affected state-administered retirement system(s) actuarially:

☐ MORE SOUND ☐ LESS SOUND ☒ NO IMPACT

If actuarially MORE SOUND OR LESS SOUND, please summarize the factors leading to the actuary's opinion:

The appropriations for the KERS and SPRS pension funds are sufficient and appropriate to fund the one-time supplemental payment in July 2026. As a result, this proposed legislation does not have an impact on the on-going employer contribution requirement for either of the KERS or SPRS pension funds.

Does this bill increase or decrease employer costs?	☐ **INCREASE**	☐ **DECREASE**	☒ **NO IMPACT**
Does this bill increase or decrease benefits?	☒ **INCREASE**	☐ **DECREASE**	☐ **NO IMPACT**
Does this bill increase or decrease benefit participation?	☐ **INCREASE**	☐ **DECREASE**	☒ **NO IMPACT**

If the bill impacts employer costs, benefits, or benefit participation, please explain and estimate the impact in Sections II and VI.

Since the stipend is a one-time payment, the cost is immediately incurred and distributed. As such, there is no impact to the long-term cost of the pension funds.

Section II: Financial Projections

	Combined Pension and Retiree Health Plan					
	KERS Non-Hazardous*		KERS Hazardous*		SPRS*	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected Employer Cost* ($ in Millions)						
30-Yr Nominal $	$25,188	$25,188	$1,213	$1,213	$1,113	$1,113
30-Yr Net Present Value $	$13,990	$13,990	$605	$605	$580	$580
Proj. Normal Cost for New Hire	4.42% of pay	4.42% of pay	6.70% of pay	6.70% of pay	19.10% of pay	19.10% of pay

**Projected costs are for all employers and all fund sources for entire 30-year period.*
Proj. normal cost is the normal cost for new hires after subtracting employee contributions.

	Pension Plan					
	KERS Non-Hazardous		KERS Hazardous		SPRS	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL ($ in Millions)						
Baseline (Year 1)	$12,029	$12,029	$412	$412	$430	$430
5 Years	$10,391	$10,391	$296	$296	$330	$330
10 Years	$8,819	$8,819	$260	$260	$311	$311
20 Years	$4,034	$4,034	$153	$153	$222	$222
30 Years	$0	$0	$0	$0	$0	$0
Projected Funding Ratio (%)						
Baseline (Year 1)	29%	29%	72%	72%	62%	62%
5 Years	38%	38%	82%	82%	72%	72%
10 Years	46%	46%	86%	86%	74%	74%
20 Years	73%	73%	94%	94%	83%	83%
30 Years	100%	100%	100%	100%	100%	100%

	Retiree Health Plan					
	KERS Non-Hazardous		KERS Hazardous		SPRS	
	Current	Proposed	Current	Proposed	Current	Proposed
Projected UAL ($ in Millions)						
Baseline (Year 1)	$657	$657	($280)	($280)	($4)	($4)
5 Years	$600	$600	($389)	($389)	($16)	($16)
10 Years	$661	$661	($517)	($517)	($12)	($12)
20 Years	$541	$541	($942)	($942)	($6)	($6)
30 Years	$0	$0	($1,744)	($1,744)	($16)	($16)
Projected Funding Ratio (%)						
Baseline (Year 1)	74%	74%	167%	167%	102%	102%
5 Years	77%	77%	188%	188%	106%	106%
10 Years	75%	75%	216%	216%	105%	105%
20 Years	78%	78%	301%	301%	103%	103%
30 Years	100%	100%	432%	432%	107%	107%

Section III: Brief Summary of Bill

The proposed legislation provides recipients of a monthly retirement allowance from the Kentucky Employees Retirement System (KERS) or the State Police Retirement System (SPRS) a one-time supplemental payment added to their July 2026 retirement allowance payment, equal to the monthly retirement allowance the recipient receives from the system in the month of June 2026. The member must have been retired from the retirement system for at least 12 months.

The proposed legislation further appropriates $84 million to the KERS non-hazardous pension fund, $7 million to the KERS hazardous pension fund, and $5 million to the SPRS pension fund in FYE 2027 in order to fund the proposed payments.

Section IV: Statement of Assumptions and Methods

Did the analysis rely solely upon the same assumptions & methods previously established and utilized by the actuary in the retirement system's most recent actuarial valuation?

☒ **YES** ☐ **NO**

If NO, please describe each new assumption or method utilized, the basis for selecting the revised assumption or method, and whether each new assumption or method increased or decreased projected employer costs:

N/A

Section V: Comment from Actuary

N/A

Section VI: Detailed Actuarial Analysis and Projections *(May be attached as Appendix)*

Please see attached.

P: 469.524.0000 | www.grsconsulting.com

January 30, 2026

Mr. Ryan Barrow
Executive Director
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, KY 40601

Re: Actuarial Analysis of Proposed Legislation HB 406 (26 RS BR 1542) and its Financial Impact on the Systems Maintained by KPPA

Dear Mr. Barrow:

We have reviewed the proposed legislation HB 406 (26 RS BR 1542), and the purpose of this letter is to communicate the actuarial analysis of this legislation in regards to the five Systems administered by the Kentucky Public Pensions Authority (KPPA).

Summary of Provisions of Proposed Legislation and Fiscal Impact

The proposed legislation provides recipients of a monthly retirement allowance from the Kentucky Employees Retirement System (KERS) or the State Police Retirement System (SPRS) a one-time supplemental payment added to their July 2026 retirement allowance payment, equal to the monthly retirement allowance the recipient receives from the system in the month of June 2026. The member must have been retired from the retirement system for at least 12 months. This payment is often referred to as a 13th Check.

The proposed legislation further appropriates $84 million to the KERS non-hazardous pension fund, $7 million to the KERS hazardous pension fund, and $5 million to the SPRS pension fund in FYE 2027 in order to fund the proposed payments. Additionally, Section 3 of the proposed legislation allows the Board of Trustees of the County Employees Retirement System (CERS) to elect to provide the same supplemental payment to CERS annuitants so long as employer contribution rates are increased, effective July 1, 2027, to cover the full actuarial cost of the one-time payment.

The appropriations for the KERS and SPRS pension funds are sufficient and appropriate to fund the one-time supplemental payment in July 2026. As a result, this proposed legislation does not have an impact on the on-going employer contribution requirement for either of the KERS or SPRS pension funds. Additionally, since the stipend is a one-time payment, the cost is immediately incurred and distributed. As such, there is no impact to the long-term cost of the pension funds.

The additional supplemental payment would be approximately $78 million to the retirees in the CERS non-hazardous pension fund and $28 million to the retirees in the CERS hazardous pension fund. The following table provides the increase in the employer contribution requirements required to fund the full actuarial cost over a one-year and two-year period, as allowed under the proposed legislation.

System	Supplemental Payment	Estimated FYE2027 Payroll	1-Year Cost	2-Year Cost
CERS Non-Hazardous	$78 million	$3,404 million	2.47%	1.26%
CERS Hazardous	$28 million	$823 million	3.67%	1.87%

The table below provides the number of annuitants in each pension fund as well as the estimated average one-time payment that would be provided to each annuitant.

Pension Fund	Number of Annuitants	Average Stipend Amount
KERS Non-Hazardous	48,594	$1,736
KERS Hazardous	5,043	$1,300
SPRS	1,693	$3,127
CERS Non-Hazardous	73,570	$1,060
CERS Hazardous	12,074	$2,350

Note: Demographics based on the census data as of June 30, 2025

Basis of Calculations

GRS based the calculations and analysis in this letter on the member data provided by KPPA for use in performing the actuarial valuation as of June 30, 2025. Since the stipend is a one-time benefit, there are not any significant assumptions or methods required to determine the fiscal cost.

We are not attorneys, and we cannot provide a legal opinion regarding the changes in this proposed legislation. Nothing in this letter should be construed as providing legal, investment or tax advice.

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 and Actuary

Janie Shaw, ASA, EA, MAAA
Consultant and Actuary

Krysti Kiesel, ASA, EA, MAAA
Consultant and Actuary