

**Kentucky Judicial Form Retirement System**  
**Financial Statements**  
**Years Ended June 30, 2019 and 2018**

## Kentucky Judicial Form Retirement System

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Years Ended June 30, 2019 and 2018

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## **Independent Auditor's Report**

To the Board of Trustees  
**Kentucky Judicial Form Retirement System**

We have audited the accompanying financial statements of the Kentucky Judicial Form Retirement System, a component unit of Commonwealth of Kentucky (the "System"), which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements which collectively comprise the financial statements of the System.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

MCM CPAs & Advisors LLP

P 859.514.7800  
F 859.514.7805  
1000 Vine Center  
333 West Vine Street  
Lexington, KY 40507  
www.mcmcpa.com  
888.587.1719

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## **Independent Auditor's Report (Continued)**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Kentucky Judicial Form Retirement System, a component unit of the Commonwealth of Kentucky, at June 30, 2019 and 2018 and the respective changes in its fiduciary net position for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 6 and the Schedules of Changes in Net Pension Liability and Related Ratios (pages 40 through 43), Schedules of Changes in Net OPEB Liability and Related Ratios (pages 44 through 47), Schedules of Pension Contributions (pages 48 through 51), Schedules of OPEB Contributions (pages 52 through 55), and Schedules of Investment Returns (page 56) be presented to supplement the basic financial statements. Such information, 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2019, on our consideration of the Kentucky Judicial Form Retirement System'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 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 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 the Kentucky Judicial Form Retirement System's internal control over financial reporting and compliance.

MCM CPAs & Advisors LLP

Lexington, Kentucky  
October 10, 2019

## **Kentucky Judicial Form Retirement System Management's Discussion and Analysis Years Ended June 30, 2019 and 2018**

As management of the Kentucky Judicial Form Retirement System (the "System"), a component unit of the Commonwealth of Kentucky, we offer readers of the System's financial statements this narrative overview and analysis of the financial activities of the System for the fiscal years ending June 30, 2019 and 2018. The two retirement plans within the System are the Kentucky Judicial Retirement Plan and the Kentucky Legislators Retirement Plan (collectively, the "Plans"). We encourage readers to read it in conjunction with the System's financial statements and accompanying notes.

### **Using this Financial Report**

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect a plan's ongoing plan perspective. The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position (on pages 7 through 10) provide information about the activities of the Plans as a whole. The Kentucky Judicial Retirement Plan is the fiduciary of funds held in trust for its members, and the Kentucky Legislators Retirement Plan is the fiduciary of funds held in trust for its members.

The Schedules of Changes in Net Pension Liability and Related Ratios (on pages 40 through 43) and the Schedules of Changes in Net OPEB Liability and Related Ratios (on pages 44 through 47) include information about the actuarially funded status of each defined benefit pension plan, including the sources of changes in the net pension liability and the components of the net pension liability. The Schedule of Pension Contributions (on pages 48 through 51) and the Schedule of OPEB Contributions (on pages 52 through 55) include information about the actuarially determined contributions, contributions to each defined benefit and hybrid plan. The Schedules of Investment Returns (on page 56) include information on the rate of return on plan investments.

### **Medical Insurance**

For purposes of disclosures required by Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (OPEB), assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has been brought forward from that date based on actual cash flows and prorated allocation of investment return.

### **Financial Highlights**

#### *Judicial Retirement Plan*

In the fiscal years ended June 30, 2019 and 2018, the Judicial Retirement Plan experienced:

- An increase in fiduciary net position of \$33.6 million, from \$397.6 million to \$431.2 million in fiscal year 2019 and an increase of \$25.8 million, from \$371.8 million to \$397.6 million in fiscal year 2018. The increase in both years is primarily due to investment earnings.
- A \$5.1 million decrease and a \$592,000 increase in employer contributions during fiscal years 2019 and 2018, respectively. The decrease and increase each year are directly related to the amount appropriated by the Commonwealth of Kentucky.
- A \$14.6 million increase in net investment income from \$34.9 million in fiscal year 2018 to \$49.5 million in fiscal year in 2019. A \$8.8 million decrease in net investment income from \$43.7 million in fiscal year 2017, to \$34.9 million in fiscal year 2018. The change each year is due primarily to the amount of appreciation (depreciation) of investments held.

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2019 and 2018**

**Financial Highlights (Continued)**

*Judicial Retirement Plan (Continued)*

- An increase of \$715,000 and \$187,000 in benefit payments during fiscal years 2019 and 2018 respectively, with aggregate benefit payments of \$23.9 million and \$23.2 million in fiscal years 2019 and 2018, respectively.

Summary of Fiduciary Net Position	June 30,				
	2019	% Increase (Decrease)	2018	% Increase (Decrease)	2017
Cash and investments	\$ 429,627,364	8.51%	\$ 395,921,340	6.84%	\$ 370,573,944
Receivables	<u>1,531,957</u>	-6.53%	<u>1,638,931</u>	30.72%	<u>1,253,762</u>
Fiduciary Net Position	<u>\$ 431,159,321</u>	8.45%	<u>\$ 397,560,271</u>	6.92%	<u>\$ 371,827,706</u>
<b>Summary of Changes in Fiduciary Net Position</b>	<b>2019</b>	<b>% Increase (Decrease)</b>	<b>2018</b>	<b>% Increase (Decrease)</b>	<b>2017</b>
<b>Additions</b>					
Employer contributions	\$ 8,732,300	-36.75%	\$ 13,805,475	4.48%	\$ 13,213,931
Member contributions	1,592,479	-27.47%	2,195,624	23.22%	1,781,858
Net investment income	49,474,169	41.81%	34,886,699	-20.18%	43,707,684
Appropriations for administrative expense	834,100	46.87%	567,900	3.62%	548,041
Litigation proceeds	<u>6,594</u>	100.00%	<u>-</u>	-100.00%	<u>154</u>
Total Additions	60,639,642	17.85%	51,455,698	-13.16%	59,251,668
<b>Deductions</b>					
Benefit payments	23,908,942	3.08%	23,193,774	0.81%	23,007,246
Insurance premiums	1,966,712	0.24%	1,962,008	0.97%	1,943,171
Administrative expenses	834,100	46.87%	567,900	96.64%	288,800
Refund of member contributions	<u>330,838</u>	-66400.20%	<u>(499)</u>	N/A	<u>4,404</u>
Total Deductions	<u>27,040,592</u>	5.12%	<u>25,723,183</u>	1.90%	<u>25,243,621</u>
Change in Fiduciary Net Position	<u>\$ 33,599,050</u>	30.57%	<u>\$ 25,732,515</u>	-24.33%	<u>\$ 34,008,047</u>

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2019 and 2018**

**Financial Highlights (Continued)**

*Legislators Retirement Plan*

In the fiscal years ended June 30, 2019 and 2018, the Legislators Retirement Plan experienced:

- An increase in fiduciary net position of \$9.2 million, from \$118.0 million to \$127.2 million in fiscal year 2019 and an increase of \$7.5 million, from \$110.5 million to \$118.0 million in fiscal year 2018. The increase in both years is primarily due to investment earnings.
- A \$2.4 million and \$70,000 decrease in employer contributions during fiscal years 2019 and 2018, respectively. The decrease each year is directly related to the amount appropriated by the Commonwealth of Kentucky.
- An increase in net investment income of \$4.1 million, from \$10.2 million in fiscal year 2018 to \$14.3 million in fiscal year in 2019, and a decrease in net investment income of \$2.6 million, from \$12.8 million in fiscal year 2017 to \$10.2 million in fiscal year 2018. The change each year is due primarily to the amount of appreciation (depreciation) of investments held.
- An increase of \$203,000 and \$272,000 in benefit payments during fiscal years 2019 and 2018 respectively, with aggregate benefit payments of \$4.7 million and \$4.5 million in fiscal years 2019 and 2018, respectively.

Summary of Fiduciary Net Position	June 30,				
	2019	% Increase (Decrease)	2018	% Increase (Decrease)	2017
Cash and investments	\$ 126,838,870	7.94%	\$ 117,513,475	6.71%	\$ 110,123,844
Receivables	406,263	-18.22%	496,751	43.32%	346,599
<b>Fiduciary Net Position</b>	<b>\$ 127,245,133</b>	<b>7.83%</b>	<b>\$ 118,010,226</b>	<b>6.83%</b>	<b>\$ 110,470,443</b>
Summary of Changes in Fiduciary Net Position	2019	% Increase (Decrease)	2018	% Increase (Decrease)	2017
<b>Additions</b>					
Employer contributions	\$ -	-100.00%	\$ 2,405,500	-2.83%	\$ 2,475,545
Member contributions	211,105	-12.85%	242,235	-24.19%	319,514
Net investment income	14,343,715	40.54%	10,206,436	-20.33%	12,811,155
Appropriations for administrative expense	309,800	54.21%	200,900	-3.46%	208,091
Litigation proceeds	3,596	100.00%	-	-100.00%	3,251
Employer pay credit	887	100.00%	-	0.00%	-
<b>Total Additions</b>	<b>14,869,103</b>	<b>13.90%</b>	<b>13,055,071</b>	<b>-17.46%</b>	<b>15,817,556</b>
<b>Deductions</b>					
Benefit payments	4,728,939	4.49%	4,525,599	6.40%	4,253,555
Insurance premiums	766,517	1.06%	758,496	6.89%	709,612
Administrative expenses	138,740	-39.50%	229,305	10.19%	208,091
Refund of member contributions	-	-100.00%	1,888	N/A	2,938
<b>Total Deductions</b>	<b>5,634,196</b>	<b>2.16%</b>	<b>5,515,288</b>	<b>6.59%</b>	<b>5,174,196</b>
<b>Change in Fiduciary Net Position</b>	<b>\$ 9,234,907</b>	<b>22.48%</b>	<b>\$ 7,539,783</b>	<b>-29.16%</b>	<b>\$ 10,643,360</b>

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2019 and 2018**

**Discussion of Currently Known Facts, Decisions, or Conditions**

Accounting standards require that the Statement of Fiduciary Net Position state asset value at fair value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the defined benefit pension plans and the medical insurance plans is provided in the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Changes in Net OPEB Liability and Related Ratios, respectively.

Annual contributions of the Commonwealth are set by the Kentucky Revised Statutes. During the years ended June 30, 2015 through June 30, 2018, the General Assembly appropriated the statutorily-required annual contributions to both the Judicial Plan and Legislators Plan. During the years ended June 30, 2011 through June 30, 2014, the General Assembly suspended state statutes so that contributions could be reduced. In the Judicial Plan, the reductions were: FY11, 44%; FY12, 48%; FY13, 69% and, FY14, 71%. In the Legislators Plan, the reductions were: FY11, 44%; FY12, 48%; FY13, 53% and, FY14, 57%. The Schedules of Pension Contributions and Schedules of OPEB Contributions (on pages 48 through 55) indicate the contributions that have been made while the statutes were suspended. During the year ended June 30, 2019, the General Assembly appropriated the statutorily-required annual contributions for the Judicial Plan only. The General Assembly suspended state statutes so that contributions could be reduced for the Legislators Plan. There were no contributions appropriated to the Legislative Plan in fiscal year 2019.

**Contacting the System**

This financial report is designed to provide a general overview of the System's finances. If you have any questions concerning the information provided, contact the Kentucky Judicial Form Retirement System at 305 Ann Street, Frankfort, KY 40601.

**Kentucky Judicial Form Retirement System**  
**Statement of Fiduciary Net Position**  
**Year Ended June 30, 2019**

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
Cash and Cash Equivalents	\$ 98,027	\$ 27,835	\$ 125,862	\$ 64,061	\$ 41,726	\$ 105,787	\$ 231,649
Receivables							
Accrued interest receivable	929,290	263,872	1,193,162	200,760	130,764	331,524	1,524,686
Dividend receivable	161,412	45,833	207,245	36,462	23,750	60,212	267,457
Members' contribution receivable	106,093	25,457	131,550	7,798	6,729	14,527	146,077
Total Receivables	1,196,795	335,162	1,531,957	245,020	161,243	406,263	1,938,220
Investments at Fair Value							
Investments held by State Treasury	11,154	3,167	14,321	119,269	77,685	196,954	211,275
Governmental securities	7,717,605	2,191,413	9,909,018	2,031,882	1,323,456	3,355,338	13,264,356
Foreign governmental securities	1,955,606	555,294	2,510,900	364,924	237,692	602,616	3,113,516
Corporate notes	72,907,434	20,702,060	93,609,494	16,897,511	11,006,105	27,903,616	121,513,110
Common stock	251,922,509	71,535,260	323,457,769	57,339,069	37,335,490	94,674,559	418,132,328
Total Investments	334,514,308	94,987,194	429,501,502	76,752,655	49,980,428	126,733,083	556,234,585
Fiduciary Net Position - Restricted for Pension and Other Post-employment Benefits	\$ 335,809,130	\$ 95,350,191	\$ 431,159,321	\$ 77,061,736	\$ 50,183,397	\$ 127,245,133	\$ 558,404,454

See accompanying notes.

**Kentucky Judicial Form Retirement System**  
**Statement of Fiduciary Net Position**  
**Year Ended June 30, 2018**

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
Cash and Cash Equivalents	\$ 276,018	\$ 76,555	\$ 352,573	\$ 12,429	\$ 7,720	\$ 20,149	\$ 372,722
Receivables							
Accrued interest receivable	1,013,664	281,143	1,294,807	258,015	160,249	418,264	1,713,071
Dividend receivable	169,078	46,895	215,973	39,524	24,547	64,071	280,044
Members' contribution receivable	110,438	17,713	128,151	11,162	3,254	14,416	142,567
Total Receivables	1,293,180	345,751	1,638,931	308,701	188,050	496,751	2,135,682
Investments at Fair Value							
Investments held by State Treasury	67,070	18,602	85,672	30,679	19,054	49,733	135,405
Governmental securities	6,366,074	1,765,656	8,131,730	1,160,236	720,599	1,880,835	10,012,565
Foreign governmental securities	1,988,544	551,531	2,540,075	376,057	233,561	609,618	3,149,693
Corporate notes	76,273,118	21,154,648	97,427,766	18,989,080	11,793,741	30,782,821	128,210,587
Common stock	224,983,150	62,400,374	287,383,524	51,932,523	32,237,796	84,170,319	371,553,843
Total Investments	309,677,956	85,890,811	395,568,767	72,488,575	45,004,751	117,493,326	513,062,093
Fiduciary Net Position - Restricted for Pension and Other Post-employment Benefits	\$ 311,247,154	\$ 86,313,117	\$ 397,560,271	\$ 72,809,705	\$ 45,200,521	\$ 118,010,226	\$ 515,570,497

See accompanying notes.

**Kentucky Judicial Form Retirement System  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2019**

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
<b>Additions</b>							
Contributions							
Employer	\$ 8,732,300	\$ -	\$ 8,732,300	\$ -	\$ -	\$ -	\$ 8,732,300
Member	1,549,881	42,598	1,592,479	198,327	12,778	211,105	1,803,584
<b>Total Contributions</b>	<b>10,282,181</b>	<b>42,598</b>	<b>10,324,779</b>	<b>198,327</b>	<b>12,778</b>	<b>211,105</b>	<b>10,535,884</b>
Appropriations for administrative expenses	649,636	184,464	834,100	187,605	122,195	309,800	1,143,900
Litigation proceeds	-	6,594	6,594	2,178	1,418	3,596	10,190
Employer pay credit	-	-	-	537	350	887	887
<b>Investments</b>							
Net appreciation (realized and unrealized)	31,438,041	8,932,848	40,370,889	7,086,555	4,639,733	11,726,288	52,097,177
Interest	2,114,254	600,342	2,714,596	460,035	299,642	759,677	3,474,273
Dividends	4,976,446	1,413,062	6,389,508	1,125,119	732,841	1,857,960	8,247,468
<b>Total Investment Income</b>	<b>38,528,741</b>	<b>10,946,252</b>	<b>49,474,993</b>	<b>8,671,709</b>	<b>5,672,216</b>	<b>14,343,925</b>	<b>63,818,918</b>
Less investment expenses	642	182	824	127	83	210	1,034
<b>Net Investment Income</b>	<b>38,528,099</b>	<b>10,946,070</b>	<b>49,474,169</b>	<b>8,671,582</b>	<b>5,672,133</b>	<b>14,343,715</b>	<b>63,817,884</b>
<b>Total Additions</b>	<b>49,459,916</b>	<b>11,179,726</b>	<b>60,639,642</b>	<b>9,060,229</b>	<b>5,808,874</b>	<b>14,869,103</b>	<b>75,508,745</b>
<b>Deductions</b>							
Benefit payments	23,908,942	-	23,908,942	4,728,939	-	4,728,939	28,637,881
Insurance premiums	-	1,966,712	1,966,712	-	766,517	766,517	2,733,229
Administrative expense	658,160	175,940	834,100	79,259	59,481	138,740	972,840
Refund of member contributions	330,838	-	330,838	-	-	-	330,838
<b>Total Deductions</b>	<b>24,897,940</b>	<b>2,142,652</b>	<b>27,040,592</b>	<b>4,808,198</b>	<b>825,998</b>	<b>5,634,196</b>	<b>32,674,788</b>
<b>Net Increase in Plan Position</b>	<b>24,561,976</b>	<b>9,037,074</b>	<b>33,599,050</b>	<b>4,252,031</b>	<b>4,982,876</b>	<b>9,234,907</b>	<b>42,833,957</b>
Fiduciary Net Position - Restricted, beginning of year	311,247,154	86,313,117	397,560,271	72,809,705	45,200,521	118,010,226	515,570,497
<b>Fiduciary Net Position - Restricted, end of year</b>	<b>\$ 335,809,130</b>	<b>\$ 95,350,191</b>	<b>\$ 431,159,321</b>	<b>\$ 77,061,736</b>	<b>\$ 50,183,397</b>	<b>\$ 127,245,133</b>	<b>\$ 558,404,454</b>

See accompanying notes.

**Kentucky Judicial Form Retirement System  
Statement of Changes in Fiduciary Net Position  
Year Ended June 30, 2018**

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
<b>Additions</b>							
Contributions							
Employer	\$ 12,528,690	\$ 1,276,785	\$ 13,805,475	\$ 2,399,944	\$ 5,556	\$ 2,405,500	\$ 16,210,975
Member	1,977,290	218,334	2,195,624	232,774	9,461	242,235	2,437,859
Total Contributions	14,505,980	1,495,119	16,001,099	2,632,718	15,017	2,647,735	18,648,834
Appropriations for administrative expenses	444,591	123,309	567,900	123,930	76,970	200,900	768,800
<b>Investments</b>							
Net appreciation (realized and unrealized)	20,744,182	5,856,975	26,601,157	4,819,682	2,957,264	7,776,946	34,378,103
Interest	2,018,136	559,737	2,577,873	756,912	470,103	1,227,015	3,804,888
Dividends	4,578,617	1,269,897	5,848,514	766,914	476,315	1,243,229	7,091,743
Total Investment Income	27,340,935	7,686,609	35,027,544	6,343,508	3,903,682	10,247,190	45,274,734
Less investment expenses	110,263	30,582	140,845	25,140	15,614	40,754	181,599
Net Investment Income	27,230,672	7,656,027	34,886,699	6,318,368	3,888,068	10,206,436	45,093,135
Total Additions	42,181,243	9,274,455	51,455,698	9,075,016	3,980,055	13,055,071	64,510,769
<b>Deductions</b>							
Benefit payments	23,193,774	-	23,193,774	4,525,599	-	4,525,599	27,719,373
Insurance premiums	-	1,962,008	1,962,008	-	758,496	758,496	2,720,504
Administrative expense	458,270	109,630	567,900	108,175	121,130	229,305	797,205
Refund of member contributions	(391)	(108)	(499)	1,888	-	1,888	1,389
Total Deductions	23,651,653	2,071,530	25,723,183	4,635,662	879,626	5,515,288	31,238,471
Net Increase in Plan Position	18,529,590	7,202,925	25,732,515	4,439,354	3,100,429	7,539,783	33,272,298
Fiduciary Net Position - Restricted, beginning of year	292,717,564	79,110,192	371,827,756	68,370,351	42,100,092	110,470,443	482,298,199
Fiduciary Net Position - Restricted, end of year	\$ 311,247,154	\$ 86,313,117	\$ 397,560,271	\$ 72,809,705	\$ 45,200,521	\$ 118,010,226	\$ 515,570,497

See accompanying notes.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2019 and 2018**

**Note A - Description of the System**

Under the provisions of the Kentucky Revised Statutes, the Kentucky Judicial Retirement Plan and the Kentucky Legislators Retirement Plan have the same Board of Trustees and are coordinated administratively as the Kentucky Judicial Form Retirement System (the "System"). As a result of the common governance, the financial statements for the respective plans are presented on a combined basis. The Board of Trustees of the System consists of eight members, three of whom are appointed by the Supreme Court, two by the Governor, one by the President of the Kentucky Senate, one by the Speaker of the Kentucky House of Representatives, and one by the President and Speaker jointly. Although the Plans share a common Board of Trustees, each Plan maintains its own investments and pays benefits to its members only from its own assets. Each Plan has a defined benefit and hybrid cash balance component which provide both pension and medical benefits to members.

The System is a component unit of the Commonwealth of Kentucky ("Commonwealth"). The System's fiduciary net position and the changes in the System's fiduciary net position are included in the Commonwealth's Comprehensive Annual Financial Report ("CAFR") as a pension trust fund in the fiduciary funds financial statement. Financial statements of the Commonwealth and its component units that form the Commonwealth reporting entity have been issued separately and are audited by the elected Auditor of Public Accounts.

**Note B - Summary of Significant Accounting Policies**

1. Basis of Accounting: The financial statements of the System have been prepared in accordance with generally accepted accounting principles ("GAAP") as it applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Standards and Interpretations), constitute GAAP for governmental units.
2. Accounting Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.
3. Subsequent Events: Subsequent events for the System have been considered through the date of the Independent Auditor's Report, which represents the date the financial statements were available to be issued.
4. Cash and Cash Equivalents: The System considers all cash and short-term investments with an original maturity of three months or less to be cash and cash equivalents.
5. Member Contributions: Member contributions to the plans are recognized when due to the System based on the provisions of the plans.
6. Benefit Payments and Refunds: Benefit payments and refunds are recognized when due and payable in accordance with the terms of the plans.
7. Investments: Plan investments are reported at fair value. Fair value is the amount that the Plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note B - Summary of Significant Accounting Policies (Continued)**

8. Net Pension and OPEB Liabilities: The System obtains actuarial valuation reports to estimate the net pension and other post-employment benefits ("OPEB") liabilities on a bi-annual basis. The most recent actuarial valuation had a measurement date of July 1, 2019.
9. New Accounting Pronouncements: In June 2017, the GASB issued statement No. 87, Leases. The provisions of this statement are effective for fiscal years beginning after December 1, 2019. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government entity's leasing activities. The System is currently evaluating the impact that will result from adopting the GASB statement and is currently unable to disclose the impact of adoption of the standards on the financial position and operations.

**Note C - Plan Description and Contribution Information**

Kentucky Judicial Retirement Plan

*Membership - Defined Benefit Plan*

Total membership in the defined benefit plan of the Kentucky Judicial Retirement Plan ("Judicial DB Plan") consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Retirees and Beneficiaries Receiving Benefits	354	339
Terminated Plan Members - Vested	13	16
Active Plan Members	<u>197</u>	<u>213</u>
Total	<u><u>564</u></u>	<u><u>568</u></u>
Number of Participating Employers	<u><u>1</u></u>	<u><u>1</u></u>

*Membership - Hybrid Cash Balance Plan*

Membership in the hybrid cash balance plan of the Kentucky Judicial Retirement Plan ("Judicial HCB Plan") consists of 41 individuals at June 30, 2019 and 29 individuals at June 30, 2018. In 2019, there were two non-vested members that were terminated. All other individuals in the hybrid cash balance plan are active plan members.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note C - Plan Description and Contribution Information (Continued)**

Kentucky Judicial Retirement Plan (Continued)

*Plan Description - Defined Benefit Plan*

The Kentucky Judicial Retirement Plan contains a single-employer defined benefit plan that provides retirement benefits and medical insurance premium supplements, and covers the District, Circuit, Court of Appeals and Supreme Court judges.

The Judicial DB Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Prior to June 30, 2009, cost-of-living adjustments ("COLA"), keyed to the Consumer Price Index, were provided on July 1 of each year. Commencing in 2009, the COLA on July 1 of each year is 1.50%. The COLA created in 2009 was suspended by legislative action in 2012, and no COLA's have since been granted. By legislative action in 2013, the statute was amended to provide that each July 1, a recipient of a monthly pension benefit from the Judicial DB Plan shall receive a 1.50% cost-of-living adjustment (pro-rated for the first year, if the recipient has been retired for less than one year) if:

1. The funding level of the Judicial DB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
2. The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

Supplemental increases to the 1.50% cost-of-living adjustment will require prefunding, appropriation and legislative action by the Kentucky General Assembly.

Additionally, legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the current 60-month average earnings of the position held by the member at the time of retirement, subject to a 4.0% COLA annually.

As an additional retirement benefit, the Judicial DB Plan will pay a percentage, based on years of service, of the members' hospital and medical insurance coverage for the retirees and their qualified dependents.

Vesting is achieved when the member has eight years of state governmental service credit. Former members who are not vested are entitled to a refund of their accumulated contributions.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

As of January 1, 2014, participation in the Judicial DB Plan is closed to new members. All new members of the Judicial Plan participate in the Judicial HCB Plan. However, membership in the Judicial DB Plan is reactivated if a former participant of the Judicial DB Plan becomes eligible again to participate in the Judicial Plan.

*Plan Description - Hybrid Cash Balance*

The Judicial HCB Plan provides retirement benefits to a vested member electing to participate in the Judicial Plan after January 1, 2014, and to their beneficiaries, based on the member's accumulated cash balance account. The cash balance account consists of the member's personal contributions, the employer's current pay credit of 4.00% and applicable interest. The retiree has certain distribution options, including lifetime annuity, lump sum and optional survivor benefit payments.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note C - Plan Description and Contribution Information (Continued)**

Kentucky Judicial Retirement Plan (Continued)

*Plan Description - Hybrid Cash Balance (Continued)*

Vesting is achieved either (a) at age 65 with accumulation of five years of active service credit in the Judicial HCB Plan and any other state-supported retirement system of the Commonwealth; or (b) at least age 57 and the member's accumulated active service credit in the Judicial HC Plan and other state-supported retirement system of the Commonwealth plus his/her age is at least 87.

A non-vested member (one with less than five years of service) is entitled to a refund of his/her personal contributions but forfeits the employer credit. A refund of the cash balance account for a member with five or more years of service includes his/her personal contributions, the employer credit, and applicable interest.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

Any cost-of-living adjustment (pro-rated for the first year if the recipient has been retired for less than one year) will be granted providing the following statutory requirements occur:

1. The funding level of the Judicial HCB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
2. The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

As an additional retirement benefit, a recipient of a hybrid cash balance retirement allowance with at least 15 years of State service is eligible for a monthly health insurance benefit. The health insurance benefit is \$10.00 for each year of plan service. The minimum service requirement is waived for a member who is disabled in the line of duty or for the qualified survivor of a member who is killed in the line of duty.

*Contributions - Defined Benefit Plan*

Members electing to participate in the Plan prior to September 1, 2008, contribute 5% of their official salary, and members electing to participate in the Plan on or after September 1, 2008 contribute 6% of their official salary. Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, then employee contributions shall cease. For the years ending June 30, 2019 and 2018, the Commonwealth made a normal contribution at the actuarially-determined rate calculated by utilizing the entry age normal method of funding, and a past service contribution equal to 1% of the unfunded past service liability and contributed interest on the unfunded past service liabilities at the actuarially-assumed interest rate of 6.5%, in an amount equal to 100% of the amount required by Kentucky Revised Statutes (KRS) 21.515.

Additionally, the Commonwealth made an appropriation to cover administrative expenses of the Judicial DB Plan. Members may transfer qualified member and Commonwealth contributions into the Judicial DB Plan from other state funded retirement plans.

*Contributions - Hybrid Cash Balance Plan*

Members electing to participate in the Judicial HCB Plan contribute an amount equal to 6% of official salary. Of this, 1% is to be used to fund retiree health benefits and is not refundable. For each pay period that a personal contribution is made, the Commonwealth will apply an employer credit of 4% of official salary to the member's account. On June 30 of each year, interest, in accordance with KRS 21.402, will be credited to the account. As of June 30, 2019, and 2018, approximately \$1.2 million and \$767,000, respectively, of the fiduciary net position of the Systems relates to the Judicial HCB Plan.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note C - Plan Description and Contribution Information (Continued)**

Kentucky Legislators Retirement Plan

*Membership - Defined Benefit Plan*

Total membership in the defined benefit plan of the Kentucky Legislators Retirement Plan ("the Legislators DB Plan") consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Retirees and Beneficiaries Receiving Benefits	238	222
Terminated Plan Members - Vested	40	40
Active Plan Members	<u>58</u>	<u>80</u>
Total	<u><u>336</u></u>	<u><u>342</u></u>
Number of Participating Employers	<u>1</u>	<u>1</u>

*Membership - Hybrid Cash Balance Plan*

Membership in the hybrid cash balance plan of the Kentucky Legislators Retirement Plan ("the Legislators HCB Plan") consisted of 45 individuals at June 30, 2019 and 22 individuals at June 30, 2018. All individuals in the plan are currently active plan members. In 2019, there were three non-vested members that were terminated. All other individuals in the hybrid cash balance plan are active plan members.

*Plan Description - Defined Benefit Plan*

The Legislators DB Plan is a single-employer defined benefit plan that provides retirement benefits and medical insurance premium supplements and covers the members of Kentucky's General Assembly.

The Legislators DB Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Prior to June 30, 2009, COLA, keyed to the Consumer Price Index, were provided on July 1 of each year. Commencing in 2009, the COLA on July 1 of each year is 1.50%. The COLA created in 2009 was suspended by legislative action in 2012, and no COLA's have since been granted. By legislative action in 2013, the statute was amended to provide that each July 1, a recipient of a monthly pension benefit from the Legislators DB Plan shall receive a 1.50% cost-of-living adjustment (pro-rated for the first year, if the recipient has been retired for less than one year) if:

1. The funding level of the Legislators DB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
2. The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

Supplemental increases to the 1.50% cost-of-living adjustment will require prefunding, appropriation and legislative action by the Kentucky General Assembly.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note C - Plan Description and Contribution Information (Continued)**

Kentucky Legislators Retirement Plan (Continued)

*Plan Description - Defined Benefit Plan (Continued)*

Additionally, legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the current 60-month average earnings of the position held by the member at the time of retirement, subject to a 4.0% COLA annually.

As an additional retirement benefit, the Legislators DB Plan will pay a percentage, based on years of service, of the members' hospital and medical insurance coverage for the retirees and their qualified dependents.

Vesting is achieved when the member has five years of legislative service or eight years of state governmental service credit. Former members who are not vested are entitled to a refund of their accumulated contributions.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

As of January 1, 2014, participation in the Legislators DB Plan is closed to new members. All new members of the Legislators Plan participate in the Legislators HCB Plan. However, membership in the Legislators DB Plan is reactivated if a former participant of the Legislators DB Plan becomes eligible again to participate in the Legislators Plan.

*Plan Description - Hybrid Cash Balance Plan*

The Legislators HCB Plan provides retirement benefits to a vested member electing to participate in the Legislators Plan after January 1, 2014, and to their beneficiaries, based on the member's accumulated cash balance account. The cash balance account consists of the member's personal contributions, the employer's current pay credit of 4.00% and applicable interest. The retiree has certain distribution options, including lifetime annuity, lump sum and optional survivor benefit payments. Vesting is achieved either (a) at age 65 with accumulation of five years of active service credit in the Legislators HCB Plan and any other state-supported retirement system of the Commonwealth; or (b) at least age 57 and the member's accumulated active service credit in the Legislators HCB Plan and other state-supported retirement systems of the Commonwealth plus his/her age is at least 87.

A non-vested member (one with less than five years of service) is entitled to a refund of his/her personal contributions but forfeits the employer credit. A refund of the cash balance account for a member with five or more years of service includes his/her personal contributions, the employer credit, and applicable interest.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

Any cost-of-living adjustment (pro-rated for the first year if the recipient has been retired for less than one year) will be granted providing the following statutory requirements occur:

1. The funding level of the Legislators HCB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
2. The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note C - Plan Description and Contribution Information (Continued)**

Kentucky Legislators Retirement Plan (Continued)

*Plan Description - Hybrid Cash Balance Plan (Continued)*

As an additional retirement benefit, a recipient of a hybrid cash balance retirement allowance with at least 15 years of State service is eligible for a monthly health insurance benefit. The health insurance benefit is \$10.00 for each year of plan service. The minimum service requirement is waived for a member who is disabled in the line of duty or for the qualified survivor of a member who is killed in the line of duty.

*Contributions - Defined Benefit Plan*

Members entering membership on or after September 1, 2008 must contribute 6% of their "creditable compensation," as defined. Members who first participate on or after July 1, 1978 and prior to September 1, 2008 contribute at a rate of 5% of their "creditable compensation". Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, employee contributions shall cease. For the year ended June 30, 2018, the Commonwealth made a normal contribution at the actuarially determined rate calculated by utilizing the entry age normal method of funding, and a past service contribution equal to 1% of the unfunded past service liability and contributed interest on the unfunded past service liabilities at the actuarially assumed interest rate of 65%, in an amount equal to 100% of the amount required by KRS 21.515 in fiscal year 2018. The Commonwealth made no contributions in 2019.

Additionally, the Commonwealth made an appropriation to cover administrative expenses of the Legislators DB Plan. Members may transfer qualified member and Commonwealth contributions into the Legislators DB Plan from other state funded retirement plans.

*Contributions - Hybrid Cash Balance Plan*

Members electing to participate in the Legislators HCB Plan contribute an amount equal to 6% of official salary. Of this, 1% is to be used to fund retiree health benefits and is not refundable. For each pay period that a personal contribution is made, the Commonwealth will apply an employer credit of 4% of official salary to the member's account. On June 30 of each year, interest, in accordance with KRS 21.402 will be credited to the account. As of June 30, 2019 and 2018, approximately \$275,300 and \$190,900, respectively, of the fiduciary net position of the System relates to the Legislators HCB Plan.

**Note D - Investments**

Each plan has its own investment committee. The committee governing the Judicial Retirement Plan consists of the three judicial appointees and the two gubernatorial appointees to the System's Board of Trustees. The committee governing the Legislators Retirement Plan consists of the three legislative appointees and the two gubernatorial appointees to the System's Board of Trustees.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

All investment decisions conform to the parameters established by KRS 386.010 and the System's policy statements enumerated below:

Defined Benefit Investments

1. Equities will have a target allocation of 70% of the portfolio's market value (with a fluctuation tolerance of up to 10%.)
2. Fixed income securities and/or cash equivalents will have a target allocation of 30% of the portfolio's market value (with a fluctuation tolerance of up to 10%.)
3. If an allocation exceeds its targeted range for six consecutive weeks, the applicable Investment Committee will be notified and will make an affirmative decision whether, given the current market indicators and relative risk profile of the portfolio at that time, an adjustment to lessen the Fund's applicable percentage exposure is immediately required.

*Equities:*

4. Investments in common stocks shall be from those stocks that meet the statutory standards for investment of trust funds, except that 50% of the total portfolio of each Fund may not be invested in common stocks with a dividend payment history of less than 5 years.
5. Investments in an individual equity security shall not exceed 5% of the fund's then current market value of the equity portfolio. At a time when the security's value reaches 8% of the fund's market value of the equity portfolio, the Manager shall immediately notify the appropriate investment committee so that the investment committee may determine a course of action.
6. Equity investment in a particular industry shall not exceed 25% of the fund's market value of the equity portfolio.

*Fixed Income:*

7. No issues (with the exception of those of the U.S. Government and its Agencies) may be purchased with more than 15 years duration.
8. Investments in securities of the U.S. Government and its Agencies may be purchased with a maturity of up to 30 years, but the average maturity of those securities in each Fund shall not exceed 10 years.
9. Investments in securities of a single issuer (with the exception of U.S. Government and its Agencies) of each Fund must not exceed 5% of the Fund's market value of the fixed income portfolio.
10. Only corporate debt issues that meet or exceed a credit rating of BBB from Standard & Poor's and/or a BAA rating Moody's may be purchased.
11. Preferred stocks must be rated A or better by Moody's and/or Standard & Poor's at the time of purchase.
12. Investment in bonds will be limited to those eligible for purchase by national banks.
13. Bond maturities will be reasonably spaced with due consideration given to call provisions.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

Defined Benefit Investments (Continued)

*Fixed Income (Continued):*

14. The fund manager is prohibited from investing in private placements, from engaging in short sales or margin transactions, from investing in financial futures, commodities, currency exchange, or any other specialized investments.
15. The fund manager may invest in commercial paper, repurchase agreements, and Treasury Bills to provide income, liquidity for expense payments and preservation of the funds' principal value. Commercial paper assets must be rated at least A-2 or P-2 by Standard & Poor's and Moody's, respectively. The fund manager may not invest for a fund more than 10% of the funds market value in the obligations of a single government agency, except obligations of the U.S. Government and its agencies which are not restricted. Corporate cash equivalent investments shall be restricted to not more than 7% per issuer.

Hybrid Cash Balance Investments

1. Equities will have a target allocation of 70% of the portfolio's market value (with a fluctuation tolerance of 5%).
2. Fixed Income securities will have a target allocation of 30% of the portfolio's market value (with a fluctuation tolerance of 5%).

*Equities:*

3. Equities shall be invested in the Vanguard 500 Index VFINX.

*Fixed Income:*

4. Fixed Income assets shall be invested in the Barclays iShares Intermediate Credit Bond CIU.
5. Pending investments identified above, the fund manager may invest in commercial paper, repurchase agreements, and Treasury Bills to provide income, liquidity for expense payments and preservation of the funds' principal value. Commercial paper assets must be rated at least A-2 or P2 by Standard & Poor's and Moody's, respectively. Qualified cash or cash equivalents are limited to 5% of the market value.

Rate of Return: For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of investment expense, for the Judicial Plan and Legislators Plan was 12.9% and 12.6%, respectively. For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of investment expense, for the Judicial Plan and Legislators Plan was 9.4% for both plans. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

All investments held by the System are insured or registered and held by the System or by its agent in the System's name. The credit risk disclosures for the municipal securities, foreign governmental securities, and corporate notes within the Judicial Plan are as follows as of June 30:

	S&P Quality Rating	2019	2018
Municipal Securities	AA+	\$ 2,503,000	\$ 2,530,025
Foreign Governmental Securities	A+	\$ 2,510,900	\$ 2,540,075
U.S. Governmental Securities	AA+	\$ 7,129,850	\$ 5,471,648
	N/A	276,168	130,057
		<u>\$ 7,406,018</u>	<u>\$ 5,601,705</u>
Corporate Notes	AAA	\$ 3,192,090	\$ 6,082,590
	AA+	5,763,005	5,542,050
	AA	2,056,060	4,522,405
	AA-	11,474,281	17,242,907
	A+	18,523,015	14,623,435
	A	16,360,345	10,187,455
	A-	11,918,065	15,760,705
	BBB+	10,904,005	7,484,945
	BBB	13,069,525	9,840,949
	Not Rated*	349,103	6,140,325
		<u>\$ 93,609,494</u>	<u>\$ 97,427,766</u>
	Total	<u>\$ 106,029,412</u>	<u>\$ 108,099,571</u>

\*Investment in iShares Intermediate Credit Bond ETF for the Hybrid Cash Balance Plan is a combination of securities and a single rating is not assigned.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

The credit risk disclosures for the municipal securities, foreign governmental securities, and corporate notes within the Legislators Plan are as follows at June 30:

	S&P Quality Rating	2019	2018
Municipal Securities	AA+	\$ 400,480	\$ 404,804
Foreign Governmental Securities	A+	\$ 602,616	\$ 609,618
U.S. Governmental Securities	AA+	\$ 1,031,740	\$ 1,329,300
	N/A	1,923,118	146,731
		<u>\$ 2,954,858</u>	<u>\$ 1,476,031</u>
Corporate Notes	AAA	\$ 1,064,030	\$ 1,774,135
	AA+	1,777,606	1,715,805
	AA	1,039,970	1,771,128
	AA-	3,581,540	5,261,933
	A+	4,991,138	4,294,295
	A	5,723,378	4,025,020
	A-	2,973,622	3,935,777
	BBB+	2,580,780	2,762,748
	BBB	4,081,174	3,623,185
	Not Rated*	90,378	1,618,795
		<u>\$ 27,903,616</u>	<u>\$ 30,782,821</u>
	Total	<u>\$ 31,861,570</u>	<u>\$ 33,273,274</u>

\* Investment in iShares Intermediate Credit Bond ETF for the Hybrid Cash Balance Plan is a combination of securities and a single rating is not assigned.

Concentration of Investments

Investments exceeded more than 5% of Plan fiduciary net position as follows: At June 30, 2019, Microsoft Corporation at 5.71% and Apple, Inc. at 5.27% in the Judicial Plan; and Microsoft Corporation at 5.64% and Apple, Inc. at 5.19% in the Legislators Plan. At June 30, 2018, Apple, Inc. at 5.35% and Home Depot, Inc. at 5.08% in the Judicial Plan; and Apple, Inc. at 5.2% and Home Depot, Inc. at 5.0% in the Legislators Plan.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System manages its exposure to declines in fair value by purchasing a diverse combination of equity securities and debt securities with varying maturities.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

The debt securities and related maturities within the Judicial Plan are as follows at June 30, 2019:

	<u>Amount</u>	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Governmental Securities	\$ 9,909,018	\$ 2,779,168	\$ 3,611,090	\$ 3,518,760
Foreign Governmental Securities	2,510,900	2,510,900	-	-
Corporate Notes	93,609,494	5,942,973	70,660,231	17,006,290
	<u>\$ 106,029,412</u>	<u>\$ 11,233,041</u>	<u>\$ 74,271,321</u>	<u>\$ 20,525,050</u>

The debt securities and related maturities within the Judicial Plan are as follows at June 30, 2018:

	<u>Amount</u>	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Governmental Securities	\$ 8,131,730	\$ 1,998,000	\$ 6,133,730	\$ -
Foreign Governmental Securities	2,540,075	2,540,075	-	-
Corporate Notes	97,427,766	16,197,975	34,020,731	47,209,060
	<u>\$ 108,099,571</u>	<u>\$ 20,736,050</u>	<u>\$ 40,154,461</u>	<u>\$ 47,209,060</u>

The debt securities and related maturities within the Legislators Plan are as follows at June 30, 2019:

	<u>Amount</u>	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Governmental Securities	\$ 3,355,338	\$ 2,323,598	\$ 1,031,740	\$ -
Foreign Governmental Securities	602,616	602,616	-	-
Corporate Notes	27,903,616	2,329,128	21,440,714	4,133,774
	<u>\$ 31,861,570</u>	<u>\$ 5,255,342</u>	<u>\$ 22,472,454</u>	<u>\$ 4,133,774</u>

The debt securities and related maturities within the Legislators Plan are as follows at June 30, 2018:

	<u>Amount</u>	<u>Less than One Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Governmental Securities	\$ 1,880,835	\$ 146,731	\$ 1,734,104	\$ -
Foreign Governmental Securities	609,618	609,618	-	-
Corporate Notes	30,782,821	4,636,090	12,751,700	13,395,031
	<u>\$ 33,273,274</u>	<u>\$ 5,392,439</u>	<u>\$ 14,485,804</u>	<u>\$ 13,395,031</u>

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note D - Investments (Continued)**

Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

Investments held by the Judicial Plan at June 30 include the following corporate notes and governmental securities subject to foreign currency risk:

	<u>Currency</u>	<u>2019</u>	<u>2018</u>
Schlumberger Limited	Euro	\$ 3,682,385	\$ 3,529,190
HSBC Holdings Note	British pound	3,648,855	3,551,100
Shell International Finance B.V. Bote	Euro	3,552,710	1,539,015
Ontario Province Canada Bond	Canadian Dollar	2,510,900	2,540,075
Bank of Montreal Bond	Canadian Dollar	-	2,496,850
Royal Bank of Canada Bond	Canadian Dollar	-	2,499,625
Toronto Dominion Bank Note	Canadian Dollar	-	3,000,900
		<u>\$ 13,394,850</u>	<u>\$ 19,156,755</u>

Investments held by the Legislators Plan at June 30 include the following corporate notes and governmental securities subject to foreign currency risk:

	<u>Currency</u>	<u>2019</u>	<u>2018</u>
Schlumberger Limited	Euro	\$ 1,052,110	\$ 1,008,340
HSBC Holdings Note	British pound	1,042,530	1,014,600
Shell International Finance B.V. Bote	Euro	1,015,060	769,508
Ontario Province Canada Bond	Canadian Dollar	603,570	609,618
Bank of Montreal Bond	Canadian Dollar	-	749,055
Royal Bank of Canada Bond	Canadian Dollar	-	749,888
Toronto Dominion Bank Note	Canadian Dollar	-	700,209
		<u>\$ 3,713,270</u>	<u>\$ 5,601,218</u>

The Plans invest in various investment securities. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect amounts reported in the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position.

Cash and Investments Held by State Treasury

At June 30, 2019, the System's share of deposits in the Commonwealth's general depository (State investment pool) totaled \$140,183 and \$302,741 in the Judicial and Legislators plans, respectively. At June 30, 2018, the System's share of deposited in the Commonwealth's general depository (State investment pool) totaled \$438,245 and \$69,882 in the Judicial and Legislators plans, respectively. The Commonwealth's CAFR for the year ended June 30, 2019 should be referred to for required disclosures.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note E - Fair Value Measurements**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2019 and 2018.

- U.S. Government Securities: Value using pricing models maximizing the use of observable inputs for similar securities.
- State Investments Pool-investments and Cash Equivalents: Valued at cost which approximates fair value.
- Common Stocks: Valued at the closing price reported on the New York Stock Exchange.
- Corporate Notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.
- Foreign Government Securities: Valued using pricing for interactive data which offers daily evaluations and related data for international fixed income securities with embedded equity options including convertible and exchangeable bonds.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note E - Fair Value Measurements (Continued)**

The following tables set forth by level, within the hierarchy, the System's assets and liabilities measured at fair value on recurring basis as of June 30, 2019 are as follows:

Judicial Retirement Plan:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State Investment Pool-investments and Cash Equivalents	\$ 14,321	\$ -	\$ -	\$ 14,321
Common Stocks	323,457,769	-	-	323,457,769
Corporate Notes and Governmental Securities	<u>7,611,210</u>	<u>98,418,202</u>	<u>-</u>	<u>106,029,412</u>
Total Assets at Fair Value	<u>\$ 331,083,300</u>	<u>\$ 98,418,202</u>	<u>\$ -</u>	<u>\$ 429,501,502</u>

Legislators Retirement Plan:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State Investment Pool-investments and Cash Equivalents	\$ 196,954	\$ -	\$ -	\$ 196,954
Common Stocks	94,674,559	-	-	94,674,559
Corporate Notes and Governmental Securities	<u>1,271,333</u>	<u>30,590,237</u>	<u>-</u>	<u>31,861,570</u>
Total Assets at Fair Value	<u>\$ 96,142,846</u>	<u>\$ 30,590,237</u>	<u>\$ -</u>	<u>\$ 126,733,083</u>

The following tables set forth by level, within the hierarchy, the System's assets and liabilities measured at fair value on recurring basis as of June 30, 2018 are as follows:

Judicial Retirement Plan:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State Investment Pool-investments and Cash Equivalents	\$ 85,672	\$ -	\$ -	\$ 85,672
Common Stocks	287,383,524	-	-	287,383,524
Corporate Notes and Governmental Securities	<u>5,819,709</u>	<u>99,780,237</u>	<u>2,499,625</u>	<u>108,099,571</u>
Total Assets at Fair Value	<u>\$ 293,288,905</u>	<u>\$ 99,780,237</u>	<u>\$ 2,499,625</u>	<u>\$ 395,568,767</u>

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note E - Fair Value Measurements (Continued)**

Legislators Retirement Plan:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
State Investment Pool-investments and Cash Equivalents	\$ 49,733	\$ -	\$ -	\$ 49,733
Common Stocks	84,170,319	-	-	84,170,319
Corporate Notes and Governmental Securities	<u>1,536,376</u>	<u>30,987,012</u>	<u>749,886</u>	<u>33,273,274</u>
Total Assets at Fair Value	<u>\$ 85,756,428</u>	<u>\$ 30,987,012</u>	<u>\$ 749,886</u>	<u>\$ 117,493,326</u>

The System's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no transfers between levels during 2019 or 2018.

**Note F - Net Pension Liability**

Judicial Defined Benefit Plan

The components of the net pension liability of the Judicial Defined Benefit Plan were as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 368,974,471	\$ 374,373,265
Pension Plan Fiduciary Net Position	<u>(334,547,162)</u>	<u>(310,330,341)</u>
Plan's Net Position Liability	<u>\$ 34,427,309</u>	<u>\$ 64,042,924</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.7%	82.9%

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Actuarial Cost Method	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value
Investment Return	6.50%	6.24%
Inflation	3.00%	3.00%
Projected Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note F - Net Pension Liability (Continued)**

Judicial Defined Benefit Plan (Continued)

Mortality rates were based on the RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The long-term expected rate of return on Judicial Defined Benefit 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 pension plan investment expenses 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 arithmetic real rates of return for each major asset class included in the Judicial Defined Benefit Plan's target asset allocation as of June 30, 2019 and 2018 (see the discussion of the Judicial Defined Benefit Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

The discount used to measure the total pension liability as of July 1, 2019 and 2018 was 6.47% and 6.24%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the Judicial Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2069. The long-term expected rate of return on the Judicial Defined Benefit Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2019, was used for the periods thereafter to determine the total pension liability. The discount used to measure the total pension liability on the second basis was 6.5% for 50 years, and 2.89% thereafter. This is equivalent to an average assumed rate of return of approximately 6.47%.

The following presents the net pension liability of the Judicial Defined Benefit Plan at June 30, 2019, calculated using the discount rate of 6.47%, as well as what the Judicial Defined Benefit Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.47%) or 1% point higher (7.47%) than the current rate:

	<u>1% Decrease 5.47%</u>	<u>Current Rate 6.47%</u>	<u>1% Increase 7.47%</u>
Net Pension Liability	\$ 69,837,964	\$ 34,427,309	\$ 4,130,782

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note F - Net Pension Liability (Continued)**

Judicial Hybrid Cash Balance Plan

The components of the net pension (asset) liability of the Judicial Hybrid Cash Balance Plan were as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 1,252,325	\$ 764,022
Pension Plan Fiduciary Net Position	<u>(1,162,514)</u>	<u>(766,684)</u>
Plan's Net Position Liability (Asset)	<u>\$ 89,811</u>	<u>\$ (2,662)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	92.8%	100.4%

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Actuarial Cost Method	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value
Investment Return	4.00%	4.00%
Inflation	3.00%	3.00%
Projected Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter

Mortality rates were based on the RP-2000 Mortality Table with white-collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales), i.e. full generational mortality.

The discount used to measure the total pension liability was 4%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory employer pay credit rates.

The following presents the net pension liability of the Judicial Hybrid Cash Balance Plan at June 30, 2019, calculated using the discount rate of 4.00%, as well as what the Judicial Hybrid Cash Balance Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (3.00%) or 1% point higher (5.00%) than the current rate:

	<u>1% Decrease 3.00%</u>	<u>Current Rate 4.00%</u>	<u>1% Increase 5.00%</u>
Net Pension Liability	\$ 163,074	\$ 89,811	\$ 21,503

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note F - Net Pension Liability (Continued)**

Legislators Defined Benefit Plan

The components of the net pension liability of the Legislators Defined Benefit Plan were as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 71,623,005	\$ 74,180,011
Pension Plan Fiduciary Net Position	<u>(76,642,873)</u>	<u>(72,556,149)</u>
Plan's Net Position (Asset) Liability	<u>\$ (5,019,868)</u>	<u>\$ 1,623,862</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	107.0%	97.8%

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Actuarial Cost Method	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value
Investment Return	6.50%	6.45%
Inflation	3.00%	3.00%
Projected Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The long-term expected rate of return on Legislators DB 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 pension plan investment expenses 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 arithmetic real rates of return for each major asset class included in the Legislators DB Plan's target asset allocation as of June 30, 2019 and 2018 (see the discussion of the Legislators DB Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note F - Net Pension Liability (Continued)**

Legislators Defined Benefit Plan (Continued)

The discount used to measure the total pension liability as of July 1, 2019 and 2018 was 6.5% and 6.45%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the Legislators Defined Benefit Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The discount used to measure the total pension liability and the average assumed rate of return was 6.5%.

The following presents the net pension liability of the Legislators Defined Benefit Plan at June 30, 2019, calculated using the discount rate of 6.5%, as well as what the Legislators Defined Benefit Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (5.5%) or 1% point higher (7.5%) than the current rate:

	1% Decrease <u>5.50%</u>	Current Rate <u>6.50%</u>	1% Increase <u>7.50%</u>
Net Pension Liability (Asset)	\$ 1,685,075	\$ (5,019,868)	\$ (10,742,544)

Legislators Hybrid Cash Balance Plan

The components of the net pension liability of the Legislators Hybrid Cash Balance Plan were as follows:

	<u>2019</u>	<u>2018</u>
Total Pension Liability	\$ 318,169	\$ 194,498
Pension Plan Fiduciary Net Position	<u>(275,271)</u>	<u>(190,911)</u>
Plan's Net Position Liability	<u>\$ 42,898</u>	<u>\$ 3,587</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.5%	98.2%

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Actuarial Cost Method	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method	Interest + 1% Unfunded Past Liability	Interest + 1% Unfunded Past Liability
Asset Valuation Method	Market Value	Market Value
Investment Return	4.00%	4.00%
Inflation	3.00%	3.00%
Projected Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note F - Net Pension Liability (Continued)**

Legislators Hybrid Cash Balance Plan (Continued)

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The discount used to measure the total pension liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory employer pay credit rates.

The following presents the net pension liability of the Legislators Hybrid Cash Balance Plan at June 30, 2019, calculated using the discount rate of 4.00%, as well as what the Legislators Hybrid Cash Balance Plan's pension liability would be if it was calculated using a discount rate that is 1% point lower (3.00%) or 1% point higher (5.00%) than the current rate:

	<u>1% Decrease</u> <u>3.00%</u>	<u>Current Rate</u> <u>4.00%</u>	<u>1% Increase</u> <u>5.00%</u>
Net Pension Liability	\$ 58,898	\$ 42,898	\$ 27,794

**Note G - Net Other Post-employment Benefits (OPEB)**

Judicial Defined Benefit Plan

The components of the net OPEB liability of the Judicial DB Plan as of June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 47,168,378	\$ 54,323,647
Plan Fiduciary Net Position	<u>(95,172,153)</u>	<u>(86,186,181)</u>
Plan's Net OPEB Asset	<u>\$ (48,003,775)</u>	<u>\$ (31,862,534)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	201.8%	158.7%

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Judicial Defined Benefit Plan (Continued)

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Valuation Date	July 1, 2019	July 1, 2017
Inflation	2.50%	3.00%
Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter
Investment Rate of Return	6.50%	6.24%
Healthcare Cost Trend Rates	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075	8% for year 1, decreasing .25 percent per year to an ultimate rate of 5 percent for years 13+

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The long-term expected rate of return on Judicial 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 expenses 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 arithmetic real rates of return for each major asset class included in the Judicial OPEB Plan's target asset allocation as of June 30, 2019 (see the discussion of the Judicial OPEB Plan's investment policy) are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

The discount used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the Judicial DB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2069. The long-term expected rate of return on the Judicial DB Plan's investments was applied to periods of projected benefit payments through this date, and the municipal bond rate, determined by using the 20-year municipal AA bond yield at July 1, 2019, for the periods thereafter to determine the total OPEB liability.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Judicial Defined Benefit Plan (Continued)

The following presents the net OPEB liability of the Judicial DB Plan as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the Judicial DB Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net OPEB Asset	\$ (42,176,720)	\$ (48,003,775)	\$ (52,856,779)

The table below presents the OPEB liability of the Judicial DB Plan as of June 30, 2019, as well as what the Judicial DB Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate. The 2019 OPEB liability is calculated using the healthcare cost trend of 7% level for 3 years then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

	1% Decrease on Trend Assumption	Current Rate on Trend Assumption	1% Increase on Trend Assumption
Net OPEB Asset	\$ (52,950,931)	\$ (48,003,775)	\$ (42,099,699)

Judicial Hybrid Cash Balance Plan

The components of the net OPEB liability of the Judicial Hybrid Cash Balance Plan as of June 30, 2019 and 2018, were as follows:

	2019	2018
Total OPEB Liability	\$ 113,230	\$ 71,139
Plan Fiduciary Net Position	<u>(152,581)</u>	<u>(97,800)</u>
Plan's Net OPEB Asset	<u>\$ (39,351)</u>	<u>\$ (26,661)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	134.8%	137.5%

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Judicial Hybrid Cash Balance Plan (Continued)

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Valuation Date	July 1, 2019	July 1, 2017
Inflation	2.50%	3.00%
Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter
Investment Rate of Return	4.00%	4.00%
Healthcare Cost Trend Rates	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075	8% for year 1, decreasing .25 percent per year to an ultimate rate of 5 percent for years 13+

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The discount used to measure the total OPEB liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory employer pay credit rates.

The following presents the net OPEB liability of the Judicial Hybrid Cash Balance Plan as of June 30, 2019, calculated using the discount rate of 4.00%, as well as what the Judicial Hybrid Cash Balance Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (3.00%) or 1% point higher (5.00%) than the current rate:

	1% Decrease 3.00%	Current Rate 4.00%	1% Increase 5.00%
Net OPEB Asset	\$ (16,294)	\$ (39,351)	\$ (57,958)

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Judicial Hybrid Cash Balance Plan (Continued)

The table below presents the OPEB liability of the Judicial Hybrid Cash Plan as of June 30, 2019, as well as what the Judicial Hybrid Cash Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate. The 2019 OPEB liability is calculated using the healthcare cost trend of 7% level for 3 years then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075. The 2018 OPEB liability is calculated using the healthcare cost trend of 8% decreasing to 5% over 12 years.

	<u>1% Decrease on Trend Assumption</u>	<u>Current Rate on Trend Assumption</u>	<u>1% Increase on Trend Assumption</u>
Net OPEB Asset	\$ (40,358)	\$ (39,351)	\$ (38,079)

Legislators Defined Benefit Plan

The components of the net OPEB liability of the Legislators DB Plan as of June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 19,571,835	\$ 22,961,320
Plan Fiduciary Net Position	<u>(50,034,271)</u>	<u>(45,133,475)</u>
Plan's Net OPEB Asset	<u>\$ (30,462,436)</u>	<u>\$ (22,172,155)</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	255.6%	196.6%

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Inflation	2.50%	3.00%
Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter
Investment Rate of Return	6.50%	6.45%
Healthcare Cost Trend Rates	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075	8% for year 1, decreasing .25 percent per year to an ultimate rate of 5 percent for years 13+

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Legislators Defined Benefit Plan (Continued)

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The long-term expected rate of return on Legislators DB 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 expenses 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 arithmetic real rates of return for each major asset class included in the Legislators DB Plan's target asset allocation as of June 30, 2019 and 2018 (see the discussion of the Legislators DB Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	5.05%
International Equity	5.45%
Fixed Income	0.55%
Cash	-1.85%

The discount used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the Legislators DB Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The following presents the net OPEB liability of the Legislators DB Plan as of June 30, 2019, calculated using the discount rate of 6.50%, as well as what the Legislators DB Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	<u>1% Decrease 5.50%</u>	<u>Current Rate 6.50%</u>	<u>1% Increase 7.50%</u>
Net OPEB Asset	\$ (28,137,488)	\$ (30,462,436)	\$ (32,395,356)

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Legislators Defined Benefit Plan (Continued)

The following presents the OPEB liability of the Legislators DB Plan as of June 30, 2019, as well as what the Legislators DB Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate: The 2019 OPEB liability is calculated using the healthcare cost trend of 7% level for 3 years then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

	1% Decrease on Trend Assumption	Current Rate on Trend Assumption	1% Increase on Trend Assumption
Net OPEB Asset	\$ (32,377,908)	\$ (30,462,436)	\$ (28,185,603)

Legislators Hybrid Cash Balance Plan

The components of the net OPEB liability of the Legislators Hybrid Cash Balance Plan as of June 30, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Total OPEB Liability	\$ 93,026	\$ 58,159
Plan Fiduciary Net Position	<u>(65,960)</u>	<u>(48,279)</u>
Plan's Net OPEB Liability	<u>\$ 27,066</u>	<u>\$ 9,880</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	70.9%	83.0%

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2019 and 2018:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Valuation Date	July 1, 2019	July 1, 2017
Inflation	2.50%	3.00%
Salary Increases	1% for the next five years, and 3.5% thereafter	1% for the next five years, and 3.5% thereafter
Investment Rate of Return	4.00%	4.00%
Healthcare Cost Trend Rates	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075	8% for year 1, decreasing .25 percent per year to an ultimate rate of 5 percent for years 13+

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2019 and 2018**

**Note G - Net Other Post-employment Benefits (OPEB) (Continued)**

Legislators Hybrid Cash Balance Plan (Continued)

Mortality rates were based on RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

The discount used to measure the total OPEB liability was 4.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory employer pay credit rates.

The following presents the net OPEB liability of the Legislators Hybrid Cash Balance Plan as of June 30, 2019, calculated using the discount rate of 4.00%, as well as what the Legislators Hybrid Cash Balance Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (3.00%) or 1% point higher (5.00%) than the current rate:

	1% Decrease 3.00%	Current Rate 4.00%	1% Increase 5.00%
Net OPEB Liability	\$ 45,785	\$ 27,066	\$ 11,897

The following presents the OPEB liability of the Legislators Hybrid Cash Plan as of June 30, 2019, as well as what the Legislators Hybrid Cash Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate: The 2019 OPEB liability is calculated using the healthcare cost trend of 7% level for 3 years then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.

	1% Decrease on Trend Assumption	Current Rate on Trend Assumption	1% Increase on Trend Assumption
Net OPEB Liability	\$ 26,497	\$ 27,066	\$ 27,806

**Note H - Risk Management**

Claims against the Board of Trustees of the System, or any of its staff, as a result of actual or alleged breach of fiduciary duty are insured with a commercial insurance policy. Coverage provided is limited to \$20,000,000. Claims for job-related illnesses or injuries are insured by the Commonwealth's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2019 and 2018**

**Note I - Income Tax Status**

The Judicial Plan and Legislators Plan each received from the Internal Revenue Service favorable determination letters dated February 15, 2017, which state that the Plans constitute qualified plans under Section 401(a) of the Internal Revenue Code.

The System believes that the Plans are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Any compensation deferred under either Plan, as well as income attributable to the deferrals, is not includable in federal and state taxable income until actually paid or otherwise made available to the participant or their named beneficiary.

**Required Supplementary Information**

**Kentucky Judicial Form Retirement System**  
**Schedules of Changes in Net Pension Liability and Related Ratios**  
**Years Ended June 30**

**Kentucky Judicial Defined Benefit Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service cost	\$ 3,900,000	\$ 3,900,000	\$ 4,700,000	\$ 4,800,000	\$ 5,000,000	\$ 5,000,000
Interest	22,900,000	22,700,000	23,800,000	23,400,000	22,200,000	21,900,000
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(300,000)	-	(8,900,000)	-	4,400,000	-
Changes in assumptions	(7,700,000)	-	(2,100,000)	-	(4,400,000)	29,100,000
Benefit payments/refunds of member contributions	<u>(24,200,000)</u>	<u>(23,200,000)</u>	<u>(23,000,000)</u>	<u>(22,900,000)</u>	<u>(22,300,000)</u>	<u>(21,800,000)</u>
Net Change in Total Pension Liability	(5,400,000)	3,400,000	(5,500,000)	5,300,000	4,900,000	34,200,000
Total Pension Liability - Beginning	<u>374,400,000</u>	<u>371,000,000</u>	<u>376,500,000</u>	<u>371,200,000</u>	<u>366,300,000</u>	<u>332,100,000</u>
Total Pension Liability - Ending	<u>\$ 369,000,000</u>	<u>\$ 374,400,000</u>	<u>\$ 371,000,000</u>	<u>\$376,500,000</u>	<u>\$ 371,200,000</u>	<u>\$ 366,300,000</u>
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ 8,600,000	\$ 11,900,000	\$ 11,900,000	\$ 15,100,000	\$ 15,100,000	\$ 10,800,000
Contributions - member	1,300,000	1,800,000	1,500,000	1,700,000	1,900,000	2,800,000
Transfer in payments	-	600,000	-	100,000	200,000	1,600,000
Net investment income	38,500,000	27,000,000	34,600,000	8,700,000	25,600,000	33,200,000
Benefit payments/refunds of member contributions	(24,200,000)	(23,200,000)	(23,000,000)	(22,900,000)	(22,200,000)	(21,800,000)
Administrative expenses	-	-	-	-	-	-
Other	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	24,200,000	18,100,000	25,000,000	2,700,000	20,600,000	26,600,000
Pension Plan Fiduciary Net Position - Beginning	<u>310,300,000</u>	<u>292,200,000</u>	<u>267,200,000</u>	<u>264,500,000</u>	<u>243,900,000</u>	<u>217,300,000</u>
Pension Plan Fiduciary Net Position - Ending	<u>\$ 334,500,000</u>	<u>\$ 310,300,000</u>	<u>\$ 292,200,000</u>	<u>\$267,200,000</u>	<u>\$ 264,500,000</u>	<u>\$ 243,900,000</u>
Net Pension Liability - Ending	<u>\$ 34,500,000</u>	<u>\$ 64,100,000</u>	<u>\$ 78,800,000</u>	<u>\$109,300,000</u>	<u>\$ 106,700,000</u>	<u>\$ 122,400,000</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	90.7%	82.9%	78.8%	71.0%	71.3%	66.6%
Covered Payroll	\$ 25,400,000	\$ 27,900,000	\$ 27,600,000	\$ 30,000,000	\$ 30,000,000	\$ 32,900,000
Net Pension Liability as a % of Covered Payroll	135.8%	229.7%	285.5%	364.3%	355.7%	371.7%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System**  
**Schedules of Changes in Net Pension Liability and Related Ratios (Continued)**  
**Years Ended June 30**

**Kentucky Judicial Hybrid Cash Balance Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 227,700	\$ 227,700	\$ 166,600	\$ 166,600	\$ -
Interest	39,700	29,400	17,100	10,100	-
Changes in benefit terms	-	-	-	-	85,000
Differences between expected and actual experience	225,700	-	76,800	-	-
Changes in assumptions	-	-	(10,900)	-	-
Benefit payments/refunds of member contributions	(4,800)	-	(4,400)	-	-
Net Change in Total Pension Liability	488,300	257,100	245,200	176,700	85,000
Total Pension Liability - Beginning	764,000	506,900	261,700	85,000	-
Total Pension Liability - Ending	<u>\$ 1,252,300</u>	<u>\$ 764,000</u>	<u>\$ 506,900</u>	<u>\$ 261,700</u>	<u>\$ 85,000</u>
Pension Plan Fiduciary Net Position					
Contributions - employer	\$ 94,800	\$ 69,300	\$ 69,300	\$ 71,300	\$ 42,300
Contributions - member	213,000	161,100	118,500	99,100	47,900
Transfer in payments	-	-	-	-	-
Net investment income	92,800	52,400	35,500	4,100	300
Benefit payments/refunds of member contributions	(4,800)	-	(4,400)	-	-
Administrative expenses	-	-	-	-	-
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	395,800	282,800	218,900	174,500	90,500
Pension Plan Fiduciary Net Position - Beginning	766,700	483,900	265,000	90,500	-
Pension Plan Fiduciary Net Position - Ending	<u>\$ 1,162,500</u>	<u>\$ 766,700</u>	<u>\$ 483,900</u>	<u>\$ 265,000</u>	<u>\$ 90,500</u>
Net Pension (Asset) Liability - Ending	<u>\$ 89,800</u>	<u>\$ (2,700)</u>	<u>\$ 23,000</u>	<u>\$ (3,300)</u>	<u>\$ (5,500)</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	92.8%	100.4%	95.5%	101.3%	106.5%
Covered Payroll	\$ 5,205,000	\$ 2,724,000	\$ 2,697,000	\$ 1,936,000	\$ 1,936,000
Net Pension (Asset) Liability as a % of Covered Payroll	1.7%	-0.1%	0.9%	-0.2%	-0.3%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System**  
**Schedules of Changes in Net Pension Liability and Related Ratios (Continued)**  
**Years Ended June 30**

**Kentucky Legislators Defined Benefit Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability						
Service cost	\$ 600,000	\$ 600,000	\$ 700,000	\$ 900,000	\$ 1,000,000	\$ 1,000,000
Interest	4,600,000	4,600,000	5,300,000	5,200,000	5,100,000	4,900,000
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	(2,800,000)	-	(6,400,000)	-	(3,400,000)	-
Changes in assumptions	(300,000)	-	(200,000)	-	(1,500,000)	3,700,000
Benefit payments/refunds of member contributions	(4,700,000)	(4,500,000)	(4,200,000)	(4,000,000)	(3,700,000)	(3,500,000)
Net Change in Total Pension Liability	(2,600,000)	700,000	(4,800,000)	2,100,000	(2,500,000)	6,100,000
Total Pension Liability - Beginning	<u>74,200,000</u>	<u>73,500,000</u>	<u>78,300,000</u>	<u>76,200,000</u>	<u>78,700,000</u>	<u>72,600,000</u>
Total Pension Liability - Ending	<u>\$ 71,600,000</u>	<u>\$ 74,200,000</u>	<u>\$ 73,500,000</u>	<u>\$ 78,300,000</u>	<u>\$ 76,200,000</u>	<u>\$ 78,700,000</u>
Pension Plan Fiduciary Net Position						
Contributions - employer	\$ -	\$ 2,400,000	\$ 2,400,000	\$ 3,400,000	\$ 3,400,000	\$ 1,800,000
Contributions - member	100,000	200,000	300,000	300,000	200,000	200,000
Transfer in payments	-	-	100,000	-	-	-
Net investment income	8,600,000	6,200,000	7,900,000	2,000,000	5,600,000	7,900,000
Benefit payments/refunds of member contributions	(4,700,000)	(4,500,000)	(4,200,000)	(4,000,000)	(3,700,000)	(3,500,000)
Administrative expenses	-	-	-	(200,000)	-	-
Other	-	-	-	200,000	-	-
Net Change in Plan Fiduciary Net Position	4,000,000	4,300,000	6,500,000	1,700,000	5,500,000	6,400,000
Pension Plan Fiduciary Net Position - Beginning	<u>72,600,000</u>	<u>68,300,000</u>	<u>61,800,000</u>	<u>60,100,000</u>	<u>54,600,000</u>	<u>48,200,000</u>
Pension Plan Fiduciary Net Position - Ending	<u>\$ 76,600,000</u>	<u>\$ 72,600,000</u>	<u>\$ 68,300,000</u>	<u>\$ 61,800,000</u>	<u>\$ 60,100,000</u>	<u>\$ 54,600,000</u>
Net Pension (Asset) Liability - Ending	<u>\$ (5,000,000)</u>	<u>\$ 1,600,000</u>	<u>\$ 5,200,000</u>	<u>\$ 16,500,000</u>	<u>\$ 16,100,000</u>	<u>\$ 24,100,000</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	107.0%	97.8%	92.9%	78.9%	78.9%	69.4%
Covered Payroll	\$ 2,500,000	\$ 3,500,000	\$ 3,500,000	\$ 4,500,000	\$ 4,500,000	\$ 5,000,000
Net Pension (Asset) Liability as a % of Covered Payroll	-200.0%	45.7%	148.6%	366.7%	357.8%	483.2%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System**  
**Schedules of Changes in Net Pension Liability and Related Ratios (Continued)**  
**Years Ended June 30**

**Kentucky Legislators Hybrid Cash Balance Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability					
Service cost	\$ 76,900	\$ 76,900	\$ 36,200	\$ 36,200	\$ -
Interest	10,900	7,500	3,800	2,400	-
Changes in benefit terms	-	-	-	-	21,700
Differences between expected and actual experience	-	-	17,900	-	-
Changes in assumptions	35,900	-	(3,300)	-	-
Benefit payments/refunds of member contributions	-	(1,900)	(2,900)	-	-
Net Change in Total Pension Liability	123,700	82,500	51,700	38,600	21,700
Total Pension Liability - Beginning	194,500	112,000	60,300	21,700	-
Total Pension Liability - Ending	<u>\$ 318,200</u>	<u>\$ 194,500</u>	<u>\$ 112,000</u>	<u>\$ 60,300</u>	<u>\$ 21,700</u>
Pension Plan Fiduciary Net Position					
Contributions - employer	\$ -	\$ 15,400	\$ 15,400	\$ 14,500	\$ 8,800
Contributions - member	63,900	47,400	35,100	24,600	11,000
Transfer in payments	-	-	-	-	-
Net investment income	20,500	14,100	8,600	700	100
Benefit payments/refunds of member contributions	-	(1,900)	(2,900)	-	-
Administrative expenses	-	-	-	-	-
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	84,400	75,000	56,200	39,800	19,900
Pension Plan Fiduciary Net Position - Beginning	190,900	115,900	59,700	19,900	-
Pension Plan Fiduciary Net Position - Ending	<u>\$ 275,300</u>	<u>\$ 190,900</u>	<u>\$ 115,900</u>	<u>\$ 59,700</u>	<u>\$ 19,900</u>
Net Pension (Asset) Liability - Ending	<u>\$ 42,900</u>	<u>\$ 3,600</u>	<u>\$ (3,900)</u>	<u>\$ 600</u>	<u>\$ 1,800</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	86.5%	98.1%	103.5%	99.0%	91.7%
Covered Payroll	\$ 1,828,000	\$ 907,000	\$ 898,000	\$ 419,000	\$ 419,000
Net Pension (Asset) Liability as a % of Covered Payroll	2.3%	0.4%	-0.4%	0.1%	0.4%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Changes in Net OPEB Liability and Related Ratios  
Years Ended June 30**

**Kentucky Judicial Defined Benefit OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 900,000	\$ 900,000	\$ 1,200,000
Interest	3,600,000	3,300,000	4,600,000
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(9,700,000)	-	(22,100,000)
Changes in assumptions	100,000	-	5,600,000
Benefit payments/refunds of member contributions	<u>(2,000,000)</u>	<u>(2,000,000)</u>	<u>(1,900,000)</u>
Net Change in Total Pension Liability	(7,100,000)	2,200,000	(12,600,000)
Total Pension Liability - Beginning	<u>54,300,000</u>	<u>52,100,000</u>	<u>64,700,000</u>
Total Pension Liability - Ending	<u><u>\$ 47,200,000</u></u>	<u><u>\$ 54,300,000</u></u>	<u><u>\$ 52,100,000</u></u>
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ 1,200,000	\$ 1,200,000
Contributions - member	-	200,000	100,000
Transfer in payments	-	100,000	-
Net investment income	11,000,000	7,600,000	9,400,000
Benefit payments/refunds of member contributions	(2,000,000)	(2,000,000)	(1,900,000)
Administrative expenses	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	9,000,000	7,100,000	8,800,000
Pension Plan Fiduciary Net Position - Beginning	<u>86,200,000</u>	<u>79,100,000</u>	<u>70,300,000</u>
Pension Plan Fiduciary Net Position - Ending	<u><u>\$ 95,200,000</u></u>	<u><u>\$ 86,200,000</u></u>	<u><u>\$ 79,100,000</u></u>
Net Pension (Asset) Liability - Ending	<u><u>\$ (48,000,000)</u></u>	<u><u>\$ (31,900,000)</u></u>	<u><u>\$ (27,000,000)</u></u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	201.7%	158.7%	151.8%
Covered Payroll	\$ 25,400,000	\$ 27,900,000	\$ 27,600,000
Net Pension (Asset) Liability as a % of Covered Payroll	-189.0%	-114.3%	-97.8%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)  
Years Ended June 30**

**Kentucky Judicial Hybrid Cash OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 21,300	\$ 21,300	\$ 15,400
Interest	3,700	2,700	1,600
Changes in benefit terms	-	-	-
Differences between expected and actual experience	15,400	-	4,800
Changes in assumptions	1,700	-	-
Benefit payments/refunds of member contributions	-	-	-
Net Change in Total Pension Liability	42,100	24,000	21,800
Total Pension Liability - Beginning	71,100	47,100	25,300
Total Pension Liability - Ending	<u>\$ 113,200</u>	<u>\$ 71,100</u>	<u>\$ 47,100</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - member	42,600	32,200	23,700
Transfer in payments	-	-	-
Net investment income	12,200	6,700	4,300
Benefit payments/refunds of member contributions	-	-	-
Administrative expenses	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	54,800	38,900	28,000
Pension Plan Fiduciary Net Position - Beginning	97,800	58,900	30,900
Pension Plan Fiduciary Net Position - Ending	<u>\$ 152,600</u>	<u>\$ 97,800</u>	<u>\$ 58,900</u>
Net Pension (Asset) Liability - Ending	<u>\$ (39,400)</u>	<u>\$ (26,700)</u>	<u>\$ (11,800)</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	134.8%	137.5%	125.0%
Covered Payroll	\$ 5,205,000	\$ 2,724,000	\$ 2,697,000
Net Pension Liability as a % of Covered Payroll	-0.8%	-1.0%	-0.4%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)  
Years Ended June 30**

**Kentucky Legislators Defined Benefit OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 300,000	\$ 300,000	\$ 400,000
Interest	1,500,000	1,400,000	2,000,000
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(4,400,000)	-	(10,600,000)
Changes in assumptions	-	-	2,300,000
Benefit payments/refunds of member contributions	<u>(800,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>
Net Change in Total Pension Liability	(3,400,000)	1,000,000	(6,600,000)
Total Pension Liability - Beginning	<u>23,000,000</u>	<u>22,000,000</u>	<u>28,600,000</u>
Total Pension Liability - Ending	<u>\$ 19,600,000</u>	<u>\$ 23,000,000</u>	<u>\$ 22,000,000</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ -	\$ -
Contributions - member	-	-	-
Transfer in payments	-	-	-
Net investment income	5,700,000	3,900,000	4,900,000
Benefit payments/refunds of member contributions	(800,000)	(800,000)	(700,000)
Administrative expenses	-	-	-
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	4,900,000	3,100,000	4,200,000
Pension Plan Fiduciary Net Position - Beginning	<u>45,100,000</u>	<u>42,000,000</u>	<u>37,800,000</u>
Pension Plan Fiduciary Net Position - Ending	<u>\$ 50,000,000</u>	<u>\$ 45,100,000</u>	<u>\$ 42,000,000</u>
Net Pension (Asset) Liability - Ending	<u>\$ (30,400,000)</u>	<u>\$ (22,100,000)</u>	<u>\$ (20,000,000)</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	255.1%	196.1%	190.9%
Covered Payroll	\$ 2,500,000	\$ 3,500,000	\$ 3,500,000
Net Pension (Asset) Liability as a % of Covered Payroll	-1216.0%	-631.4%	-571.4%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Changes in Net OPEB Liability and Related Ratios (Continued)  
Years Ended June 30**

**Kentucky Judicial Hybrid Cash OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability			
Service cost	\$ 20,000	\$ 20,000	\$ 9,500
Interest	3,100	2,200	1,100
Changes in benefit terms	-	-	-
Differences between expected and actual experience	9,700	-	7,200
Changes in assumptions	2,000	-	-
Benefit payments/refunds of member contributions	-	-	-
	<u>34,800</u>	<u>22,200</u>	<u>17,800</u>
Net Change in Total Pension Liability	34,800	22,200	17,800
Total Pension Liability - Beginning	<u>58,200</u>	<u>36,000</u>	<u>18,200</u>
Total Pension Liability - Ending	<u>\$ 93,000</u>	<u>\$ 58,200</u>	<u>\$ 36,000</u>
Plan Fiduciary Net Position			
Contributions - employer	\$ -	\$ 5,600	\$ 5,600
Contributions - member	12,800	9,500	7,000
Transfer in payments	-	-	-
Net investment income	4,900	3,500	2,200
Benefit payments/refunds of member contributions	-	-	-
Administrative expenses	-	-	-
Other	-	-	-
	<u>17,700</u>	<u>18,600</u>	<u>14,800</u>
Net Change in Plan Fiduciary Net Position	17,700	18,600	14,800
Pension Plan Fiduciary Net Position - Beginning	<u>48,300</u>	<u>29,700</u>	<u>14,900</u>
Pension Plan Fiduciary Net Position - Ending	<u>\$ 66,000</u>	<u>\$ 48,300</u>	<u>\$ 29,700</u>
Net Pension Liability - Ending	<u>\$ 27,000</u>	<u>\$ 9,900</u>	<u>\$ 6,300</u>
Pension Plan Fiduciary Net Position as a % of the Total Pension Liability	71.0%	83.0%	82.6%
Covered Payroll	\$ 1,828,000	\$ 907,000	\$ 898,000
Net Pension Liability as a % of Covered Payroll	1.5%	1.1%	0.7%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Pension Contributions  
Years Ended June 30**

**Kentucky Judicial Defined Benefit Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Actuarially determined contribution</b>	<b>\$ 9,200,000</b>	<b>\$ 11,900,000</b>	<b>\$ 11,884,797</b>	<b>\$ 15,171,300</b>	<b>\$ 15,142,300</b>	<b>\$ 15,219,761</b>	<b>\$ 15,219,761</b>	<b>\$ 10,302,430</b>	<b>\$ 10,302,430</b>	<b>\$ 4,511,980</b>
<b>Contributions in relation to the</b>										
actuarially determined contribution	8,600,000	11,900,000	11,884,797	15,171,300	15,142,300	10,804,715	10,398,987	4,945,968	4,533,804	4,469,535
Contribution deficiency	600,000	-	-	-	-	4,415,046	4,820,774	5,356,462	5,768,626	42,445
Covered Payroll	25,400,000	27,900,000	27,590,586	30,009,000	30,009,000	32,930,076	32,930,076	33,175,215	33,175,215	29,886,624
Contributions as a percentage of										
covered payroll	33.9%	42.7%	43.1%	50.3%	50.3%	32.8%	31.6%	14.9%	13.7%	15.0%
Investment return:	6.50%	6.24%	6.24%	6.41%	6.41%	6.15%	7.00%	7.00%	7.00%	7.00%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011	July 1, 2009	July 1, 2009	July 1, 2007

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method. Prior to July 1, 2013, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter. Prior to July 1, 2013, the future salary increase assumption was 1% for the next year, 1% the following year and 3.5% thereafter. Prior to July 1, 2011 the future salary increase assumption was 1% for the next year, 2% the following year, and 4% thereafter.
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements with after year 200 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Pension Contributions (Continued)  
Years Ended June 30**

**Kentucky Judicial Hybrid Cash Balance Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 98,500	\$ 69,300	\$ 69,300	\$ 71,300	\$ 42,300
Contributions in relation to the actuarially determined contribution	94,800	69,300	69,300	71,300	42,300
Contribution deficiency	3,700	-	-	-	-
Covered Payroll	5,205,000	2,724,000	2,697,000	1,936,000	1,936,000
Contributions as a percentage of covered payroll	1.8%	2.5%	2.6%	3.7%	2.2%
Investment return:	4.0%	4.0%	4.0%	4.0%	4.0%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales).

Note: This schedule is intended to present 10 years of contribution information. Currently, only those years with information available are presented. Contribution amounts rounded to the nearest \$100 and covered payroll amounts rounded to the nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Pension Contributions (Continued)  
Years Ended June 30**

**Kentucky Legislators Defined Benefit Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 1,100,000	\$ 2,400,000	\$ 2,384,500	\$ 3,414,500	\$ 3,408,800	\$ 3,214,854	\$ 3,214,854	\$ 2,140,019	\$ 2,140,019	\$ 319,820
Contributions in relation to the actuarially determined contribution	-	2,400,000	2,384,500	3,414,500	3,408,800	1,824,956	1,696,000	1,027,200	941,600	319,838
Contribution deficiency	1,100,000	-	-	-	-	1,389,898	1,518,854	1,112,819	1,198,419	(18)
Covered Payroll	2,500,000	3,500,000	3,505,969	4,919,000	4,919,000	4,987,823	4,987,823	5,192,619	5,192,619	4,916,770
Contributions as a percentage of covered payroll	0.0%	68.6%	68.6%	75.6%	75.6%	36.1%	34.0%	19.8%	18.1%	6.5%
Investment return:	6.50%	6.45%	6.45%	6.85%	6.85%	6.50%	7.00%	7.00%	7.00%	7.00%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011	July 1, 2009	July 1, 2009	July 1, 2007

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method. Prior to July 1, 2013, the actuarial accrued liability was calculated using the projected unit credit cost method
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter. Prior to July 1, 2013, the future salary increase assumption was 1% for the next year, 1% the following year and 3.5% thereafter. Prior to July 1, 2011 the future salary increase assumption was 1% for the next year, 2% the following year, and 4% thereafter.
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of Pension Contributions (Continued)  
Years Ended June 30**

**Kentucky Legislators Hybrid Cash Balance Retirement Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 33,300	\$ 15,400	\$ 15,400	\$ 14,500	\$ 8,800
Contributions in relation to the actuarially determined contribution	-	15,400	15,400	14,500	8,800
Contribution deficiency	33,300	-	-	-	-
Covered Payroll	1,828,000	907,000	898,000	419,000	419,000
Contributions as a percentage of covered payroll	0.0%	1.7%	1.7%	3.5%	2.1%
Investment return:	4.0%	4.0%	4.0%	4.0%	4.0%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: This schedule is intended to present 10 years of contribution information. Currently, only those years with information available are presented. Contribution amounts rounded to the nearest \$100 and covered payroll amounts rounded to the nearest \$100.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of OPEB Contributions  
Years Ended June 30**

**Kentucky Judicial Defined Benefit OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Actuarially determined contribution</b>	\$ -	\$ 1,200,000	\$ 1,217,903	\$ 1,274,480	\$ 1,274,480	\$ 893,242	\$ 893,242	\$ 695,787	\$ 695,787	\$ 838,352
<b>Contributions in relation to the</b>										
actuarially determined contribution	-	1,200,000	1,217,903	1,274,480	1,274,480	634,125	610,313	334,032	306,196	830,465
Contribution deficiency	-	-	-	-	-	259,117	282,929	361,755	389,591	7,887
Covered Payroll	25,400,000	27,900,000	27,600,000	30,009,000	30,009,000	32,930,000	32,930,000	33,775,000	33,175,000	29,887,000
Contributions as a percentage of										
covered payroll	0.0%	4.3%	4.4%	4.2%	4.2%	1.9%	1.9%	1.0%	0.9%	2.8%
Investment return:	6.50%	6.24%	6.24%	6.41%	6.41%	6.15%	7.00%	7.00%	7.00%	7.00%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011	July 1, 2009	July 1, 2009	July 1, 2007

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method. Prior to July 1 2013, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Investment return:	6.5%. For July 1, 2018 and 2017, an investment return of 6.24% was used. For July 1, 2016 and 2015, an investment return of 6.41% was used. For July 1, 2014, an investment return of 6.15% was used. Prior to July 1, 2013, an investment return of 7.0% was used.
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter. Prior to July 1, 2013, the future salary increase assumption was 1% for the next year, 1% the following year and 3.5% thereafter. Prior to July 1, 2011 the future salary increase assumption was 1% for the next year, 2% the following year, and 4% thereafter.
Healthcare cost trend rates:	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of OPEB Contributions (Continued)  
Years Ended June 30**

**Kentucky Judicial Hybrid Cash Balance OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ -	\$ 69,300	\$ 69,300	\$ 71,300	\$ 42,300
Contributions in relation to the actuarially determined contribution	-	69,300	69,300	71,300	42,300
Contribution deficiency	-	-	-	-	-
Covered Payroll	5,205,000	2,724,000	2,697,000	1,936,000	1,936,000
Contributions as a percentage of covered payroll	0.0%	2.5%	2.6%	3.7%	2.2%
Investment return:	4.0%	4.0%	4.0%	4.0%	4.0%
Valuation Date:	July 1, 2019	July 1, 2018	July 1, 2017	July 1, 2016	July 1, 2015

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Investment return:	4.00%
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter
Healthcare cost trend rates:	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: This schedule is intended to present 10 years of contribution information. Currently, only those years with information available are presented.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of OPEB Contributions (Continued)  
Years Ended June 30**

**Kentucky Legislators Defined Benefit OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,759
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	59,762
Contribution deficiency	-	-	-	-	-	-	-	-	-	(3)
Covered Payroll	2,500,000	3,500,000	3,500,000	4,919,000	4,919,000	4,987,823	4,987,823	5,192,619	5,192,619	4,916,770
Contributions as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%
Investment return:	6.50%	6.45%	6.45%	6.85%	6.85%	6.45%	7.00%	7.00%	7.00%	7.00%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011	July 1, 2011	July 1, 2009	July 1, 2009	July 1, 2007

**Methods and assumptions used to determine contributions**

Actuarial cost method: Entry Age Normal funding method

Amortization method: Interest + 1% Unfunded Past Liability

Asset valuation method: Market value

Investment Return: 6.5%. For July 1, 2018 and 2017, an investment return of 6.45% was used. For July 1, 2016 and 2015, an investment return of 6.85% was used. For July 1, 2014, an investment return of 6.45% was used. Prior to July 1, 2013, an investment return of 7.0% was used.

Inflation: 3.00%

Projected Salary Increases: 1% for the next five years, and 3.5% thereafter

Healthcare cost trend rates: 7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075

Mortality: RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedules of OPEB Contributions (Continued)  
Years Ended June 30**

**Kentucky Legislator Hybrid Cash Balance OPEB Plan**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 11,800	\$ 5,500	\$ 5,534	\$ 5,207	\$ -
Contributions in relation to the actuarially determined contribution	-	5,600	5,556	5,207	-
Contribution deficiency	11,800	(100)	(22)	-	-
Covered Payroll	1,828,000	907,000	897,712	419,012	419,012
Contributions as a percentage of covered payroll	0%	1%	1%	1%	0%
Investment return:	4.0%	4.0%	4.0%	4.0%	4.0%
Valuation Date:	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013

**Methods and assumptions used to determine contributions**

Actuarial cost method:	Entry Age Normal funding method.
Amortization method:	Interest + 1% Unfunded Past Liability
Asset valuation method:	Market value
Investment return:	4.00%
Inflation:	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter
Healthcare cost trend rates:	7.00% level for 3 years, then 6.75% and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075
Mortality:	RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales). Prior to July 1, 2011, RP-2000 Mortality Table projected 2009 without collar adjustment for male and female lives used.

Note: This schedule is intended to present 10 years of contribution information. Currently, only those years with information available are presented.

See accompanying independent auditor's report.

**Kentucky Judicial Form Retirement System  
Schedule of Investment Returns  
Year Ended June 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Kentucky Judicial Defined Benefit Pension Plan and  Kentucky Judicial Hybrid Cash Balance Pension</b>						
Annual money-weighted rate of return, net of investment expense	12.9%	9.4%	12.8%	3.2%	10.2%	15.0%
<b>Kentucky Legislative Defined Benefit Pension Plan  and Kentucky Legislative Hybrid Cash Balance  Pension Plan</b>						
Annual money-weighted rate of return, net of investment expense	12.6%	9.4%	12.7%	3.6%	10.1%	16.7%
<b>Kentucky Judicial Defined Benefit OPEB Plan and  Kentucky Judicial Hybrid Cash Balance OPEB Plan</b>						
Annual money-weighted rate of return, net of investment expense	12.9%	9.4%	12.8%	3.2%	10.2%	15.0%
<b>Kentucky Legislative Defined Benefit OPEB Plan  and Kentucky Legislative Hybrid Cash Balance  OPEB Plan</b>						
Annual money-weighted rate of return, net of investment expense	12.6%	9.4%	12.7%	3.6%	10.1%	16.7%

Note: This schedule is intended to present 10 years of contribution information. Currently, only those years with information available are presented.

See accompanying independent auditor's report.



**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 Judicial Form Retirement System**

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 Kentucky Judicial Form Retirement System (the System), a component unit of the Commonwealth of Kentucky, which comprise the statements of fiduciary net position as of June 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MCM CPAs & Advisors LLP

P 859.514.7800  
F 859.514.7805  
1000 Vine Center  
333 West Vine Street  
Lexington, KY 40507  
www.mcmcpa.com  
888.587.1719

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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* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 determination of financial statement amounts. 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*MCM CPAs & Advisors LLP*

Lexington, Kentucky  
October 10, 2019