

**Kentucky Judicial Form Retirement System**  
**Financial Statements**  
**Years Ended June 30, 2020 and 2019**

**Kentucky Judicial Form Retirement System  
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Years Ended June 30, 2020 and 2019**

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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, 2020 and 2019, 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.

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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, 2020 and 2019 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 Schedule 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 14, 2020, 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 solely 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.



Lexington, Kentucky  
October 14, 2020

## **Kentucky Judicial Form Retirement System Management's Discussion and Analysis Years Ended June 30, 2020 and 2019**

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, 2020 and 2019. 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 41 through 44) and the Schedules of Changes in Net OPEB Liability and Related Ratios (on pages 45 through 48) include information about the actuarially funded status of each defined benefit pension and OPEB plans, including the sources of changes in the net pension and OPEB liability and the components of the net pension and OPEB liability. The Schedule of Pension Contributions (on pages 49 through 52) and the Schedule of OPEB Contributions (on pages 53 through 56) include information about the actuarially determined contributions, contributions to each defined benefit and hybrid plan. The Schedule of Investment Returns (on page 57) 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, 2020 and 2019, the Judicial Retirement Plan experienced:

- An increase in fiduciary net position of \$9.3 million, from \$431.2 million to \$440.5 million in fiscal year 2020 and an increase of \$33.6 million, from \$397.6 million to \$431.2 million in fiscal year 2019. The increase in both years is primarily due to investment earnings.
- There was no change in employer contributions during the fiscal year 2020. There was a \$5.1 million decrease in employer contributions during fiscal year 2019. The changes are directly related to the amount appropriated by the Commonwealth of Kentucky.
- A \$24.9 million decrease in net investment income from \$49.5 million in fiscal year 2019 to \$24.6 million in fiscal year in 2020. A \$14.6 million increase in net investment income from \$34.9 million in fiscal year 2018, to \$49.5 million in fiscal year 2019. The change each year is due primarily to the amount of (depreciation) appreciation of investments held.

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2020 and 2019**

**Financial Highlights (Continued)**

*Judicial Retirement Plan (Continued)*

- An increase of \$493,000 and \$715,000 in benefit payments during fiscal years 2020 and 2019 respectively, with aggregate benefit payments of \$24.4 million and \$23.9 million in fiscal years 2020 and 2019, respectively.

| Summary of fiduciary net position            | June 30,              |                          |                       |                          |                       |
|--|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|  | 2020                  | % Increase<br>(decrease) | 2019                  | % Increase<br>(decrease) | 2018                  |
| Cash and investments                         | \$ 439,046,758        | 2.19%                    | \$ 429,627,364        | 8.51%                    | \$ 395,921,340        |
| Receivables                                  | 1,431,204             | -6.58%                   | 1,531,957             | -6.53%                   | 1,638,931             |
| <b>Fiduciary net position</b>                | <b>\$ 440,477,962</b> | <b>2.16%</b>             | <b>\$ 431,159,321</b> | <b>8.45%</b>             | <b>\$ 397,560,271</b> |
| Summary of changes in fiduciary net position | 2020                  | % Increase<br>(decrease) | 2019                  | % Increase<br>(decrease) | 2018                  |
| <b>Additions</b>                             |                       |                          |                       |                          |                       |
| Employer contributions                       | \$ 8,732,300          | 0.00%                    | \$ 8,732,300          | -36.75%                  | \$ 13,805,475         |
| Member contributions                         | 1,931,453             | 21.29%                   | 1,592,479             | -27.47%                  | 2,195,624             |
| Net investment income                        | 24,597,500            | -50.28%                  | 49,474,169            | 41.81%                   | 34,886,699            |
| Appropriations for<br>administrative expense | 838,500               | 0.53%                    | 834,100               | 46.87%                   | 567,900               |
| Litigation proceeds                          | 37                    | -100.00%                 | 6,594                 | 100.00%                  | -                     |
| <b>Total additions</b>                       | <b>36,099,790</b>     | <b>-40.47%</b>           | <b>60,639,642</b>     | <b>17.85%</b>            | <b>51,455,698</b>     |
| <b>Deductions</b>                            |                       |                          |                       |                          |                       |
| Benefit payments                             | 24,401,791            | 2.06%                    | 23,908,942            | 3.08%                    | 23,193,774            |
| Insurance premiums                           | 1,987,397             | 1.05%                    | 1,966,712             | 0.24%                    | 1,962,008             |
| Administrative expenses                      | 391,961               | -53.01%                  | 834,100               | 46.87%                   | 567,900               |
| Refund of member contributions               | -                     | -100.00%                 | 330,838               | -66400.20%               | (499)                 |
| <b>Total deductions</b>                      | <b>26,781,149</b>     | <b>-0.96%</b>            | <b>27,040,592</b>     | <b>5.12%</b>             | <b>25,723,183</b>     |
| <b>Change in fiduciary net position</b>      | <b>\$ 9,318,641</b>   | <b>-72.27%</b>           | <b>\$ 33,599,050</b>  | <b>30.57%</b>            | <b>\$ 25,732,515</b>  |

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2020 and 2019**

**Financial Highlights (Continued)**

*Legislators Retirement Plan*

In the fiscal years ended June 30, 2020 and 2019, the Legislators Retirement Plan experienced:

- An increase in fiduciary net position of \$1.7 million, from \$127.2 million to \$128.9 million in fiscal year 2020 and an increase of \$9.2 million, from \$118.0 million to \$127.2 million in fiscal year 2019. The increase in both years is primarily due to investment earnings.
- There was no change in employer contributions during fiscal year 2020. There was a \$2.4 million decrease in employer contributions during fiscal year 2019. The changes are directly related to the amount appropriated by the Commonwealth of Kentucky.
- A decrease in net investment income of \$7.1 million, from \$14.3 million in fiscal year 2019 to \$7.2 million in fiscal year in 2020, and 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 2019. The change each year is due primarily to the amount of (depreciation) appreciation of investments held.
- An increase of \$232,000 and \$203,340 in benefit payments during fiscal years 2020 and 2019 respectively, with aggregate benefit payments of \$5.0 million and \$4.7 million in fiscal years 2020 and 2019, respectively.

| Summary of fiduciary net position            | June 30,              |                          |                       |                          |                       |
|--|-----------------------|--------------------------|-----------------------|--------------------------|-----------------------|
|  | 2020                  | % Increase<br>(decrease) | 2019                  | % Increase<br>(decrease) | 2018                  |
| Cash and investments                         | \$ 128,508,392        | 1.32%                    | \$ 126,838,870        | 7.94%                    | \$ 117,513,475        |
| Receivables                                  | 395,440               | -2.66%                   | 406,263               | -18.22%                  | 496,751               |
| Fiduciary net position                       | <u>\$ 128,903,832</u> | 1.30%                    | <u>\$ 127,245,133</u> | 7.83%                    | <u>\$ 118,010,226</u> |
| Summary of changes in fiduciary net position | 2020                  | % Increase<br>(decrease) | 2019                  | % Increase<br>(decrease) | 2018                  |
| <b>Additions</b>                             |                       |                          |                       |                          |                       |
| Employer contributions                       | \$ -                  | 0.00%                    | \$ -                  | -100.00%                 | \$ 2,405,500          |
| Member contributions                         | 249,558               | 18.22%                   | 211,105               | -12.85%                  | 242,235               |
| Net investment income                        | 7,235,760             | -49.55%                  | 14,343,715            | 40.54%                   | 10,206,436            |
| Appropriations for administrative expense    | 311,400               | 0.52%                    | 309,800               | 54.21%                   | 200,900               |
| Litigation proceeds                          | -                     | -100.00%                 | 3,596                 | 100.00%                  | -                     |
| Employer pay credit                          | -                     | -100.00%                 | 887                   | 100.00%                  | -                     |
| Total additions                              | 7,796,718             | -47.56%                  | 14,869,103            | 13.90%                   | 13,055,071            |
| <b>Deductions</b>                            |                       |                          |                       |                          |                       |
| Benefit payments                             | 4,961,239             | 4.91%                    | 4,728,939             | 4.49%                    | 4,525,599             |
| Insurance premiums                           | 811,016               | 5.81%                    | 766,517               | 1.06%                    | 758,496               |
| Administrative expenses                      | 294,231               | 112.07%                  | 138,740               | -39.50%                  | 229,305               |
| Refund of member contributions               | 71,533                | 100.00%                  | -                     | -100.00%                 | 1,888                 |
| Total deductions                             | 6,138,019             | 8.94%                    | 5,634,196             | 2.16%                    | 5,515,288             |
| Change in fiduciary net position             | <u>\$ 1,658,699</u>   | -82.04%                  | <u>\$ 9,234,907</u>   | 22.48%                   | <u>\$ 7,539,783</u>   |

**Kentucky Judicial Form Retirement System  
Management's Discussion and Analysis (Continued)  
Years Ended June 30, 2020 and 2019**

**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 20, 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, 2020 and 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 2020 or 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, 2020**

|  | Kentucky Judicial retirement plan |                   |                | Kentucky Legislators retirement plan |                   |                | System total   |
|--|-----------------------------------|-------------------|----------------|--------------------------------------|-------------------|----------------|----------------|
|  | Pension                           | Medical insurance | Total          | Pension                              | Medical insurance | Total          |                |
| Cash and cash equivalents  | \$ 869,758                        | \$ 252,385        | \$ 1,122,143   | \$ 1,136,043                         | \$ 776,835        | \$ 1,912,878   | \$ 3,035,021   |
| Receivables  |                                   |                   |                |                                      |                   |                |                |
| Accrued interest receivable  | 829,003                           | 240,558           | 1,069,561      | 186,346                              | 127,425           | 313,771        | 1,383,332      |
| Dividend receivable  | 177,673                           | 51,557            | 229,230        | 39,565                               | 27,055            | 66,620         | 295,850        |
| Members' contribution receivable   | 102,631                           | 29,782            | 132,413        | 8,938                                | 6,111             | 15,049         | 147,462        |
| Total receivables  | 1,109,307                         | 321,897           | 1,431,204      | 234,849                              | 160,591           | 395,440        | 1,826,644      |
| Investments at fair value  |                                   |                   |                |                                      |                   |                |                |
| Investments held by State Treasury   | 18,286                            | 5,306             | 23,592         | 111,605                              | 76,316            | 187,921        | 211,513        |
| Governmental securities  | 4,313,537                         | 1,251,692         | 5,565,229      | 607,508                              | 415,152           | 1,022,660      | 6,587,889      |
| Corporate notes  | 75,720,811                        | 21,972,489        | 97,693,300     | 16,450,504                           | 11,241,764        | 27,692,268     | 125,385,568    |
| Common stock   | 259,377,060                       | 75,265,434        | 334,642,494    | 58,034,046                           | 39,658,619        | 97,692,665     | 432,335,159    |
| Total investments  | 339,429,694                       | 98,494,921        | 437,924,615    | 75,203,663                           | 51,391,851        | 126,595,514    | 564,520,129    |
| Fiduciary net position - restricted for pension and other post-employment benefits | \$ 341,408,759                    | \$ 99,069,203     | \$ 440,477,962 | \$ 76,574,555                        | \$ 52,329,277     | \$ 128,903,832 | \$ 569,381,794 |

See accompanying notes.

**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 Changes in Fiduciary Net Position  
Year Ended June 30, 2020**

|  | Kentucky Judicial Retirement Plan |                   |                | Kentucky Legislators Retirement Plan |                   |                | System total   |
|--|-----------------------------------|-------------------|----------------|--------------------------------------|-------------------|----------------|----------------|
|  | Pension                           | Medical insurance | Total          | Pension                              | Medical insurance | Total          |                |
| <b>Additions</b>                                       |                                   |                   |                |                                      |                   |                |                |
| <b>Contributions</b>                                   |                                   |                   |                |                                      |                   |                |                |
| Employer   | \$ 8,732,300                      | \$ -              | \$ 8,732,300   | \$ -                                 | \$ -              | \$ -           | \$ 8,732,300   |
| Member   | 1,885,843                         | 45,610            | 1,931,453      | 231,072                              | 18,486            | 249,558        | 2,181,011      |
| Total contributions                                    | 10,618,143                        | 45,610            | 10,663,753     | 231,072                              | 18,486            | 249,558        | 10,913,311     |
| Appropriations for administrative expenses             | 649,910                           | 188,590           | 838,500        | 184,938                              | 126,462           | 311,400        | 1,149,900      |
| Litigation proceeds                                    | 30                                | 7                 | 37             | -                                    | -                 | -              | 37             |
| <b>Investments</b>                                     |                                   |                   |                |                                      |                   |                |                |
| Net appreciation (realized and unrealized)             | 11,428,851                        | 3,311,512         | 14,740,363     | 2,518,350                            | 1,720,822         | 4,239,172      | 18,979,535     |
| Interest   | 2,861,061                         | 830,216           | 3,691,277      | 613,613                              | 419,593           | 1,033,206      | 4,724,483      |
| Dividends  | 5,121,743                         | 1,486,215         | 6,607,958      | 1,166,217                            | 797,469           | 1,963,686      | 8,571,644      |
| Total investment income                                | 19,411,655                        | 5,627,943         | 25,039,598     | 4,298,180                            | 2,937,884         | 7,236,064      | 32,275,662     |
| Less investment expenses                               | 342,664                           | 99,434            | 442,098        | 181                                  | 123               | 304            | 442,402        |
| Net investment income                                  | 19,068,991                        | 5,528,509         | 24,597,500     | 4,297,999                            | 2,937,761         | 7,235,760      | 31,833,260     |
| Total additions  | 30,337,074                        | 5,762,716         | 36,099,790     | 4,714,009                            | 3,082,709         | 7,796,718      | 43,896,508     |
| <b>Deductions</b>                                      |                                   |                   |                |                                      |                   |                |                |
| Benefit payments                                       | 24,401,791                        | -                 | 24,401,791     | 4,961,239                            | -                 | 4,961,239      | 29,363,030     |
| Insurance premiums                                     | -                                 | 1,987,397         | 1,987,397      | -                                    | 811,016           | 811,016        | 2,798,413      |
| Administrative expense                                 | 335,654                           | 56,307            | 391,961        | 168,418                              | 125,813           | 294,231        | 686,192        |
| Refund of member contributions                         | -                                 | -                 | -              | 71,533                               | -                 | 71,533         | 71,533         |
| Total deductions                                       | 24,737,445                        | 2,043,704         | 26,781,149     | 5,201,190                            | 936,829           | 6,138,019      | 32,919,168     |
| Net increase in plan position                          | 5,599,629                         | 3,719,012         | 9,318,641      | (487,181)                            | 2,145,880         | 1,658,699      | 10,977,340     |
| Fiduciary net position - restricted, beginning of year | 335,809,130                       | 95,350,191        | 431,159,321    | 77,061,736                           | 50,183,397        | 127,245,133    | 558,404,454    |
| Fiduciary net position - restricted, end of year       | \$ 341,408,759                    | \$ 99,069,203     | \$ 440,477,962 | \$ 76,574,555                        | \$ 52,329,277     | \$ 128,903,832 | \$ 569,381,794 |

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>  |                                   |                      |                       |                                      |                      |                       |                       |
| <b>Contributions</b>                                    |                                   |                      |                       |                                      |                      |                       |                       |
| 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**  
**Notes to the Financial Statements**  
**Years Ended June 30, 2020 and 2019**

**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, 2020 and 2019**

**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, 2021. 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, 2020 and 2019:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Retirees and beneficiaries receiving benefits | 352               | 354               |
| Terminated plan members - vested              | 12                | 13                |
| Active plan members                           | <u>188</u>        | <u>197</u>        |
| Total   | <u><u>552</u></u> | <u><u>564</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 44 individuals at June 30, 2020 and 41 individuals at June 30, 2019. In 2020, there was one non-vested members that was terminated. 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, 2020 and 2019**

**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, 2020 and 2019**

**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, 2020 and 2019, 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, 2020, and 2019, approximately \$1.6 million and \$1.2 million, 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, 2020 and 2019**

**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, 2020 and 2019:

|   | <u>2020</u>       | <u>2019</u>       |
|---|-------------------|-------------------|
| Retirees and beneficiaries receiving benefits | 241               | 238               |
| Terminated plan members - vested              | 38                | 40                |
| Active plan members                           | <u>54</u>         | <u>58</u>         |
| Total   | <u><u>333</u></u> | <u><u>336</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 Legislators Retirement Plan (the "Legislators HCB Plan") consisted of 48 individuals at June 30, 2020 and 45 individuals at June 30, 2019. In 2020, there were four non-vested members that were terminated. 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, 2020 and 2019**

**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, 2020 and 2019**

**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. The actuary recommends that the Commonwealth make a normal contribution at the 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 KRS 21.515. The Commonwealth made no contributions in 2020 or 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, 2020 and 2019, approximately \$399,000 and \$275,300, 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, 2020 and 2019**

**Note D - Investments (Continued)**

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

1. Cash and cash equivalent balances will be held separately for each fund as liquidity reserve for the payment of certain fund expenses, pension or qualified refund payments, and insurance premium requirements.
2. Equities will have a target allocation of 70% of the portfolio's market value (with a fluctuation tolerance of up to 10%.)
3. 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%.)
4. If an allocation exceeds its targeted range, the applicable Investment Committee will be notified of the status of the Fund's portfolio allocation percentages. Such Committee may direct the fund manager to, on a timely basis, adjust the Fund's applicable allocation percentage to bring the Fund's portfolio back into its targeted range. If the Committee does not make a rebalancing recommendation, the fund manager, at its discretion, may or may not adjust the Fund's portfolio allocations.

*Equities:*

5. 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.
6. 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.
7. Equity investment in a particular industry shall not exceed 25% of the fund's market value of the equity portfolio.
8. Any equity benchmark selected by the manager for any fund must be a broad market benchmark and must reasonably reflect the nature and risk of the underlying investments of such fund's equity portfolio.
9. The fund manager is prohibited from investing in private placements, unregistered securities, hedge funds, letter stock, uncovered options, common trust funds or collective funds, or from engaging in short sales, margin transactions, or other specialized investment activities.

*Fixed Income:*

10. No issues (with the exception of those of the U.S. Government and its Agencies) may be purchased with more than 15 years duration at the time of purchase.
11. Investments in securities of the U.S. Government and its Agencies may be purchased with a maturity of up to 30 years, but the weighted average maturity of those securities in each Fund shall not exceed 10 years.
12. 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.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**Note D - Investments (Continued)**

*Fixed Income (Continued):*

13. 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.
14. Preferred stocks must be rated A or better by Moody's and/or Standard & Poor's at the time of purchase.
15. Investment in bonds will be limited to those eligible for purchase by national banks.
16. Bond maturities will be reasonably spaced with due consideration given to call provisions.
17. Any fixed income benchmark selected by the manager for any fund must be a broad market benchmark and must reasonably reflect the nature and risk of the underlying investments of such fund's fixed income portfolio.
18. Each Fund's fixed income portfolio duration, defined as the weighted average of the modified durations of all of the Fund's fixed income investments, shall at all times be generally consistent with the duration of its fixed income benchmark, plus or minus one year.
19. The fund manager is prohibited from investing in private placements, from speculating in fixed income or interest rate futures, and from arbitrage or any other specialized investments. No investments shall be made in proprietary funds of the fund manager without written consent of the Investment Committee.

*Cash and Cash Equivalents*

20. The fund manager may maintain cash and cash equivalent balances as part of a Fund's portfolio allocations in anticipation of liquidity reserve needs or as temporary Fund investments pending longer term portfolio investments.
21. Any cash and cash equivalent investments held in the liquidity reserves or within Fund portfolios may be made in the following types of short-term investments, with limits and requirements as described below:
  - a. Treasury bills;
  - b. Commercial paper investments and marketable short-term money market securities, each with time of purchase ratings of as least A-2 or P-2 by Standard & Poor's or Moody's, respectively, and each with time of purchase maturities of no longer than 270 days;
  - c. Marketable short-term money market funds of marketable short term securities, under the following limits for each such fund: fund ratings at least AAA or Aaa by Standard & Poor's or Moody' s, respectively, at time of purchase; final maturities of underlying fund investments of no longer than 13 months from dates of acquisition; and fund weighted average maturity of underlying fund investments of no longer than 60 days at all times;
  - d. Corporate cash equivalent investments with maturities no longer than one year, provided any such investment shall be restricted to not more than 7% per issuer;
  - e. Repurchase agreements relating to and consistent with the instruments described in these Cash and Cash Equivalent Guidelines provided such agreements have a maturity deemed to be no longer than the scheduled maturity period remaining on the underlying securities covered by such agreement; and/or
22. All cash and cash equivalents should have maturities no longer than one year from the date of their acquisition.
23. The fund manager may invest no more than 10% of the market values of either of the two Defined Benefit Funds' portfolios, and no more than 5% of the market values of either of the two Hybrid Cash Balance Funds' portfolios, in cash or cash equivalents of a single government agency other than U.S Government agencies. Investment in obligations of the U.S. Government and its agencies are not restricted.

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**Note D - Investments (Continued)**

*Cash and Cash Equivalents (Continued)*

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of investment expense, for the Judicial Plan and Legislators Plan was 6.0%. 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. 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.

Investment fees

All fees paid to the investment manager are allocated to the Judicial Plan.

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**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, U.S. governmental securities, and corporate notes within the Judicial Plan are as follows as of June 30:

**Judicial**

|                                 | S&P<br>Quality Rating | 2020                  | 2019                  |
|---------------------------------|-----------------------|-----------------------|-----------------------|
| Municipal securities            | AA+                   | \$ -                  | \$ 2,503,000          |
| Foreign governmental securities | A+                    | \$ -                  | \$ 2,510,900          |
| U.S. governmental securities    | AA+                   | \$ 5,565,229          | \$ 7,129,850          |
|                                 | N/A                   | 135,112               | 276,168               |
|                                 |                       | <u>\$ 5,700,341</u>   | <u>\$ 7,406,018</u>   |
| Corporate notes                 | AAA                   | \$ 3,311,430          | \$ 3,192,090          |
|                                 | AA+                   | 5,919,505             | 5,763,005             |
|                                 | AA                    | 2,097,860             | 2,056,060             |
|                                 | AA-                   | 8,719,740             | 11,474,281            |
|                                 | A+                    | 13,762,917            | 18,523,015            |
|                                 | A                     | 20,807,335            | 16,360,345            |
|                                 | A-                    | 15,229,815            | 11,918,065            |
|                                 | BBB+                  | 9,675,640             | 10,904,005            |
|                                 | BBB                   | 13,701,520            | 13,069,525            |
|                                 | BBB-                  | 3,832,115             | -                     |
|                                 | Not Rated*            | 500,311               | 349,103               |
|                                 |                       | <u>\$ 97,558,188</u>  | <u>\$ 93,609,494</u>  |
|                                 | Total                 | <u>\$ 103,258,529</u> | <u>\$ 106,029,412</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, 2020 and 2019**

**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:

**Legislative**

|                                 | S&P<br>Quality Rating | 2020                 | 2019                 |
|---------------------------------|-----------------------|----------------------|----------------------|
| Municipal securities            | AA+                   | \$ -                 | \$ 400,480           |
| Foreign governmental securities | A+                    | \$ -                 | \$ 602,616           |
| U.S. governmental securities    | AA+                   | \$ 1,022,660         | \$ 1,031,740         |
|                                 | N/A                   | 134,201              | 1,923,118            |
|                                 |                       | <u>\$ 1,156,861</u>  | <u>\$ 2,954,858</u>  |
| Corporate notes                 | AAA                   | \$ 1,103,810         | \$ 1,064,030         |
|                                 | AA+                   | 1,819,836            | 1,777,606            |
|                                 | AA                    | 1,048,200            | 1,039,970            |
|                                 | AA-                   | 1,889,028            | 3,581,540            |
|                                 | A+                    | 3,692,821            | 4,991,138            |
|                                 | A                     | 6,284,138            | 5,723,378            |
|                                 | A-                    | 3,350,249            | 2,973,622            |
|                                 | BBB+                  | 2,840,220            | 2,580,780            |
|                                 | BBB                   | 4,282,444            | 4,081,174            |
|                                 | BBB-                  | 1,094,890            | -                    |
|                                 | Not Rated*            | 152,431              | 90,378               |
|                                 |                       | <u>\$ 27,558,067</u> | <u>\$ 27,903,616</u> |
|                                 | Total                 | <u>\$ 28,714,928</u> | <u>\$ 31,861,570</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, 2020 and 2019**

**Note D - Investments (Continued)**

Concentration of Investments

Investments exceeded more than 5% of Plan fiduciary net position as follows: At June 30, 2020, Microsoft Corporation at 6.88%, Apple, Inc. at 6.41%, Home Depot, Inc. at 5.69%, and Progressive Corp at 5.18% in the Judicial Plan; and Microsoft Corporation at 6.89%, Apple, Inc. at 6.49%, Home Depot, Inc. at 5.73%, and Progressive Corp at 5.26% in the Legislators Plan. 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.

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.

The debt securities and related maturities within the Judicial Plan are as follows at June 30, 2020:

|                         | <u>Amount</u>         | <u>Less than<br/>one year</u> | <u>1-5 years</u>     | <u>6-10 years</u>    |
|-------------------------|-----------------------|-------------------------------|----------------------|----------------------|
| Governmental securities | \$ 5,700,341          | \$ 3,714,422                  | \$ -                 | \$ 1,985,919         |
| Corporate notes         | 97,558,188            | 13,746,771                    | 58,082,732           | 25,728,685           |
|                         | <u>\$ 103,258,529</u> | <u>\$ 17,461,193</u>          | <u>\$ 58,082,732</u> | <u>\$ 27,714,604</u> |

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

|                                 | <u>Amount</u>         | <u>Less than<br/>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 Legislators Plan are as follows at June 30, 2020:

|                         | <u>Amount</u>        | <u>Less than<br/>one year</u> | <u>1-5 years</u>     | <u>6-10 years</u>   |
|-------------------------|----------------------|-------------------------------|----------------------|---------------------|
| Governmental securities | \$ 1,156,861         | \$ 1,156,861                  | \$ -                 | \$ -                |
| Corporate notes         | 27,558,067           | 4,358,542                     | 18,711,055           | 4,488,470           |
|                         | <u>\$ 28,714,928</u> | <u>\$ 5,515,403</u>           | <u>\$ 18,711,055</u> | <u>\$ 4,488,470</u> |

**Kentucky Judicial Form Retirement System**  
**Notes to the Financial Statements (Continued)**  
**Years Ended June 30, 2020 and 2019**

**Note D - Investments (Continued)**

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

|                                 | Amount               | Less than<br>one year | 1-5 years            | 6-10 years          |
|---------------------------------|----------------------|-----------------------|----------------------|---------------------|
| 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> |

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:

|                                       | Currency        | 2020                | 2019                 |
|---------------------------------------|-----------------|---------------------|----------------------|
| Schlumberger Limited                  | Euro            | \$ 3,757,460        | \$ 3,682,385         |
| HSBC Holdings Note                    | British pound   | 3,693,585           | 3,648,855            |
| Shell International Finance B.V. Bote | Euro            | -                   | 3,552,710            |
| Ontario Province Canada Bond          | Canadian Dollar | -                   | 2,510,900            |
|                                       |                 | <u>\$ 7,451,045</u> | <u>\$ 13,394,850</u> |

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

|                                       | Currency        | 2020                | 2019                |
|---------------------------------------|-----------------|---------------------|---------------------|
| Schlumberger Limited                  | Euro            | \$ 1,073,560        | \$ 1,052,110        |
| HSBC Holdings Note                    | British pound   | 1,055,310           | 1,042,530           |
| Shell International Finance B.V. Bote | Euro            | -                   | 1,015,060           |
| Ontario Province Canada Bond          | Canadian Dollar | -                   | 603,570             |
|                                       |                 | <u>\$ 2,128,870</u> | <u>\$ 3,713,270</u> |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**Note D - Investments (Continued)**

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, 2020, the System's share of deposits in the Commonwealth's general depository (State investment pool) totaled \$1,145,735 and \$2,100,799 in the Judicial and Legislators plans, respectively. At June 30, 2019, the System's share of deposited in the Commonwealth's general depository (State investment pool) totaled \$140,183 and \$302,741 in the Judicial and Legislators plans, respectively. The Commonwealth's CAFR for the year ended June 30, 2020 should be referred to for required disclosures.

**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, 2020 and 2019.

- 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, 2020 and 2019**

**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, 2020 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<br>and cash equivalents | \$ 23,592             | \$ -                 | \$ -           | \$ 23,592             |
| Common stocks   | 334,642,494           | -                    | -              | 334,642,494           |
| Corporate notes and governmental<br>securities            | <u>6,200,652</u>      | <u>97,057,877</u>    | <u>-</u>       | <u>103,258,529</u>    |
| Total assets at fair value                                | <u>\$ 340,866,738</u> | <u>\$ 97,057,877</u> | <u>\$ -</u>    | <u>\$ 437,924,615</u> |

Legislators Retirement Plan:

|   | <u>Level 1</u>       | <u>Level 2</u>       | <u>Level 3</u> | <u>Total</u>          |
|---|----------------------|----------------------|----------------|-----------------------|
| State investment pool-investments<br>and cash equivalents | \$ 187,921           | \$ -                 | \$ -           | \$ 187,921            |
| Common stocks   | 97,692,665           | -                    | -              | 97,692,665            |
| Corporate notes and governmental<br>securities            | <u>1,309,294</u>     | <u>27,405,634</u>    | <u>-</u>       | <u>28,714,928</u>     |
| Total assets at fair value                                | <u>\$ 99,189,880</u> | <u>\$ 27,405,634</u> | <u>\$ -</u>    | <u>\$ 126,595,514</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, 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<br>and cash equivalents | \$ 14,321             | \$ -                 | \$ -           | \$ 14,321             |
| Common stocks   | 323,457,769           | -                    | -              | 323,457,769           |
| Corporate notes and governmental<br>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> |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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<br>and cash equivalents | \$ 196,954           | \$ -                 | \$ -           | \$ 196,954            |
| Common stocks   | 94,674,559           | -                    | -              | 94,674,559            |
| Corporate notes and governmental<br>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 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 2020 or 2019.

**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>2020</u>          | <u>2019</u>          |
|---|----------------------|----------------------|
| Total pension liability   | \$ 371,001,979       | \$ 368,974,471       |
| Pension plan fiduciary net position   | <u>(339,692,840)</u> | <u>(334,547,162)</u> |
| Plan's net position liability   | <u>\$ 31,309,139</u> | <u>\$ 34,427,309</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 91.6%                | 90.7%                |

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2020 and 2019:

|                            |   |
|----------------------------|---|
| Valuation date             | July 1, 2019                                    |
| Actuarial cost method      | Entry Age Normal funding method                 |
| Amortization method        | Interest + 1% Unfunded Past Liability           |
| Asset valuation method     | Market Value                                    |
| Investment return          | 6.50%   |
| Inflation                  | 3.00%   |
| Projected salary increases | 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, 2020 and 2019**

**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, 2020 and 2019 (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<br/>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, 2020 and 2019 was 6.47%. 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, 2020, 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<br/>5.47%</u> | <u>Current rate<br/>6.47%</u> | <u>1% increase<br/>7.47%</u> |
|-----------------------|------------------------------|-------------------------------|------------------------------|
| Net pension liability | \$ 65,710,512                | \$ 31,309,139                 | \$ 1,830,875                 |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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>2020</u>        | <u>2019</u>        |
|---|--------------------|--------------------|
| Total pension liability   | \$ 1,739,145       | \$ 1,252,325       |
| Pension plan fiduciary net position   | <u>(1,613,288)</u> | <u>(1,162,514)</u> |
| Plan's net position (asset) liability   | <u>\$ 125,857</u>  | <u>\$ 89,811</u>   |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 92.8%              | 92.8%              |

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2020 and 2019:

|                            |   |
|----------------------------|---|
| Valuation date             | July 1, 2019                                    |
| 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 |

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, 2020, 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<br/>3.00%</u> | <u>Current rate<br/>4.00%</u> | <u>1% increase<br/>5.00%</u> |
|-----------------------|------------------------------|-------------------------------|------------------------------|
| Net pension liability | \$ 221,407                   | \$ 125,857                    | \$ 36,713                    |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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>2020</u>           | <u>2019</u>           |
|---|-----------------------|-----------------------|
| Total pension liability   | \$ 71,476,106         | \$ 71,623,005         |
| Pension plan fiduciary net position   | <u>(76,010,189)</u>   | <u>(76,642,873)</u>   |
| Plan's net position (asset) liability   | <u>\$ (4,534,083)</u> | <u>\$ (5,019,868)</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 106.3%                | 107.0%                |

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2020 and 2019:

|                            |   |
|----------------------------|---|
| Valuation date             | July 1, 2019                                    |
| Actuarial cost method      | Entry Age Normal funding method                 |
| Amortization method        | Interest + 1% Unfunded Past Liability           |
| Asset valuation method     | Market Value                                    |
| Investment return          | 6.50%   |
| Inflation                  | 3.00%   |
| Projected salary increases | 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, 2020 and 2019 (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<br/>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, 2020 and 2019**

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

Legislators Defined Benefit Plan (Continued)

The discount used to measure the total pension liability as of July 1, 2020 and 2019 was 6.5%. 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, 2020, 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<br>5.50% | Current rate<br>6.50% | 1% increase<br>7.50% |
|-------------------------------|----------------------|-----------------------|----------------------|
| Net pension liability (asset) | \$ 1,912,992         | \$ (4,534,083)        | \$ (10,044,861)      |

Legislators Hybrid Cash Balance Plan

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

|   | 2020             | 2019             |
|---|------------------|------------------|
| Total pension liability   | \$ 492,659       | \$ 318,169       |
| Pension plan fiduciary net position   | (399,375)        | (275,271)        |
| Plan's net position liability   | <u>\$ 93,284</u> | <u>\$ 42,898</u> |
| Plan fiduciary net position as a percentage<br>of the total pension liability | 81.1%            | 86.5%            |

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2020 and 2019:

|                            |   |
|----------------------------|---|
| Valuation date             | July 1, 2019                                    |
| 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 |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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, 2020, 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:

|                       | 1% decrease<br>3.00% | Current rate<br>4.00% | 1% increase<br>5.00% |
|-----------------------|----------------------|-----------------------|----------------------|
| Net pension liability | \$ 115,695           | \$ 93,284             | \$ 72,185            |

**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, 2020 and 2019, were as follows:

|  | 2020                   | 2019                   |
|--|------------------------|------------------------|
| Total OPEB liability   | \$ 48,821,407          | \$ 47,168,378          |
| Plan fiduciary net position  | <u>(98,824,162)</u>    | <u>(95,172,153)</u>    |
| Plan's net OPEB asset  | <u>\$ (50,002,755)</u> | <u>\$ (48,003,775)</u> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 202.4%                 | 201.8%                 |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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, 2020 and 2019:

|                             |   |
|-----------------------------|---|
| Valuation date              | July 1, 2019  |
| Inflation                   | 2.50%   |
| Salary increases            | 1% for the next five years, and 3.5% thereafter   |
| Investment rate of return   | 6.50%   |
| 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 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, 2020 (see the discussion of the Judicial OPEB Plan's investment policy) are summarized in the following table:

| <u>Asset class</u>   | <u>Long-term expected<br/>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 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, 2020 and 2019**

**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, 2020, 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<br>5.50%        | Current rate<br>6.50%       | 1% increase<br>7.50%        |
|----------------|-----------------------------|-----------------------------|-----------------------------|
|                | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net OPEB asset | \$ (50,199,428)             | \$ (50,002,755)             | \$ (49,825,603)             |

The table below presents the OPEB liability of the Judicial DB Plan as of June 30, 2020, 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 2020 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<br>on trend<br>assumption | Current rate<br>on trend<br>assumption | 1% increase<br>on trend<br>assumption |
|----------------|---------------------------------------|--|---------------------------------------|
|                | <u>                    </u>           | <u>                    </u>            | <u>                    </u>           |
| Net OPEB asset | \$ (55,374,423)                       | \$ (50,002,755)                        | \$ (43,586,624)                       |

Judicial Hybrid Cash Balance Plan

The components of the net OPEB liability of the Judicial Hybrid Cash Balance Plan as of June 30, 2020 and 2019, were as follows:

|  | <u>2020</u>        | <u>2019</u>        |
|--|--------------------|--------------------|
| Total OPEB liability   | \$ 160,879         | \$ 113,230         |
| Plan fiduciary net position  | <u>(215,259)</u>   | <u>(152,581)</u>   |
| Plan's net OPEB asset  | <u>\$ (54,380)</u> | <u>\$ (39,351)</u> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 133.8%             | 134.8%             |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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, 2020 and 2019:

|                             |   |
|-----------------------------|---|
| Valuation date              | July 1, 2019  |
| Inflation                   | 2.50%   |
| Salary increases            | 1% for the next five years, and 3.5% thereafter   |
| Investment rate of return   | 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 |

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, 2020, 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<br>3.00% | Current rate<br>4.00% | 1% increase<br>5.00% |
|----------------|----------------------|-----------------------|----------------------|
| Net OPEB asset | \$ (21,982)          | \$ (54,380)           | \$ (80,560)          |

The table below presents the OPEB liability of the Judicial Hybrid Cash Plan as of June 30, 2020, 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 2020 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<br>on trend<br>assumption | Current rate<br>on trend<br>assumption | 1% increase<br>on trend<br>assumption |
|----------------|---------------------------------------|--|---------------------------------------|
| Net OPEB asset | \$ (55,925)                           | \$ (54,380)                            | \$ (52,429)                           |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

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

Legislators Defined Benefit Plan

The components of the net OPEB liability of the Legislators DB Plan as of June 30, 2020 and 2019, were as follows:

|  | <u>2020</u>                   | <u>2019</u>                   |
|--|-------------------------------|-------------------------------|
| Total OPEB liability   | \$ 20,105,711                 | \$ 19,571,835                 |
| Plan fiduciary net position  | <u>(52,157,760)</u>           | <u>(50,034,271)</u>           |
| Plan's net OPEB asset  | <u><u>\$ (32,052,049)</u></u> | <u><u>\$ (30,462,436)</u></u> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 259.4%                        | 255.6%                        |

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2020 and 2019:

|                             |   |
|-----------------------------|---|
| Valuation date              | July 1, 2019  |
| Inflation                   | 2.50%   |
| Salary increases            | 1% for the next five years, and 3.5% thereafter   |
| Investment rate of return   | 6.50%   |
| 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 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, 2020 and 2019 (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<br/>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, 2020 and 2019**

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

Legislators Defined Benefit Plan (Continued)

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, 2020, 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:

|                | 1% decrease<br>5.50%        | Current rate<br>6.50%       | 1% increase<br>7.50%        |
|----------------|-----------------------------|-----------------------------|-----------------------------|
|                | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Net OPEB asset | \$ (29,755,097)             | \$ (32,052,049)             | \$ (33,966,729)             |

The following presents the OPEB liability of the Legislators DB Plan as of June 30, 2020, 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 2020 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<br>on trend<br>assumption | Current rate<br>on trend<br>assumption | 1% increase<br>on trend<br>assumption |
|----------------|---------------------------------------|--|---------------------------------------|
|                | <u>                    </u>           | <u>                    </u>            | <u>                    </u>           |
| Net OPEB asset | \$ (34,112,416)                       | \$ (32,052,049)                        | \$ (29,601,262)                       |

Legislators Hybrid Cash Balance Plan

The components of the net OPEB liability of the Legislators Hybrid Cash Balance Plan as of June 30, 2020 and 2019, were as follows:

|  | <u>2020</u>      | <u>2019</u>      |
|--|------------------|------------------|
| Total OPEB liability   | \$ 139,064       | \$ 93,026        |
| Plan fiduciary net position  | <u>(91,721)</u>  | <u>(65,960)</u>  |
| Plan's net OPEB asset  | <u>\$ 47,343</u> | <u>\$ 27,066</u> |
| Plan fiduciary net position as a percentage<br>of the total OPEB liability | 66.0%            | 70.9%            |

**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

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

Legislators Defined Benefit Plan (Continued)

The following are the actuarial methods and assumptions used to develop the above liabilities as of June 30, 2020 and 2019:

|                             |   |
|-----------------------------|---|
| Valuation date              | July 1, 2019  |
| Inflation                   | 2.50%   |
| Salary increases            | 1% for the next five years, and 3.5% thereafter   |
| Investment rate of return   | 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 |

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, 2020, 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<br>3.00% | Current rate<br>4.00% | 1% increase<br>5.00% |
|--------------------|----------------------|-----------------------|----------------------|
| Net OPEB liability | \$ 74,722            | \$ 47,343             | \$ 25,101            |

The following presents the OPEB liability of the Legislators Hybrid Cash Plan as of June 30, 2020, 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 2020 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<br>on trend<br>assumption | Current rate<br>on trend<br>assumption | 1% increase<br>on trend<br>assumption |
|--------------------|---------------------------------------|--|---------------------------------------|
| Net OPEB liability | \$ 46,351                             | \$ 47,343                              | \$ 48,634                             |



**Kentucky Judicial Form Retirement System  
Notes to the Financial Statements (Continued)  
Years Ended June 30, 2020 and 2019**

**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.

**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.

**Note J - Risk and Uncertainties**

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 ("COVID-19") outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States. As of the date the financial statements were available to be issued, the System's operations have not been significantly impacted by the COVID-19 outbreak. The System's operations could be adversely affected as a result of COVID-19, but the impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

**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>2020</u>           | <u>2019</u>           | <u>2018</u>           | <u>2017</u>           | <u>2016</u>           | <u>2015</u>           | <u>2014</u>           |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total pension liability  |                       |                       |                       |                       |                       |                       |                       |
| Service cost   | \$ 3,100,000          | \$ 3,900,000          | \$ 3,900,000          | \$ 4,700,000          | \$ 4,800,000          | \$ 5,000,000          | \$ 5,000,000          |
| Interest   | 23,300,000            | 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                             | (24,400,000)          | (24,200,000)          | (23,200,000)          | (23,000,000)          | (22,900,000)          | (22,300,000)          | (21,800,000)          |
| Net change in total pension liability  | 2,000,000             | (5,400,000)           | 3,400,000             | (5,500,000)           | 5,300,000             | 4,900,000             | 34,200,000            |
| Total pension liability - beginning  | 369,000,000           | 374,400,000           | 371,000,000           | 376,500,000           | 371,200,000           | 366,300,000           | 332,100,000           |
| Total pension liability - ending   | <u>\$ 371,000,000</u> | <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          | \$ 8,600,000          | \$ 11,900,000         | \$ 11,900,000         | \$ 15,100,000         | \$ 15,100,000         | \$ 10,800,000         |
| Contributions - member   | 1,500,000             | 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  | 19,400,000            | 38,500,000            | 27,000,000            | 34,600,000            | 8,700,000             | 25,600,000            | 33,200,000            |
| Benefit payments/refunds of member contributions                             | (24,400,000)          | (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                                    | 5,100,000             | 24,200,000            | 18,100,000            | 25,000,000            | 2,700,000             | 20,600,000            | 26,600,000            |
| Pension plan fiduciary net position - beginning                              | 334,500,000           | 310,300,000           | 292,200,000           | 267,200,000           | 264,500,000           | 243,900,000           | 217,300,000           |
| Pension plan fiduciary net position - ending                                 | <u>\$ 339,600,000</u> | <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>\$ 31,400,000</u>  | <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 %<br>of the total pension liability | 91.6%                 | 90.7%                 | 82.9%                 | 78.8%                 | 71.0%                 | 71.3%                 | 66.6%                 |
| Covered payroll  | \$ 25,600,000         | \$ 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                              | 122.7%                | 135.8%                | 229.7%                | 285.5%                | 364.3%                | 355.7%                | 372.0%                |

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>2020</u>         | <u>2019</u>         | <u>2018</u>       | <u>2017</u>       | <u>2016</u>       | <u>2015</u>       |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|-------------------|
| Total pension liability  |                     |                     |                   |                   |                   |                   |
| Service cost   | \$ 419,900          | \$ 227,700          | \$ 227,700        | \$ 166,600        | \$ 166,600        | \$ -              |
| Interest   | 66,900              | 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  | 486,800             | 488,300             | 257,100           | 245,200           | 176,700           | 85,000            |
| Total pension liability - beginning  | 1,252,300           | 764,000             | 506,900           | 261,700           | 85,000            | -                 |
| Total pension liability - ending   | <u>\$ 1,739,100</u> | <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           | \$ 94,800           | \$ 69,300         | \$ 69,300         | \$ 71,300         | \$ 42,300         |
| Contributions - member   | 228,100             | 213,000             | 161,100           | 118,500           | 99,100            | 47,900            |
| Transfer in payments   | -                   | -                   | -                 | -                 | -                 | -                 |
| Net investment income  | 127,900             | 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                                    | 450,800             | 395,800             | 282,800           | 218,900           | 174,500           | 90,500            |
| Pension plan fiduciary net position - beginning                              | 1,162,500           | 766,700             | 483,900           | 265,000           | 90,500            | -                 |
| Pension plan fiduciary net position - ending                                 | <u>\$ 1,613,300</u> | <u>\$ 1,162,500</u> | <u>\$ 766,700</u> | <u>\$ 483,900</u> | <u>\$ 265,000</u> | <u>\$ 90,500</u>  |
| Net pension liability - ending   | <u>\$ 125,800</u>   | <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 %<br>of the total pension liability | 92.8%               | 92.8%               | 100.4%            | 95.5%             | 101.3%            | 106.5%            |
| Covered payroll  | \$ 5,257,000        | \$ 5,205,000        | \$ 2,724,000      | \$ 2,697,000      | \$ 1,936,000      | \$ 1,936,000      |
| Net pension liability as a % of covered payroll                              | 2.4%                | 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>2020</u>                  | <u>2019</u>                  | <u>2018</u>                 | <u>2017</u>                 | <u>2016</u>                 | <u>2015</u>                 | <u>2014</u>                 |
|--|------------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Total pension liability  |                              |                              |                             |                             |                             |                             |                             |
| Service cost   | \$ 400,000                   | \$ 600,000                   | \$ 600,000                  | \$ 700,000                  | \$ 900,000                  | \$ 1,000,000                | \$ 1,000,000                |
| Interest   | 4,500,000                    | 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                             | <u>(5,000,000)</u>           | <u>(4,700,000)</u>           | <u>(4,500,000)</u>          | <u>(4,200,000)</u>          | <u>(4,000,000)</u>          | <u>(3,700,000)</u>          | <u>(3,500,000)</u>          |
| Net change in total pension liability  | (100,000)                    | (2,600,000)                  | 700,000                     | (4,800,000)                 | 2,100,000                   | (2,500,000)                 | 6,100,000                   |
| Total pension liability - beginning  | <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>           | <u>72,600,000</u>           |
| Total pension liability - ending   | <u><u>\$ 71,500,000</u></u>  | <u><u>\$ 71,600,000</u></u>  | <u><u>\$ 74,200,000</u></u> | <u><u>\$ 73,500,000</u></u> | <u><u>\$ 78,300,000</u></u> | <u><u>\$ 76,200,000</u></u> | <u><u>\$ 78,700,000</u></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                      | 100,000                      | 200,000                     | 300,000                     | 300,000                     | 200,000                     | 200,000                     |
| Transfer in payments   | -                            | -                            | -                           | 100,000                     | -                           | -                           | -                           |
| Net investment income  | 4,300,000                    | 8,600,000                    | 6,200,000                   | 7,900,000                   | 2,000,000                   | 5,600,000                   | 7,900,000                   |
| Benefit payments/refunds of member contributions                             | (5,000,000)                  | (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                                    | (600,000)                    | 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>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>           | <u>48,200,000</u>           |
| Pension plan fiduciary net position - ending                                 | <u><u>\$ 76,000,000</u></u>  | <u><u>\$ 76,600,000</u></u>  | <u><u>\$ 72,600,000</u></u> | <u><u>\$ 68,300,000</u></u> | <u><u>\$ 61,800,000</u></u> | <u><u>\$ 60,100,000</u></u> | <u><u>\$ 54,600,000</u></u> |
| Net pension (asset) liability - ending                                       | <u><u>\$ (4,500,000)</u></u> | <u><u>\$ (5,000,000)</u></u> | <u><u>\$ 1,600,000</u></u>  | <u><u>\$ 5,200,000</u></u>  | <u><u>\$ 16,500,000</u></u> | <u><u>\$ 16,100,000</u></u> | <u><u>\$ 24,100,000</u></u> |
| Pension plan fiduciary net position as a %<br>of the total pension liability | 106.3%                       | 107.0%                       | 97.8%                       | 92.9%                       | 78.9%                       | 78.9%                       | 69.4%                       |
| Covered payroll  | \$ 2,500,000                 | \$ 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                      | -180.0%                      | -200.0%                      | 45.7%                       | 148.6%                      | 366.7%                      | 357.8%                      | 482.0%                      |

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>2020</u>       | <u>2019</u>       | <u>2018</u>       | <u>2017</u>       | <u>2016</u>      | <u>2015</u>      |
|--|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| Total pension liability  |                   |                   |                   |                   |                  |                  |
| Service cost   | \$ 155,500        | \$ 76,900         | \$ 76,900         | \$ 36,200         | \$ 36,200        | \$ -             |
| Interest   | 18,900            | 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  | 174,400           | 123,700           | 82,500            | 51,700            | 38,600           | 21,700           |
| Total pension liability - beginning  | 318,200           | 194,500           | 112,000           | 60,300            | 21,700           | -                |
| Total pension liability - ending   | <u>\$ 492,600</u> | <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   | 92,400            | 63,900            | 47,400            | 35,100            | 24,600           | 11,000           |
| Transfer in payments   | -                 | -                 | -                 | -                 | -                | -                |
| Net investment income  | 31,700            | 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                                    | 124,100           | 84,400            | 75,000            | 56,200            | 39,800           | 19,900           |
| Pension plan fiduciary net position - beginning                              | 275,300           | 190,900           | 115,900           | 59,700            | 19,900           | -                |
| Pension plan fiduciary net position -ending                                  | <u>\$ 399,400</u> | <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>\$ 93,200</u>  | <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 %<br>of the total pension liability | 81.1%             | 86.5%             | 98.1%             | 103.5%            | 99.0%            | 91.7%            |
| Covered payroll  | \$ 1,847,000      | \$ 1,828,000      | \$ 907,000        | \$ 898,000        | \$ 419,000       | \$ 419,000       |
| Net pension (asset) liability as a % of covered payroll                      | 5.0%              | 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>2020</u>            | <u>2019</u>            | <u>2018</u>            | <u>2017</u>            |
|--|------------------------|------------------------|------------------------|------------------------|
| Total OPEB liability   |                        |                        |                        |                        |
| Service cost   | \$ 700,000             | \$ 900,000             | \$ 900,000             | \$ 1,200,000           |
| Interest   | 3,000,000              | 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>(2,000,000)</u>     | <u>(1,900,000)</u>     |
| Net change in total pension liability  | 1,700,000              | (7,100,000)            | 2,200,000              | (12,600,000)           |
| Total pension liability - beginning  | <u>47,200,000</u>      | <u>54,300,000</u>      | <u>52,100,000</u>      | <u>64,700,000</u>      |
| Total pension liability - ending   | <u>\$ 48,900,000</u>   | <u>\$ 47,200,000</u>   | <u>\$ 54,300,000</u>   | <u>\$ 52,100,000</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  | 5,600,000              | 11,000,000             | 7,600,000              | 9,400,000              |
| Benefit payments/refunds of member contributions                             | (2,000,000)            | (2,000,000)            | (2,000,000)            | (1,900,000)            |
| Administrative expenses  | -                      | -                      | -                      | -                      |
| Other  | <u>-</u>               | <u>-</u>               | <u>-</u>               | <u>-</u>               |
| Net change in plan fiduciary net position                                    | 3,600,000              | 9,000,000              | 7,100,000              | 8,800,000              |
| Pension plan fiduciary net position - beginning                              | <u>95,200,000</u>      | <u>86,200,000</u>      | <u>79,100,000</u>      | <u>70,300,000</u>      |
| Pension plan fiduciary net position - ending                                 | <u>\$ 98,800,000</u>   | <u>\$ 95,200,000</u>   | <u>\$ 86,200,000</u>   | <u>\$ 79,100,000</u>   |
| Net pension (asset) liability - ending                                       | <u>\$ (49,900,000)</u> | <u>\$ (48,000,000)</u> | <u>\$ (31,900,000)</u> | <u>\$ (27,000,000)</u> |
| Pension plan fiduciary net position as a %<br>of the total pension liability | 202.5%                 | 201.7%                 | 158.7%                 | 151.8%                 |
| Covered payroll  | \$ 25,600,000          | \$ 25,400,000          | \$ 27,900,000          | \$ 27,600,000          |
| Net pension (asset) liability as a % of covered payroll                      | -194.9%                | -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.

**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>2020</u>        | <u>2019</u>        | <u>2018</u>        | <u>2017</u>        |
|--|--------------------|--------------------|--------------------|--------------------|
| Total OPEB liability   |                    |                    |                    |                    |
| Service cost   | \$ 41,500          | \$ 21,300          | \$ 21,300          | \$ 15,400          |
| Interest   | 6,200              | 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  | 47,700             | 42,100             | 24,000             | 21,800             |
| Total pension liability - beginning  | 113,200            | 71,100             | 47,100             | 25,300             |
| Total pension liability - ending   | <u>\$ 160,900</u>  | <u>\$ 113,200</u>  | <u>\$ 71,100</u>   | <u>\$ 47,100</u>   |
| Plan fiduciary net position  |                    |                    |                    |                    |
| Contributions - employer   | \$ -               | \$ -               | \$ -               | \$ -               |
| Contributions - member   | 45,600             | 42,600             | 32,200             | 23,700             |
| Transfer in payments   | -                  | -                  | -                  | -                  |
| Net investment income  | 17,100             | 12,200             | 6,700              | 4,300              |
| Benefit payments/refunds of member contributions                             | -                  | -                  | -                  | -                  |
| Administrative expenses  | -                  | -                  | -                  | -                  |
| Other  | -                  | -                  | -                  | -                  |
| Net change in plan fiduciary net position                                    | 62,700             | 54,800             | 38,900             | 28,000             |
| Pension plan fiduciary net position - beginning                              | 152,600            | 97,800             | 58,900             | 30,900             |
| Pension plan fiduciary net position - ending                                 | <u>\$ 215,300</u>  | <u>\$ 152,600</u>  | <u>\$ 97,800</u>   | <u>\$ 58,900</u>   |
| Net pension (asset) liability - ending                                       | <u>\$ (54,400)</u> | <u>\$ (39,400)</u> | <u>\$ (26,700)</u> | <u>\$ (11,800)</u> |
| Pension plan fiduciary net position as a %<br>of the total pension liability | 133.8%             | 134.8%             | 137.5%             | 125.0%             |
| Covered payroll  | \$ 5,257,000       | \$ 5,205,000       | \$ 2,724,000       | \$ 2,697,000       |
| Net pension liability as a % of covered payroll                              | -1.0%              | -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.



**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>2020</u>            | <u>2019</u>            | <u>2018</u>            | <u>2017</u>            |
|--|------------------------|------------------------|------------------------|------------------------|
| Total OPEB liability   |                        |                        |                        |                        |
| Service cost   | \$ 100,000             | \$ 300,000             | \$ 300,000             | \$ 400,000             |
| Interest   | 1,200,000              | 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>(800,000)</u>       | <u>(700,000)</u>       | <u>(700,000)</u>       |
| Net change in total pension liability  | 500,000                | (3,400,000)            | 1,000,000              | (6,600,000)            |
| Total pension liability - beginning  | <u>19,600,000</u>      | <u>23,000,000</u>      | <u>22,000,000</u>      | <u>28,600,000</u>      |
| Total pension liability - ending   | <u>\$ 20,100,000</u>   | <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  | 2,900,000              | 5,700,000              | 3,900,000              | 4,900,000              |
| Benefit payments/refunds of member contributions                             | (800,000)              | (800,000)              | (800,000)              | (700,000)              |
| Administrative expenses  | -                      | -                      | -                      | -                      |
| Other  | <u>-</u>               | <u>-</u>               | <u>-</u>               | <u>-</u>               |
| Net change in plan fiduciary net position                                    | 2,100,000              | 4,900,000              | 3,100,000              | 4,200,000              |
| Pension plan fiduciary net position - beginning                              | <u>50,000,000</u>      | <u>45,100,000</u>      | <u>42,000,000</u>      | <u>37,800,000</u>      |
| Pension plan fiduciary net position - ending                                 | <u>\$ 52,100,000</u>   | <u>\$ 50,000,000</u>   | <u>\$ 45,100,000</u>   | <u>\$ 42,000,000</u>   |
| Net pension (asset) liability - ending                                       | <u>\$ (32,000,000)</u> | <u>\$ (30,400,000)</u> | <u>\$ (22,100,000)</u> | <u>\$ (20,000,000)</u> |
| Pension plan fiduciary net position as a %<br>of the total pension liability | 259.7%                 | 255.1%                 | 196.1%                 | 190.9%                 |
| Covered payroll  | \$ 2,500,000           | \$ 2,500,000           | \$ 3,500,000           | \$ 3,500,000           |
| Net pension liability as a % of covered payroll                              | -1280.0%               | -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 Legislators Hybrid Cash OPEB Plan**

|  | <u>2020</u>       | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      |
|--|-------------------|------------------|------------------|------------------|
| Total OPEB liability   |                   |                  |                  |                  |
| Service cost   | \$ 40,700         | \$ 20,000        | \$ 20,000        | \$ 9,500         |
| Interest   | 5,300             | 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>46,000</u>     | <u>34,800</u>    | <u>22,200</u>    | <u>17,800</u>    |
| Net change in total pension liability  | 46,000            | 34,800           | 22,200           | 17,800           |
| Total pension liability - beginning  | <u>93,000</u>     | <u>58,200</u>    | <u>36,000</u>    | <u>18,200</u>    |
|  | <u>\$ 139,000</u> | <u>\$ 93,000</u> | <u>\$ 58,200</u> | <u>\$ 36,000</u> |
| Total pension liability - ending   | <u>\$ 139,000</u> | <u>\$ 93,000</u> | <u>\$ 58,200</u> | <u>\$ 36,000</u> |
| Plan fiduciary net position  |                   |                  |                  |                  |
| Contributions - employer   | \$ -              | \$ -             | \$ 5,600         | \$ 5,600         |
| Contributions - member   | 18,500            | 12,800           | 9,500            | 7,000            |
| Transfer in payments   | -                 | -                | -                | -                |
| Net investment income  | 7,300             | 4,900            | 3,500            | 2,200            |
| Benefit payments/refunds of member contributions                             | -                 | -                | -                | -                |
| Administrative expenses  | -                 | -                | -                | -                |
| Other  | -                 | -                | -                | -                |
|  | <u>25,800</u>     | <u>17,700</u>    | <u>18,600</u>    | <u>14,800</u>    |
| Net change in plan fiduciary net position                                    | 25,800            | 17,700           | 18,600           | 14,800           |
| Pension plan fiduciary net position - beginning                              | <u>66,000</u>     | <u>48,300</u>    | <u>29,700</u>    | <u>14,900</u>    |
|  | <u>\$ 91,800</u>  | <u>\$ 66,000</u> | <u>\$ 48,300</u> | <u>\$ 29,700</u> |
| Pension plan fiduciary net position - ending                                 | <u>\$ 91,800</u>  | <u>\$ 66,000</u> | <u>\$ 48,300</u> | <u>\$ 29,700</u> |
|  | <u>\$ 47,200</u>  | <u>\$ 27,000</u> | <u>\$ 9,900</u>  | <u>\$ 6,300</u>  |
| Net pension (asset) liability - ending                                       | <u>\$ 47,200</u>  | <u>\$ 27,000</u> | <u>\$ 9,900</u>  | <u>\$ 6,300</u>  |
| Pension plan fiduciary net position as a %<br>of the total pension liability | 65.9%             | 71.0%            | 83.0%            | 82.6%            |
| Covered payroll  | \$ 1,847,000      | \$ 1,828,000     | \$ 907,000       | \$ 898,000       |
| Net pension liability as a % of covered payroll                              | 2.6%              | 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.

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

**Kentucky Judicial Defined Benefit Retirement Plan**

|  | <u>2020</u>  | <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>   |
|--|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution                                  | \$ 9,800,000 | \$ 9,200,000 | \$ 11,900,000 | \$ 11,884,797 | \$ 15,171,300 | \$ 15,142,300 | \$ 15,219,761 | \$ 15,219,761 | \$ 10,302,430 | \$ 10,302,430 |
| Contributions in relation to the actuarially determined contribution | 8,600,000    | 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     |
| Contribution deficiency  | 1,200,000    | 600,000      | -             | -             | -             | -             | 4,415,046     | 4,820,774     | 5,356,462     | 5,768,626     |
| Covered Payroll  | 25,600,000   | 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    |
| Contributions as a percentage of covered payroll                     | 33.6%        | 33.9%        | 42.7%         | 43.1%         | 50.3%         | 50.3%         | 32.8%         | 31.6%         | 14.9%         | 13.7%         |
| Investment return:   | 6.50%        | 6.50%        | 6.24%         | 6.24%         | 6.41%         | 6.41%         | 6.15%         | 7.00%         | 7.00%         | 7.00%         |
| Valuation Date:  | July 1, 2019 | 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  |

**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.

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

**Kentucky Judicial Hybrid Cash Balance Retirement Plan**

|   | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                     | \$ 102,500   | \$ 98,500    | \$ 69,300    | \$ 69,300    | \$ 71,300    | \$ 42,300    |
| Contributions in relation to the<br>actuarially determined contribution | 94,800       | 94,800       | 69,300       | 69,300       | 71,300       | 42,300       |
| Contribution deficiency   | 7,700        | 3,700        | -            | -            | -            | -            |
| Covered Payroll   | 5,257,000    | 5,205,000    | 2,724,000    | 2,697,000    | 1,936,000    | 1,936,000    |
| Contributions as a percentage of<br>covered payroll                     | 1.8%         | 1.8%         | 2.5%         | 2.6%         | 3.7%         | 2.2%         |
| Investment return:  | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         |
| Valuation Date:   | July 1, 2019 | 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**

|  | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 1,200,000 | \$ 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 |
| 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      |
| Contribution deficiency  | 1,200,000    | 1,100,000    | -            | -            | -            | -            | 1,389,898    | 1,518,854    | 1,112,819    | 1,198,419    |
| Covered Payroll  | 2,500,000    | 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    |
| Contributions as a percentage of covered payroll                     | 0.0%         | 0.0%         | 68.6%        | 68.6%        | 75.6%        | 75.6%        | 36.1%        | 34.0%        | 19.8%        | 18.1%        |
| Investment return:   | 6.50%        | 6.50%        | 6.45%        | 6.45%        | 6.85%        | 6.85%        | 6.50%        | 7.00%        | 7.00%        | 7.00%        |
| Valuation Date:  | July 1, 2019 | 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 |

**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>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ 34,600    | \$ 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  | 34,600       | 33,300       | -            | -            | -            | -            |
| Covered Payroll  | 1,847,000    | 1,828,000    | 907,000      | 898,000      | 419,000      | 419,000      |
| Contributions as a percentage of covered payroll                     | 0.0%         | 0.0%         | 1.7%         | 1.7%         | 3.5%         | 2.1%         |
| Investment return:   | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         |
| Valuation Date:  | July 1, 2019 | 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>2020</u>  | <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>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ -         | \$ -         | \$ 1,200,000 | \$ 1,217,903 | \$ 1,274,480 | \$ 1,274,480 | \$ 893,242   | \$ 893,242   | \$ 695,787   | \$ 695,787   |
| Contributions in relation to the actuarially determined contribution | -            | -            | 1,200,000    | 1,217,903    | 1,274,480    | 1,274,480    | 634,125      | 610,313      | 334,032      | 306,196      |
| Contribution deficiency  | -            | -            | -            | -            | -            | -            | 259,117      | 282,929      | 361,755      | 389,591      |
| Covered Payroll  | 25,600,000   | 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   |
| Contributions as a percentage of covered payroll                     | 0.0%         | 0.0%         | 4.3%         | 4.4%         | 4.2%         | 4.2%         | 1.9%         | 1.9%         | 1.0%         | 0.9%         |
| Investment return:   | 6.50%        | 6.50%        | 6.24%        | 6.24%        | 6.41%        | 6.41%        | 6.15%        | 7.00%        | 7.00%        | 7.00%        |
| Valuation Date:  | July 1, 2019 | 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 |

**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           | For July 1, 2020 and 2019 an investment return of 6.5% was used. 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 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.

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

**Kentucky Judicial Hybrid Cash Balance OPEB Plan**

|   | <u>2020</u>  | <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<br>actuarially determined contribution | -            | -            | 69,300       | 69,300       | 71,300       | 42,300       |
| Contribution deficiency   | -            | -            | -            | -            | -            | -            |
| Covered Payroll   | 5,257,000    | 5,205,000    | 2,724,000    | 2,697,000    | 1,936,000    | 1,936,000    |
| Contributions as a percentage of<br>covered payroll                     | 0.0%         | 0.0%         | 2.5%         | 2.6%         | 3.7%         | 2.2%         |
| Investment return:  | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         |
| Valuation Date:   | July 1, 2019 | 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>2020</u>  | <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>  |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                  | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| Contributions in relation to the actuarially determined contribution | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Contribution deficiency  | -            | -            | -            | -            | -            | -            | -            | -            | -            | -            |
| Covered Payroll  | 2,500,000    | 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    |
| 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%         | 0.0%         |
| Investment return:   | 6.50%        | 6.50%        | 6.45%        | 6.45%        | 6.85%        | 6.85%        | 6.45%        | 7.00%        | 7.00%        | 7.00%        |
| Valuation Date:  | July 1, 2019 | 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 |

**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           | For July 1, 2020 and 2019, an investment return of 6.5% was used. 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.

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

**Kentucky Legislator Hybrid Cash Balance OPEB Plan**

|   | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution                                     | \$ 12,300    | \$ 11,800    | \$ 5,500     | \$ 5,534     | \$ 5,207     | \$ -         |
| Contributions in relation to the<br>actuarially determined contribution | -            | -            | 5,600        | 5,556        | 5,207        | -            |
| Contribution deficiency   | 12,300       | 11,800       | (100)        | (22)         | -            | -            |
| Covered Payroll   | 1,847,000    | 1,828,000    | 907,000      | 897,712      | 419,012      | 419,012      |
| Contributions as a percentage of<br>covered payroll                     | 0%           | 0%           | 1%           | 1%           | 1%           | 0%           |
| Investment return:  | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         | 4.0%         |
| Valuation Date:   | July 1, 2019 | 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>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| <b>Kentucky Judicial Defined Benefit Pension Plan and<br/>Kentucky Judicial Hybrid Cash Balance Pension Plan</b>       |             |             |             |             |             |
| Annual money-weighted rate of return,<br>net of investment expense   | 6.0%        | 12.9%       | 9.4%        | 12.8%       | 3.2%        |
| <b>Kentucky Legislative Defined Benefit Pension Plan and<br/>Kentucky Legislative Hybrid Cash Balance Pension Plan</b> |             |             |             |             |             |
| Annual money-weighted rate of return,<br>net of investment expense   | 6.0%        | 12.6%       | 9.4%        | 12.7%       | 3.6%        |
| <b>Kentucky Judicial Defined Benefit OPEB Plan and<br/>Kentucky Judicial Hybrid Cash Balance OPEB Plan</b>             |             |             |             |             |             |
| Annual money-weighted rate of return,<br>net of investment expense   | 6.0%        | 12.9%       | 9.4%        | 12.8%       | 3.2%        |
| <b>Kentucky Legislative Defined Benefit OPEB Plan and<br/>Kentucky Legislative Hybrid Cash Balance OPEB Plan</b>       |             |             |             |             |             |
| Annual money-weighted rate of return,<br>net of investment expense   | 6.0%        | 12.6%       | 9.4%        | 12.7%       | 3.6%        |

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, 2020 and 2019, 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 14, 2020.

**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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**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.



Lexington, Kentucky  
October 14, 2020