



JUDICIAL FORM RETIREMENT SYSTEM

BOARD OF TRUSTEE MEETING – OCTOBER 21, 2022



AGENDA



BOARD OF TRUSTEES, Judicial Form Retirement System INVESTMENT COMMITTEES, Judicial and Legislators Retirement Funds

October 21, 2022 – 10:30 a.m. EST

**Administrative Office of the Courts, Meeting Room B
1001 Vandalay Drive, Frankfort, Kentucky**

AND

Video Conference using Microsoft Teams

- I. Call to Order.
- II. Adoption of the *Minutes* of the August 5, 2022 and August 19, 2022 Meetings.
- III. Election of Board and Committee Chairs.
- IV. Investment Related Matters.
 - A. Presentation by Lexington Investment Company.
 - B. Presentation by Hilliard Lyons Trust Company.
- V. Reports by Executive Director.
 - A. Public Pension Oversight Board
 - B. 2022 Actuarial Valuations – *Actionable Item*
 - C. 2023 Regular Session of General Assembly – *Potential Actionable Item*
 - D. Blue and Co. Fiscal Year 2022 End Audit Update
 - E. Open Records Rules and Procedures – *Actionable Item*
 - F. Pension Administration Software Update
- VI. January 20, 2023 Meeting

Item II – Adoption of Minutes

- August 5, 2022
- August 19, 2022

MINUTES OF THE JOINT MEETING
OF THE BOARD OF TRUSTEES OF
THE KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM,
THE INVESTMENT COMMITTEE FOR THE
KENTUCKY JUDICIAL RETIREMENT FUND,
AND THE INVESTMENT COMMITTEE FOR THE
KENTUCKY LEGISLATORS RETIREMENT FUND

August 5, 2022

The Board of Trustees of the Kentucky Judicial Form Retirement System (JFRS), the Investment Committee for the Kentucky Judicial Retirement Fund, and the Investment Committee for the Kentucky Legislators Retirement Fund, convened at the offices of Baird Trust Company, 500 West Jefferson Street, Louisville, KY 40202 on Friday, August 5, 2022, at 10:00 a.m. All board members were present, with the exception of Judge Douglas George and Senator Jimmy Higdon. JFRS staff present included Bo Cracraft, Executive Director, Rebecca Stephens, Retirement Programs Administrator, and Melissa Gilchrist, Retirement Programs Specialist. Guests joining the meeting included Don Asfahl, John Watkins, John Craddock and Andy Means of Baird Trust Company, along with Alan Pauw, McBrayer, LLC.

Chairman Grise called the meeting to order at 10:02 a.m. The trustees considered the adoption of the previously distributed *Minutes* of the April 22, 2022 meeting. Upon motion by Representative Brad Montell, seconded by Mr. Stephen LeLaurin, the board unanimously approved the *Minutes* of the April 22, 2022 meeting.

Chairman Grise recognized Mr. Cracraft, who notified the board that Stan Kerrick, Lexington Investment Partners, was not going to make the meeting. He noted for the record that *Lexington Investment's Report as of June 30, 2022* was included in board materials distributed to the Trustees in advance. In accordance with board policy, JFRS maintains a copy of the *Report*. As stated on page one of the *Report*, each plan is within its prescribed allocation guidelines.

Chairman Grise welcomed Baird Trust Company, who joined the meeting at 10:11 a.m. Mr. Cracraft had previously distributed copies of Baird's *Investment Review for Kentucky Judicial Retirement Fund and Kentucky Legislators Retirement Fund* dated August 5, 2022. In accordance with Board policy, the System maintains a copy of the *Investment Review*.

Mr. Means began the review with a few comments regarding Baird's quarterly Market Commentary, "Psychology of a Bear Market." He highlighted how disruptive the past two and half years had been and how speculation fueled by investor greed had blinded some investors to downside risks. He pointed to large returns in 2021 from meme stocks, crypto, and other innovation stocks that saw huge gains. However, since January, the emotional pendulum had swung in the direction of fear and many of those same companies have lost 50% or more in value as investors had fixated on risk and losses and ignored company fundamentals and potential for positive surprises. He emphasized the goal for investors, during both up and down periods, is to

remove emotion and operate rationally. However, Mr. Means acknowledged that human nature doesn't always lend itself to rational behaviors, especially when confronted with negative news, growing feelings of fear, and investment portfolios dominated by losses.

While markets often become "popularity" contests, Mr. Means stated the team at Baird tries to remove emotion from the process by focusing on the underlying companies they own, the management teams that run those businesses, and by having a private-market mentality of their portfolios. The Baird team generally does not participate during these extreme moments of volatility, which was evident in the lack of transaction activity in the second quarter of the calendar year. Looking forward, Mr. Means expressed some hope for the future and pointed to historical performance. Mr. Means noted the portfolios have historically rebounded well, largely driven by the fact they hold good companies, with strong management teams, who have consistently produced long-term growth.

In response to a question from Mr. Ben Allison, concerning how the team managed companies, such as Home Depot, which experience short-term excessive gains, Mr. Means reiterated the teams desire to be long term owners, but admitted this desire had to be balanced with consideration of the current position of a company. In the case of Home Depot, they recognize the recent gains and accept that in the short term the company might weather a more difficult period, but like the long-term potential of the stock. Mr. Watkins added that in rating current holdings, the team often created ranges, such as cheap, about right, or expensive. A company, like Home Depot, might move from the cheap or attractively valued range, to about right, but if the team doesn't have really attractive alternatives, they tend to rely on the long-term relationship with management and their past experience of managing the business during times of headwind.

In response to a question from Representative Scott Brinkman regarding some recent tax changes concerning share repurchases, Mr. Means stated the changes might have served as a minor deterrent, but overall had not really influenced the portfolios. He also noted that several companies had utilized free cash flow for other purposes, such as providing dividends or reinvesting for growth or expansion.

In response to a question from Chairman John Grise regarding new opportunities, Mr. Means indicated the team had been very active in research, but had not acted as of yet. He expressed a desire for new ideas to be a marginally better choice than what they already own. In response to a follow up from Chairman Grise regarding Disney and its recent performance, Mr. Means agreed that Disney had continued to suffer through a difficult period. Some was self-inflicted and connected to a CEO's misstep politically in Florida, but a larger and primary reason was a lack of tourism and declines in the streaming side of their business. Mr. Watkins added that a focus for Disney over the past couple of years has been on streaming and sentiment had been huge. More recently, this has changed dramatically and he referenced Netflix as a prime example, where the stock had climbed to over \$700 only to drop to \$200 recently. Alternatively, Mr. Watkins pointed to increased park visits and recent theatrical successes, such as the new Top Gun movie as bright spots for the company. He indicated Disney was now valued in the cheap

bucket and the team was confident that stock was currently mispriced relative to actual business fundamentals.

Mr. Asfahl reviewed the current asset allocation, annual estimated income, and the current yield on the JRP legacy portfolio. He discussed the fixed income portfolio and schedule of maturities. Mr. Watkins reviewed a snapshot of the equity portfolio, which included relative sector weightings, top performers and largest holdings. He discussed current overweights to financials and communication services, while also pointing out the portfolio had zero holdings in five sectors.

In response to a question from Chairman John Grise regarding the portfolios lack of energy exposure, Mr. Watkins pointed to a couple factors that made energy stocks less attractive. First, and primarily, was the volatile nature of their valuations and ever changing price of oil. Secondly, he stated the amount of government intervention had served as quite the headwind.

Mr. Asfahl concluded the presentation with a short review of the fixed income portion of the portfolios, a summary of risk statistics, as well as trailing period performance of the portfolios. He advised that the portfolios were well-positioned, continued to produce strong risk adjusted results, and had outperformed the blended index over each measured time period.

In response to a question from Mr. Ben Allison regarding the corporate yield curve, Mr. Craddock stated he did believe yields would continue to improve, but the team would need to be tactical with allocation given the expectation for rates to continue to climb over the near term.

In response to a question from Chairman Grise regarding the use of cash on hand, Mr. Means emphasized that those stocks deemed cheapest by the team did not necessarily indicate the team's best ideas or expected performers. He pointed to Apple as a good example, where the stock was not valued as cheap, but had continued to perform very well. The team wants their portfolio to be weighted according to best ideas. Therefore, the use of cash at times will reflect those principals rather than just adding to those stocks which are most undervalued.

Chairman Grise recognized Mr. Cracraft to discuss one additional investment related topic. Mr. Cracraft informed the board that JFRS staff, in coordination with Baird, had completed the annual cash balance interest credit calculation. He reminded the trustees that annual interest is guaranteed at 4%, but the member and plan shared any upside at a 75/25 split, based on the plans trailing 5-year plan. For the period ending June 30, 2022, the annual interest credit (guarantee + upside sharing) was calculated as 7.37% for JRP and 7.35% for LRP.

The meeting recessed for lunch at 11:50 and reconvened at 12:25 p.m. Mr. Asfahl, Mr. Means, Mr. Watkins and Mr. Craddock departed the meeting.

Chairman Grise recognized Mr. Cracraft, who reported on several administrative matters. The trustees discussed the items, but none required action.

(A) Public Pension Oversight Board (PPOB). Mr. Cracraft gave a summary of PPOB meetings since the April JFRS meeting.

April 25, 2022 – Each state-administered retirement system was on the agenda and provided an investment update along with a review of the system’s ESG and Proxy Voting Policies. A copy of the JFRS presentation had been included in the board materials.

May 23, 2022 – TRS was the only administrator on the agenda, but JFRS did attend the meeting. TRS provided a follow-up review of their sick-leave program in response to questions raised during the April Meeting. In addition, LRC staff provided a general overview of Retiree Health Benefits and Funding, which Mr. Cracraft had included in the board materials.

July 19, 2022 – KPPA was the only administrator on the agenda, but JFRS did attend the meeting. A discussion on retiree COLAs, led by two public retiree groups, opened the meeting. After, KPPA staff provided a presentation with regards to recent Pension Spiking provisions.

(B) PPOB Actuarial Audit. Mr. Cracraft gave a verbal update on the actuarial audit commissioned by the PPOB. The audit is in response to a statutory requirement, outlined under KRS 7A.250(8), which outlines that an actuarial audit be performed every five years, by a firm retained by the PPOB, to evaluate the reliability of each system's actuarial assumptions and methods.

Mr. Cracraft informed the board that LRC has hired Milliman Solutions to conduct the Level 1 full scope audit. Milliman had made an initial request for information to both JFRS and the systems actuary, USI. Mr. Cracraft indicated that both USI and JFRS had provided the requested information. He believed results of the audit would be presented in the next quarter or two.

Lastly, he noted that KRS Chapter 6, which creates the PPOB, also outlines that any actuary services hired by the oversight board shall be paid by those systems impacted. Given all three systems were included in this audit the expenses had been prorated and the total cost for JFRS was estimated at \$25,000 in total. In addition to the fees paid to Milliman, JFRS will also have to pay USI for their time in prepping and providing Milliman the historical data and answering questions. USI has estimated that cost at \$3,000 to \$5,000.

(C) Audit Services RFP and Recommendation. Mr. Cracraft revisited a discussion from the April meeting concerning audit services and a follow-up request for proposal (RFP) that had been issued by staff. He reviewed the process followed by staff and a summary of communication with potential candidates since the prior meeting.

After the response to the second RFP, staff had settled on Blue and Co, LLC and were making a recommendation to the Board to hire them for audit services. Mr. Cracraft expressed some frustration with the increase in fees, but pointed to COVID, consolidation in the industry, and a general lack of appetite for governmental GASB audits as primary drivers for why fees were going up. He expressed confidence in Blue as a firm and noted that JFRS had worked with them in the past.

After discussion, Mr. Stephen LeLaurin made a motion, which was seconded by Justice Daniel Venters, to enter into a Personal Service Contract with Blue and Co, for accounting services subject to successful negotiation and terms.

(D) Retiree Health Insurance. Mr. Cracraft referenced the *2023 Retiree Health Insurance – KEHP and Medicare Advantage Plan Premiums* staff memo that was included in the meeting materials and outlined proposed rates for the upcoming plan year.

Mr. Cracraft began with a discussion on the Kentucky Employees Health Plan (KEHP), in which retirees and dependents who are under the age of 65 participate. He reviewed rates for three different KEHP plans and highlighted that 2023 premiums were increasing approximately 6.5% on average. He also reminded the trustees that as of June 2021, both the LRP and JRP health insurance trusts were funded at a level well above 100% and had a surplus of actuarial assets.

Following a discussion, Justice Venters made a motion, seconded by Mr. Ben Allison, to utilize the Kentucky Employees' Health Plan (KEHP) to provide non-Medicare eligible retirees and dependents health insurance coverage with a monthly contribution level for each classification (single, couple, family) equivalent to the Living Well PPO plan monthly contribution. The percentage of payment by the respective plan is dependent upon the retiree's years of service and any balance will be deducted from the retiree's monthly benefit. If a retiree failed to comply with the 2022 Living Well promise, the \$40.00 monthly KEHP assessment will be the member's responsibility and deducted from their monthly allowance.

Next, Mr. Cracraft reviewed the proposed premiums for the Humana Medicare Advantage plan, which retirees and dependents who have reached the Age of 65 and older utilize. In addition to the renewal of 2022 benefits, staff had asked Humana to also provide premium cost information for adding basic dental and vision coverage to the Medicare plans. Mr. Cracraft recognized that increasing benefits at any level needed to be considered carefully, but given the funding levels of both plans, he believed it was prudent to have a discussion. He noted that dental coverage was something that more plan sponsors had been considering recently and noted that dental cover was added to the Medicare Plans of KPPA for the 2022 plan year.

There was a healthy discussion among the trustees regarding the Medicare plans and adding any additional dental or vision benefits. In response to the discussion, the trustees requested staff provide additional financial information and the projected financial impact on the plans for each of the options.

(E) Fiduciary Liability Insurance. Mr. Cracraft pointed out that the boards current fiduciary liability policy was set to expire on September 30, 2022. The current policy was the result of an extensive repricing process and request for bid issued by JFRS in 2020.

Mr. Cracraft indicated that a renewal application was completed and JFRS' independent insurance agent, Assured Partners, had initially provided a renewal estimate that was approximately 30% higher than 2022. He acknowledged the increase was significant, so he had asked Assurance Partners to provide additional renewal estimates assuming JFRS increased their annual deductible, which had historically been \$5,000. Given the size of the policy, he had been advised that many clients had considered \$25,000 and \$50,000 deductibles to help manage the cost of premiums. After a lengthy discussion, the trustees asked staff to request additional information from the broker regarding higher annual deductibles.

(F) Pension Spiking. Mr. Cracraft referenced the *SB104 – Pension Spiking* staff memo that was included in the meeting materials. He informed the Board that this process was in response to language added by SB 104 during the 2017 regular session. The language tries to address situations where a retirees income increases significantly in their final years of service and results in what is often called a “spike” in their pension benefit. Mr. Cracraft indicated that given the number of retirement expect at the end of the current calendar year, staff wanted to review their research and share a summary of their proposed process with the board.

Mr. Cracraft indicated this topic was primarily a LRP issue. While JRP did have similar language, lack of salary reciprocity and the fixed judicial salary model made any circumstance of spiking very rare. On the other hand, LRP does have salary reciprocity and thus, there are some circumstances where staff will have to implement the provisions. Mr. Cracraft stated the most obvious case would be a scenario where a legislator moves into the executive branch. But, in addition to the reciprocity issue, several other factors, such as the way legislators are compensated and the variable days worked, had created some cloudiness in review. He referenced several internal discussion amongst staff regarding circumstances where income might be subject to spiking or not. The lack of clarity ultimately led staff to ask Alan Pauw, the agency's legal counsel, to assist with a review of these various situations or circumstances.

Mr. Cracraft introduced Mr. Pauw to the meeting and highlighted his memo, which had been to the memo provided by staff. Mr. Pauw reviewed his memo, which served to answer several questions posed by staff. Mr. Pauw stated that after review, given the language and intent of the added language, any increase in salary for a legislator, resulting from working a longer session, a special session, or taking on leadership duties would not qualify as income subject to spiking.

After a short discussion amongst the trustees and Mr. Pauw, Mr. Cracraft indicated staff was not looking for formal action on this topic, but his intent was to just inform and share the research conducted. He stated that staff was planning administer according to this memo.

(G) 2022 Valuations. Mr. Cracraft provide a quick verbal updated on the 2022 GASB roll forward valuations. He informed the Trustees that staff was in the final stages of providing the annual data to actuaries. He hoped to have results by the October meeting.

(H) Pension Administration Software. Mr. Cracraft provided a quick verbal update on the Pension Administration Software project. Since the April meeting, a licensing agreement had been finalized and the team had hit the ground running. The project had officially kicked off on May 19. JFRS had provided plan information, shared an initial copy of the data, and also completed a pretty significant update to forms that will be utilized in the new system.

Milliman plans to provide a beta version as soon as November 15 and by the end of January the plan is to have MARC programed to begin reviewing calculations and reporting. Mr. Cracraft highlighted the work being done by Mrs. Stephens and Mrs. Gilchrist to help both in the design and data cleansing portion of the project.

There being no further business, the meeting adjourned at 1:59 p.m.

Judge John R. Grise, Chairman
Judicial Form Retirement System Board of Trustees

Stephen F. LeLaurin, Chairman
Judicial Retirement Fund Investment Committee

Rep. Brad Montell, Chairman
Legislators Retirement Fund Investment Committee

Bo Cracraft, Executive Director

MINUTES OF THE SPECIAL CALLED MEETING
OF THE BOARD OF TRUSTEES OF
THE KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM
VIA MICROSOFT TEAMS VIDEO CONFERENCE

August 19, 2022
9:00 a.m. ET

The Board of Trustees of the Kentucky Judicial Form Retirement System convened via video-conference utilizing Microsoft Teams on Friday, August 19, 2022, at 9:00 A.M. All board members participated with the exception of Senator Jimmy Higdon and Representative Brad Montell. JFRS staff present included Bo Cracraft, Executive Director, and Rebecca Stephens, Retirement Programs Administrator.

Chairman Grise called the meeting to order at 9:11 a.m.

Chairman Grise recognized Mr. Cracraft, who reported on administrative matters. The trustees discussed the items and took action as noted.

(A) 2023 Retiree Health Insurance: Mr. Cracraft noted the first item of business was the adoption of a Medicare Advantage plan for the 2023 calendar year. During their meeting on August 5, the trustees reviewed plan options for the upcoming plan year. Humana, who has provided the board with a group Medicare Advantage plan since 2015, provided some additional benefit options for consideration, including the addition of basic dental and vision coverage. After a lengthy discussion, the trustees requested staff provide additional financial information and a projected impact on the plans for each of the options.

In response to that request, Mr. Cracraft provided the trustees with some cost information if the additional dental and/or vision coverage was added to the Humana policies. For both the Judicial and Legislators plans, as of August 2022, Mr. Cracraft noted that almost 90% of total Humana premiums were bore by JRP and LRP. He reviewed the proposed Humana premiums for 2023 and informed the trustees that adding dental coverage would add approximately \$56,000 in annual premiums to the plans, while adding vision would add another \$13,000 per year. Mr. Cracraft reminded the trustees that as of the end of the 2021 fiscal year, the two health insurance funds remained very well-funded, both with a funding ratio over 270%.

The trustees discussed the information provided by Mr. Cracraft. Several trustees voiced belief that adding dental coverage would be a prudent use of surplus assets, but also recognized that health insurance cost were likely to rise and if so, taking back a benefit in the future would be a difficult thing to do. Following the healthy discussion, Mr. Ben Allison made a motion, seconded by Mr. Stephen LeLaurin, to renew its hospital and medical insurance contract with Humana for calendar year 2023, and to set the 2023 monthly contribution level at \$342.97, which includes the addition of a basic dental policy for each JFRS Humana Medicare Advantage

plan policyholder. To avoid a conflict of interest, Justice Venters, Judge George, and Representative Brinkman did not vote concerning 2023 medical benefits provided to Medicare eligible members and recipients. The motion passed unanimously.

(B) Fiduciary Liability Insurance. Mr. Cracraft stated the final item of business was the adoption of a fiduciary liability policy for a term beginning October 1, 2022. He referenced the discussion held during their meeting on August 5 and staffs request to have Assurance Partners, the agency’s broker, provide a couple different renewal quotes at varied annual deductible levels. In response to that discussion, the trustees asked staff to request additional information from the broker regarding higher annual deductibles.

In response to that request, Mr. Cracraft provided the trustees with a revised renewal proposal from Assurance Partners, which included full renewal quotes with annual deductibles of five thousand, twenty-five thousand, and fifty thousand dollars. Mr. Cracraft also noted that at the highest deductible level, the providers were willing to agree to a 3-year policy, which would help the agency manage and budget over the short term.

There was a healthy discussion amongst the trustees regarding the premium savings and added deductible requirements if the agency were to need to exercise the policy. The general sentiment among the board was the current policy’s deductible was fairly low given the amount of coverage and that moving to a three year policy would help with the management of administrative expenses. After a discussion, Justice Daniel Venters made a motion, which was seconded by Mr. Stephen LeLaurin, to renew the agency’s current fiduciary liability insurance, but with an increased annual deductible of fifty thousand dollars. The motion passed unanimously.

There being no further business, the meeting adjourned at 9:36 a.m.

Judge John R. Grise, Chairman
Judicial Form Retirement System Board of Trustees

Stephen F. LeLaurin, Chairman
Judicial Retirement Fund Investment Committee

Joe R. Bowen, Chairman
Legislators Retirement Fund Investment Committee

Bo Cracraft, Executive Director

Item IV – Investment Related Matters

A. Lexington Investment Company

LEXINGTON INVESTMENTS LLC

Kentucky Judicial and Legislators Retirement Funds

INVESTMENT POLICY STATEMENT COMPLIANCE

July 1, 2022 – September 30, 2022

1. Equity allocation in each Fund has a target of 70% of the total portfolio market value, excluding cash and equivalent balances, within a range of 60% to 80%. Equity allocation on September 30th for Judicial was 70.2%, and Legislators was 70.3%. Both Funds were in the target range during the past quarter.
2. Fixed Income allocation in each Fund has a target allocation of 30% of the total portfolio market value, excluding cash and equivalent balances, within a range of 20% to 40%. Fixed Income allocation on June 30th for Judicial was 29.8%, and Legislators was 29.7%. Both Funds were in the target range during the past quarter.
3. Each Fund's equity investments meet the statutory standards for investment of trust funds, and all equity investments in the Fund have paid dividends for at least five consecutive years with the exceptions of Meta Platforms, Carmax, O'Reilly Automotive, Berkshire Hathaway, and Alphabet Inc. CL C. On September 30th these positions represent 20.40% of the total equity portfolio in the Judicial Fund and 20.41% in the Legislators Fund. Each Fund's non-dividend paying equities did not exceed 50% of the total equities market value.
4. Investment in an individual equity security, at the time of purchase shall not exceed 5% of the Fund's then current market value of such Fund's equity portfolio. During the third quarter no equity purchases occurred in either Fund.
5. When the market value of any equity position in either Fund reaches 8% of the value of the total value of the equity market value of that Fund the Manager will contact the applicable Investment Committee, or its designee, to determine a course of action. As of September 30th, the Judicial Fund's 8% limit was \$27,009,280, and the Legislators Fund's 8% limit was \$7,625,633. None of the equity positions in either Fund exceeded those market values as of September 30th.
6. Each Fund's fixed income portfolio duration, defined as the weighted average of the modified durations of all the Fund's fixed income investments, including ETF or Mutual Funds, shall at all times be within one year of the duration of its fixed income benchmark, the Barclays Intermediate Government/Credit Index. As of September 30th the modified duration of each Fund was 3.91 years, less than 1 year of the duration of the benchmark which was 4.18 years.
7. During the quarter the following bond maturities or early redemptions, and purchases occurred:
Judicial:
09/01/22...Matured 3500M O'Reilly Automotive 3.80% (\$3,500,000)
09/14/22...Purchased 3500M O'Reilly Automotive 4.70% due 06/15/2032 (\$3,439,800) duration 7.48 years
Legislators
09/01/22...Matured 1000M O'Reilly Automotive 3.80% (\$1,000,000)
09/14/22...Purchased 1000M O'Reilly Automotive 4.70% due 06/15/2032 (\$982,800) duration 7.48 years

None of the individual fixed income purchases had a duration which exceeded 15 years, or cost which exceeded 5% of the respective fund's fixed income portfolio market value at the time of purchase.

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Cash Reconciliation Report
From 07/01/2022 to 09/30/2022

KENTUCKY JUDICIAL

Trade Date	Settlement Date	Trade Description	Net Amount	Daily Balance
07/01/2022		CASH Beginning Balance		3,393,182.48
07/01/2022		Interest CASH	1,888.66	3,395,071.14
07/08/2022		Dividend iShares 1-3 YR TSY ETF	123.24	3,395,194.38
07/08/2022		Dividend OMNICOM GROUP	93,730.00	3,488,924.38
07/13/2022		Interest DISNEY WALT CO	59,625.00	3,548,549.38
07/15/2022		Interest ORACLE CORP	63,437.50	3,611,986.88
07/15/2022		Interest JOHNSON & JOHNSON	72,500.00	3,684,486.88
07/15/2022		Interest CHEVRON USA INC	96,250.00	3,780,736.88
07/15/2022		Dividend PROGRESSIVE CORP-OHIO	23,030.00	3,803,766.88
07/15/2022		Dividend U S BANCORP	91,540.00	3,895,306.88
07/20/2022		Interest CVS HEALTH CORP	67,812.50	3,963,119.38
07/25/2022		Interest PNC BK N A PITTSBURGH	57,000.00	4,020,119.38
07/25/2022		Interest SCHWAB CHARLES CORP	72,000.00	4,092,119.38
07/25/2022		Dividend GENERAL ELECTRIC NEW	10,808.00	4,102,927.38
07/27/2022		Dividend CISCO SYSTEMS INC	41,382.00	4,144,309.38
07/29/2022		Interest INTEL CORP	92,500.00	4,236,809.38
08/01/2022		Interest CASH	206.69	4,237,016.07
08/01/2022		Interest CASH	3,500.38	4,240,516.45
08/01/2022		Interest COMCAST CORP NEW	59,625.00	4,300,141.45
08/01/2022		Interest U S BANCORP MTNS BE	64,750.00	4,364,891.45
08/01/2022		Dividend JP MORGAN	161,050.00	4,525,941.45
08/02/2022		Interest ALTRIA GROUP INC	70,000.00	4,595,941.45
08/05/2022		Dividend iShares 1-3 YR TSY ETF	137.66	4,596,079.11
08/11/2022		Dividend APPLE COMPUTER	40,342.00	4,636,421.11
08/12/2022		Interest INTERNATIONAL BUS MACH	63,437.50	4,699,858.61
08/15/2022		Interest HOME DEPOT INC	56,250.00	4,756,108.61
08/15/2022		Interest VERIZON COMMUNICATIONS	59,062.50	4,815,171.11
08/24/2022		Dividend FASTENAL CO.	80,786.00	4,895,957.11
08/26/2022		Interest 3M CO	53,437.50	4,949,394.61
08/26/2022		Dividend SCHWAB (CHAS)	57,244.00	5,006,638.61
08/31/2022		Interest CASH	375.90	5,007,014.51
09/01/2022	09/01/2022	Sell O REILLY AUTOMOTIVE IN -3500000.00	3,500,000.00	8,507,014.51
09/01/2022		Interest CASH	6,792.97	8,513,807.48
09/01/2022		Interest O REILLY AUTOMOTIVE IN	66,500.00	8,580,307.48
09/01/2022		Dividend TJX COS INC NEW	45,076.00	8,625,383.48
09/01/2022		Dividend WELLS FARGO	47,775.00	8,673,158.48
09/02/2022		Dividend TE CONNECTIVITY LTD	66,318.00	8,739,476.48
09/04/2022		Interest TEXAS INSTRUMENTS	50,625.00	8,790,101.48
09/04/2022		Interest CISCO SYS INC	63,437.50	8,853,538.98
09/06/2022		Dividend PFIZER INC	95,680.00	8,949,218.98
09/06/2022		Dividend JOHNSON & JOHNSON	140,826.25	9,090,045.23
09/07/2022		Interest MERCK & CO. INC	76,500.00	9,166,545.23
09/08/2022		Dividend iShares 1-3 YR TSY ETF	156.75	9,166,701.98
09/08/2022		Dividend MICROSOFT CORP	62,170.50	9,228,872.48
09/14/2022	09/16/2022	Buy OREILLY AUTOMOTIVE INC 3500000.00	(3,483,131.94)	5,745,740.54
09/15/2022		Dividend HOME DEPOT	153,662.50	5,899,403.04
09/19/2022		Interest PEPSICO INC	65,625.00	5,965,028.04
09/26/2022		Interest KIMBERLY-CLARK CORP	69,750.00	6,034,778.04
09/26/2022		Interest PROGRESSIVE CORP	72,000.00	6,106,778.04
09/30/2022		Interest CASH	394.25	6,107,172.29
09/30/2022		Dividend BANKAMERICA CORP.	42,218.00	6,149,390.29
09/30/2022		Dividend UNION PACIFIC	62,400.00	6,211,790.29
09/30/2022		CASH Ending Balance		6,211,790.29

Cash Reconciliation Report
From 07/01/2022 to 09/30/2022

KENTUCKY LEGISLATORS

Trade Date	Settlement Date	Trade Description	Net Amount	Daily Balance
07/01/2022		CASH Beginning Balance		3,272,197.44
07/01/2022		Interest CASH	1,926.50	3,274,123.94
07/08/2022		Dividend iShares 1-3 YR TSY ETF	139.04	3,274,262.98
07/08/2022		Dividend OMNICOM GROUP	26,477.50	3,300,740.48
07/13/2022		Interest DISNEY WALT CO	16,562.50	3,317,302.98
07/15/2022		Interest JOHNSON & JOHNSON	18,125.00	3,335,427.98
07/15/2022		Interest ORACLE CORP	18,125.00	3,353,552.98
07/15/2022		Interest CHEVRON USA INC	24,062.50	3,377,615.48
07/15/2022		Dividend PROGRESSIVE CORP-OHIO	6,515.00	3,384,130.48
07/15/2022		Dividend U S BANCORP	24,978.00	3,409,108.48
07/20/2022		Interest CVS HEALTH CORP	19,375.00	3,428,483.48
07/25/2022		Interest PNC BK N A PITTSBURGH	19,000.00	3,447,483.48
07/25/2022		Interest SCHWAB CHARLES CORP	20,000.00	3,467,483.48
07/25/2022		Dividend GENERAL ELECTRIC NEW	3,088.00	3,470,571.48
07/27/2022		Dividend CISCO SYSTEMS INC	11,761.00	3,482,332.48
07/29/2022		Interest INTEL CORP	23,125.00	3,505,457.48
08/01/2022		Interest CASH	206.69	3,505,664.17
08/01/2022		Interest CASH	2,983.94	3,508,648.11
08/01/2022		Interest COMCAST CORP NEW	16,562.50	3,525,210.61
08/01/2022		Interest U S BANCORP MTNS BE	18,500.00	3,543,710.61
08/01/2022		Interest ALTRIA GROUP INC	20,000.00	3,563,710.61
08/01/2022		Dividend JP MORGAN	45,100.00	3,608,810.61
08/05/2022		Interest UNION PACIFIC CORP	12,000.00	3,620,810.61
08/05/2022		Dividend iShares 1-3 YR TSY ETF	155.81	3,620,966.42
08/11/2022		Dividend APPLE COMPUTER	11,385.00	3,632,351.42
08/12/2022		Interest INTERNATIONAL BUS MACH	18,125.00	3,650,476.42
08/15/2022		Interest VERIZON COMMUNICATIONS	16,406.25	3,666,882.67
08/15/2022		Interest HOME DEPOT INC	18,750.00	3,685,632.67
08/24/2022		Dividend FASTENAL CO.	22,785.00	3,708,417.67
08/26/2022		Interest 3M CO	14,843.75	3,723,261.42
08/26/2022		Dividend SCHWAB (CHAS)	16,082.00	3,739,343.42
08/31/2022		Interest CASH	375.90	3,739,719.32
09/01/2022	09/01/2022	Sell O REILLY AUTOMOTIVE IN -1000000.00	1,000,000.00	4,739,719.32
09/01/2022		Interest CASH	4,809.87	4,744,529.19
09/01/2022		Interest O REILLY AUTOMOTIVE IN	19,000.00	4,763,529.19
09/01/2022		Dividend TJX COS INC NEW	12,714.50	4,776,243.69
09/01/2022		Dividend WELLS FARGO	13,350.00	4,789,593.69
09/02/2022		Dividend TE CONNECTIVITY LTD	19,208.00	4,808,801.69
09/04/2022		Interest TEXAS INSTRUMENTS	14,062.50	4,822,864.19
09/04/2022		Interest CISCO SYS INC	18,125.00	4,840,989.19
09/06/2022		Dividend PFIZER INC	26,800.00	4,867,789.19
09/06/2022		Dividend JOHNSON & JOHNSON	39,550.00	4,907,339.19
09/07/2022		Interest MERCK & CO. INC	21,250.00	4,928,589.19
09/08/2022		Dividend iShares 1-3 YR TSY ETF	176.85	4,928,766.04
09/08/2022		Dividend MICROSOFT CORP	17,406.50	4,946,172.54
09/14/2022	09/16/2022	Buy OREILLY AUTOMOTIVE INC 1000000.00	(995,180.56)	3,950,991.98
09/15/2022		Dividend HOME DEPOT	43,082.50	3,994,074.48
09/19/2022		Interest PEPSICO INC	16,406.25	4,010,480.73
09/26/2022		Interest PROGRESSIVE CORP	20,000.00	4,030,480.73
09/30/2022		Interest CASH	394.30	4,030,875.03
09/30/2022		Dividend BANKAMERICA CORP.	11,957.00	4,042,832.03
09/30/2022		Dividend UNION PACIFIC	17,550.00	4,060,382.03
09/30/2022		CASH Ending Balance		4,060,382.03

Legislators Fund cash

	ADJ TO		<u>Expense</u>	<u>JPM Balance</u>	<u>STT Balance</u>	<u>STT Income</u>	<u>TFR from STT to JPM</u>
9/30/2022	JPM	41000	520,000	768,201	4,059,988	315449	
10/31/2022			520,000	248,201	4,341,991	282003	
11/30/2022			520,000	3,728,201	496,096	154105	4000000
12/31/2022			520,000	3,208,201	751,085	254989	
1/31/2023			520,000	2,688,201	1,047,773	296688	
2/28/2023			520,000	2,168,201	1,239,990	192217	
3/31/2023			520,000	1,648,201	1,531,631	291641	
4/30/2023			520,000	1,128,201	1,813,634	282003	
5/31/2023			520,000	608,201	1,967,739	154105	
6/30/2023			520,000	88,201	2,222,728	254989	

Judicial Fund cash

	<u>Expense</u>	<u>Balance</u> <u>JPMorgan</u>	<u>Balance</u> <u>State Street</u>	<u>STT</u> <u>Income</u>
9/30/2022	2,800,000	700,000	6,211,396	1,121,095
10/31/2022	2,800,000	3,900,000	1,210,626	999,230
11/30/2022	2,800,000	1,100,000	1,713,830	503,204
12/31/2022	2,800,000	11,300,000	2,608,463	894,633
1/31/2023	2,800,000	8,500,000	3,677,434	1,068,971
2/28/2023	2,800,000	5,700,000	4,308,827	631,393
3/31/2023	2,800,000	2,900,000	5,423,449	1,114,622
4/30/2023	2,800,000	6,100,000	422,679	999,230
5/31/2023	2,800,000	3,300,000	925,883	503,204
6/30/2023	2,800,000	500,000	1,820,516	894,633

TFR from
STT to JPM

6000000

13000000 - SALES
REID

6000000

Item IV – Investment Related Matters

B. Baird Trust Company



Investment Review
KY Judicial Retirement Fund
KY Legislator Retirement Fund
October 21, 2022

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*“There are two kinds of forecasters:
those who don’t know, and those
who don’t know they don’t know.”*

– John Kenneth Galbraith

Focusing on What’s Knowable

The third quarter was characterized by rapidly rising interest rates and continued stock price declines. The stock market hit a new low for the year on the last day of September, with the S&P 500 down over 25% from its January high. Bond indices also posted record losses with the U.S. Aggregate Bond Index dropping 15% year-to-date. These falling prices fueled mounting fears over a future that feels highly uncertain. Today’s list of investors’ concerns is a long one:

- Stubbornly high inflation in the U.S. and globally
- The Federal Reserve aggressively raising interest rates, increasing the risk of a recession in the U.S.
- A war and energy crisis in Europe and a deteriorating relationship with China
- Volatile global currencies led by a rapidly strengthening U.S. dollar
- Political divisions at home and a contentious upcoming midterm election

Our Desire For Certainty

It is natural to worry about these issues and an uncertain future. Nearly every human does to some degree, especially when it has an impact on their hard-earned life savings. We all crave certainty, wanting to believe that the unknowable and unpredictable future is, in fact, knowable and predictable.

Unfortunately, evidence shows that it is nearly impossible to predict the future accurately and consistently. The events of the last few years – a global pandemic, the stock market gyrations, the booming job market, surging inflation – serve as a great reminder that, when it comes to the future, we know very little. At the beginning of this year, even the Federal Reserve, with its army of highly intelligent PhDs, was unable to foresee the aggressive monetary policy tightening they would need to pursue in 2022.

Admitting What's Unknowable

In our view, to be a successful long-term investor, you must have a clear understanding of what is knowable and what is unknowable. In our investment process, we admit right up front that the future is not knowable. It never has been, and it never will be. Therefore, we believe it is counterproductive to spend time trying to predict the unknowable future.

We don't know what inflation will do over the coming months and years. We don't know what all the impacts from higher interest rates will be. We don't know when the next recession will occur (but we are certain there will be more recessions in the future). We can't predict geopolitical events around the world or how fluctuating currencies will impact the global economy. And we have already written about our view on politics and investing in our October 2020 market commentary titled "Politics and Investing Don't Mix Well".

We believe famed investor Phil Fisher had it right when he wrote in his 1957 book *Common Stocks and Uncommon Profits*, "The amount of mental effort the financial community puts into this constant attempt to guess the economic future from a random and probably incomplete series of facts makes one wonder what might have been accomplished if only a fraction of such mental effort had been applied to something with a better chance of proving useful."

What is Knowable and Useful?

We aim to spend all our time on things that will prove useful to our goal of generating attractive long-term investment returns for our clients. We do this by ignoring what we consider to be unknowable and focusing instead on what we believe to be knowable.

We know that in order to generate strong long-term investment returns, the investments we make must survive the long term. Therefore, risk mitigation is, and always has been, a fundamental pillar of our investment strategy. With a future that is so unpredictable, controlling risk must be a top priority.

In fixed income, we do this by investing only in the highest quality bonds of companies and municipalities with sound balance sheets. In recent years, we have also remained focused on shorter maturity bonds to reduce interest rate risk. With interest rates near zero for the bulk of the last decade, stretching for yield by investing in lower quality fixed income (high yield bonds) or longer maturity issues became commonplace in our industry. But as we are seeing this year, rising interest rates punish those higher-risk strategies. One of the main goals of our fixed income portfolio is capital protection in tough times.

In equities, we try to mitigate risk by primarily investing in high quality businesses with sustainable competitive advantages and talented leaders. We know that companies with these qualities are typically better able to adapt and thrive in whatever kind of external environment is thrown at them. In fact, they are often able to increase their market share through down cycles and emerge stronger on the other side. If purchased at a sensible price and held for many years, we believe a portfolio of equity investments with these qualities is likely to generate an attractive investment return regardless of near-term macroeconomic hiccups or uncertainties along the way.

Additionally, we know that, in the short term, a company's stock price is often much more volatile than the fundamentals of its underlying business. Stock prices can gyrate wildly based on investor emotion while a business' cash flows are driven by things like market share gains, revenue growth, and margin expansion. Sometimes, like 2021, stock prices increase much faster than business fundamentals, and sometimes, like today, they decline more rapidly than fundamentals. We remain more focused on what is happening with the business rather than the stock price.

An example we have written about in the past and will highlight again is Home Depot (HD). We have owned shares in this company for over 20 years. During those two decades, there have been numerous macroeconomic twists and turns, including volatile interest rates, varying levels of inflation, a pandemic, and the massive 2004-2006 housing bubble and subsequent collapse in 2008-2009.

Over this 20-year period, HD grew its earnings-per-share from \$1.56/share to \$15.53/share. However, HD's stock price was much more volatile than its underlying business fundamentals, with the stock experiencing 8 declines of 20% or more during this time. In fact, HD's stock price is down nearly 34% year-to-date. Each of these declines, including today, were driven by fears and uncertainties regarding the future direction of the economy, the housing market, or interest rates.

But we believe the long-term success or failure of our investment in Home Depot doesn't hinge on any of those unpredictable macroeconomic outcomes. Instead, it depends on HD's business fundamentals – its ability to grow earnings per share at an attractive rate over time. We have owned five stocks (including HD) for 20 or more years. In our experience, a company's stock price generally correlates to earnings performance over a full market cycle, but if you zoom into shorter periods (one year or less), the stock price can perform much differently than earnings due to swings in investor sentiment based on the news of the day.

Declining Prices = Higher Future Returns

Finally, we know that as stock or bond prices decline, all else being equal, their potential future returns increase proportionally. Buying a one-dollar bill for sixty cents is obviously more attractive and will generate a higher return than buying that same one-dollar bill for eighty cents. But this rational fact doesn't make price declines any easier to stomach.

We understand and appreciate that the price declines in bonds and stocks that we have seen this year are unnerving. Watching account values decline is extraordinarily difficult. But it is the price of admission, especially in the stock market. Market volatility and bear markets are regular occurrences that must be endured to achieve the attractive returns equities provide over decades.

While sell-offs and bear markets are always difficult to endure, they are also filled with attractive investment opportunities. Today is no different. As prices decline, we are now seeing more attractively priced investment opportunities in both stocks and bonds than at any time in the last decade, except for a few days during the COVID-19 pandemic lows. Unfortunately, this does not tell us anything about where stock or bond prices might go over the coming weeks, months, or quarters.

Our focus, as always, is to try to find and take advantage of the best long-term investment opportunities available to grow your wealth at an attractive rate over very long periods of time. We do this by thinking in decades rather than in months, quarters, or even years. In an unpredictable world, we believe this gives us the best chance to achieve our goal for you, our clients, even though there will be bumps, twists, and turns along the way.

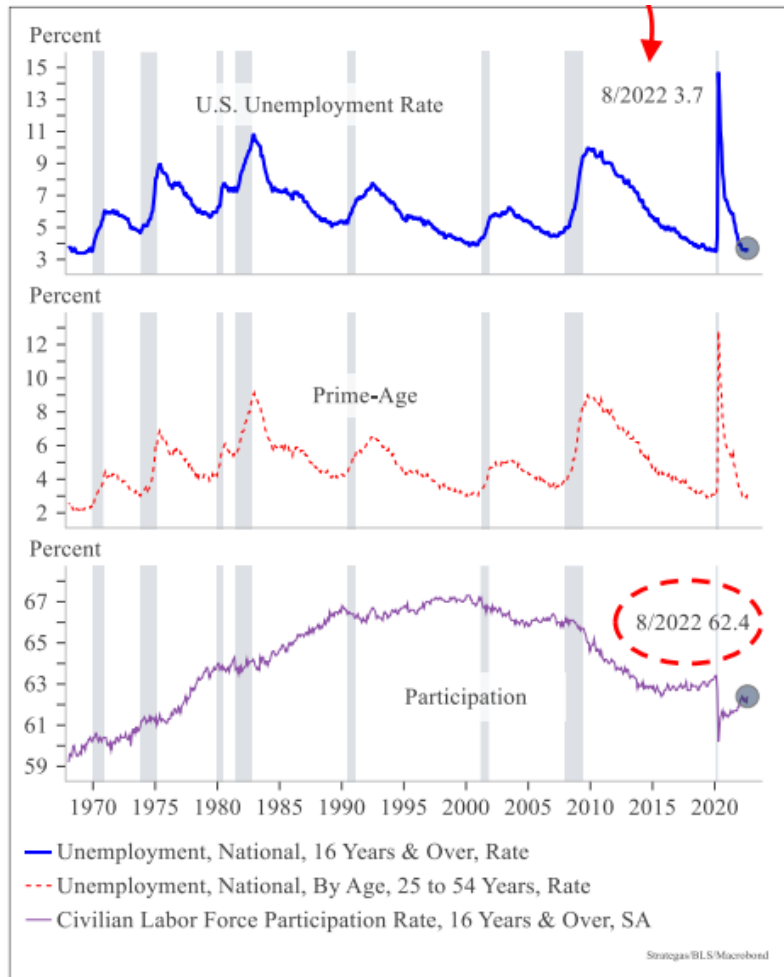
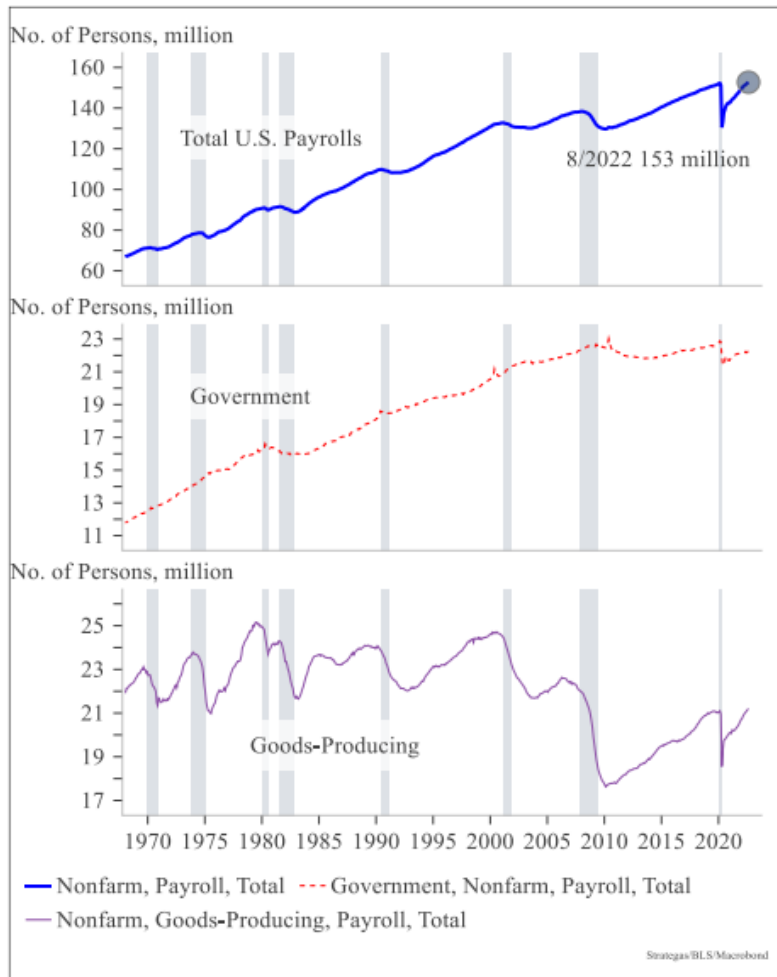
As always, we are immensely grateful for the confidence you place in us at Baird Trust as stewards of your financial assets. Thank you!

Baird Trust Company ("Baird Trust"), a Kentucky state chartered trust company, is owned by Baird Financial Corporation ("BFC"). It is affiliated with Robert W. Baird & Co. Incorporated ("Baird"), (an SEC-registered brokerdealer and investment advisor), and other operating businesses owned by BFC. Past performance is not a predictor of future success. All investing involves the risk of loss and any security may decline in value. This is not intended as a recommendation to buy Home Depot or any security and views expressed may change without notice. Baird Trust does not provide tax or legal advice. This market commentary is not meant to be advice for all investors. Please consult with your Baird Financial Advisor about your own specific financial situation.

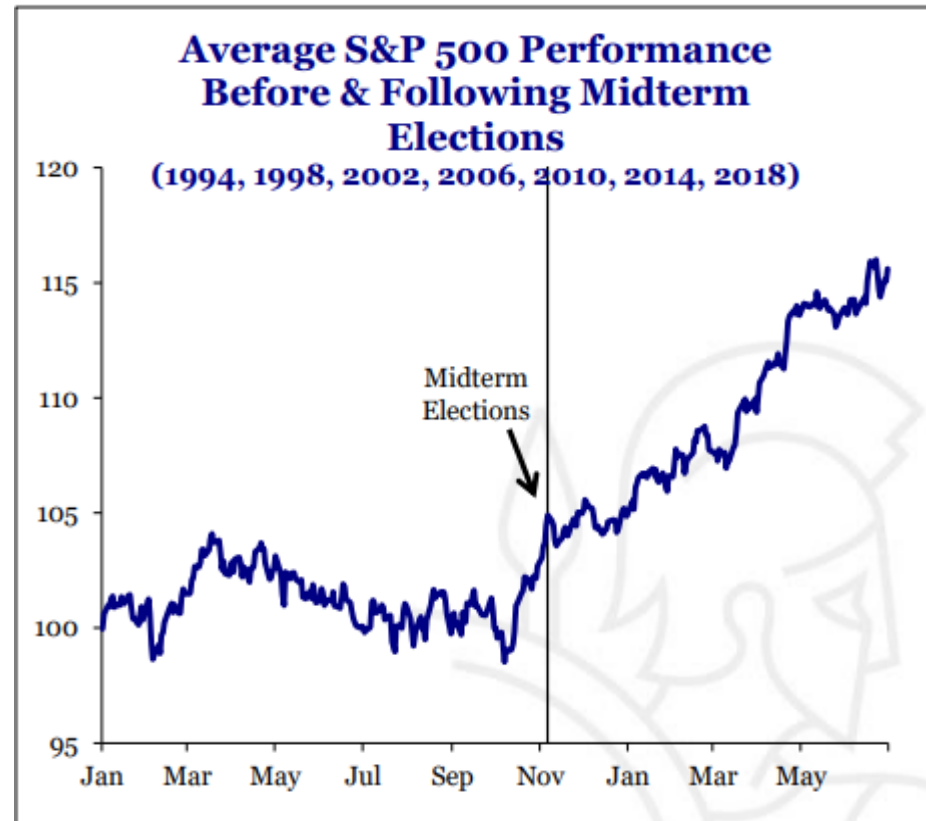
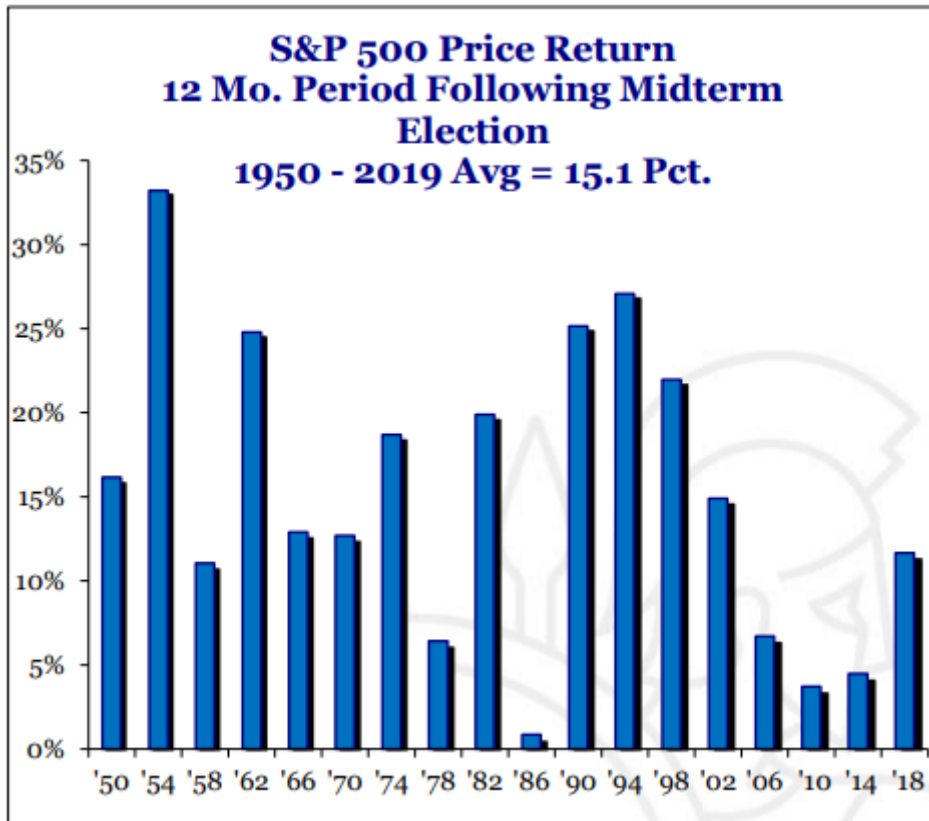
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- The U.S. added 263,000 jobs in September. The unemployment rate fell to 3.5% from 3.7%.
- The Case-Shiller 20-city house price index rose 16.1% year-over-year in July, down from 18.7% in June and the peak of 21.2% in April. The index fell 0.4% for the month versus a rise of 0.4% in June. It was the first decline since March 2012.
- The CPI rose 0.1% in August. The core rose 0.6%. Gas prices fell 10.6%, the biggest monthly drop in two years. Food prices rose 0.8%. Year-over-year CPI rose 8.3%. The core has risen 6.3%. Gas prices rose 25.6% year-over-year. Food prices have risen 11.4%, the largest 12-month increase since 1979. Shelter prices have risen 6.2%.
- The 2Q GDP revision was unchanged at a 0.6% decline. The revision was based on a record trade deficit, the end of most pandemic stimulus and a sharp decline in business spending, especially on new inventories.
- Retail sales rose 0.3% in August. Sales at vehicle and parts dealers rose 2.8%. Gas station sales fell 4.2%. Online sales fell 0.7%. Bar and restaurant sales rose 1.1%.
- The Consumer Confidence Index rose to 108.0 in September from a revised 103.6, the highest reading in five months. Consumers felt more comfortable as gas prices declined.
- Personal income increased 0.3% in August. Consumer spending increased 0.4%. The savings rate fell to 3.5%.

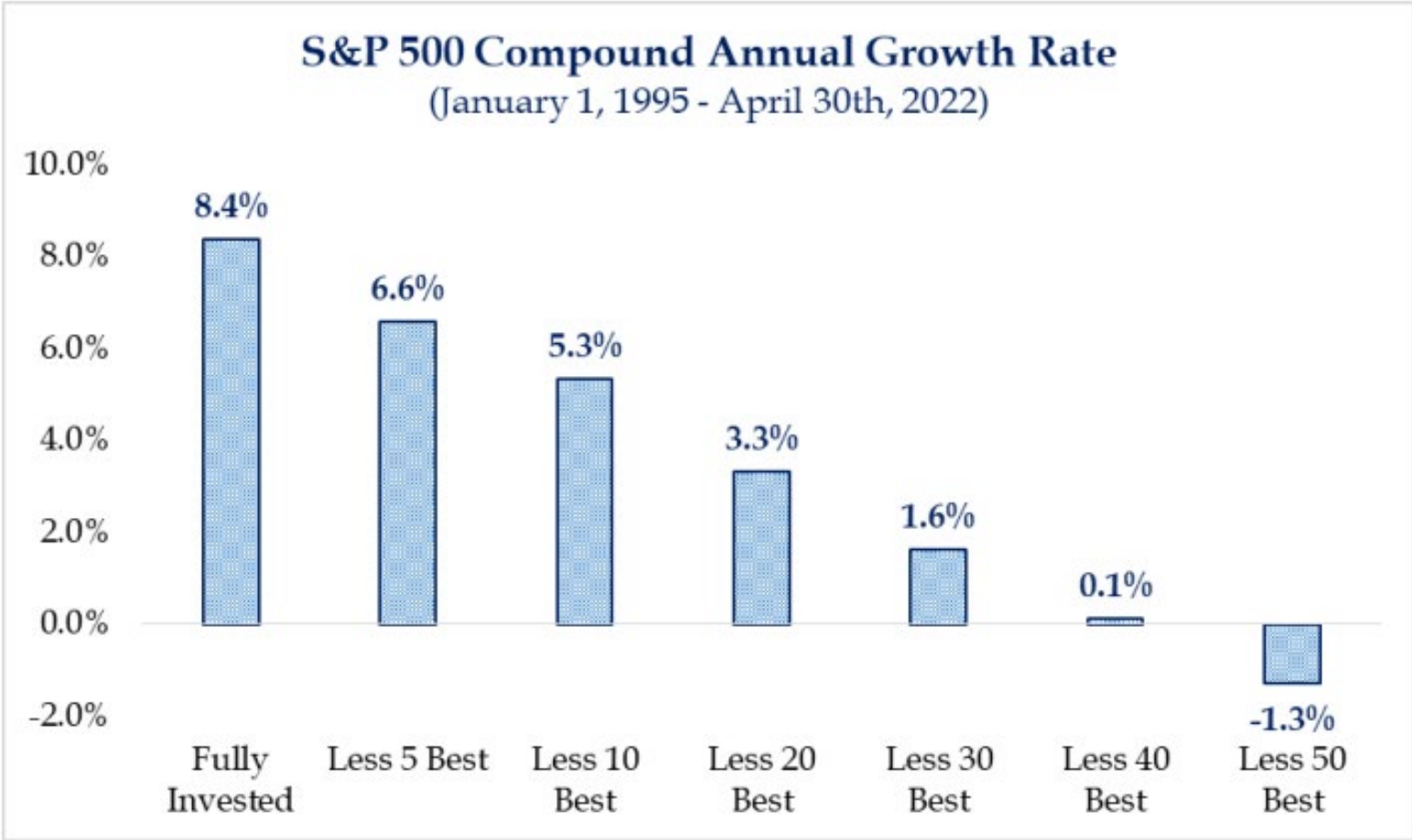
Tight US Labor Market



Midterm Elections and the Stock Market



Source: Strategas Research Partners



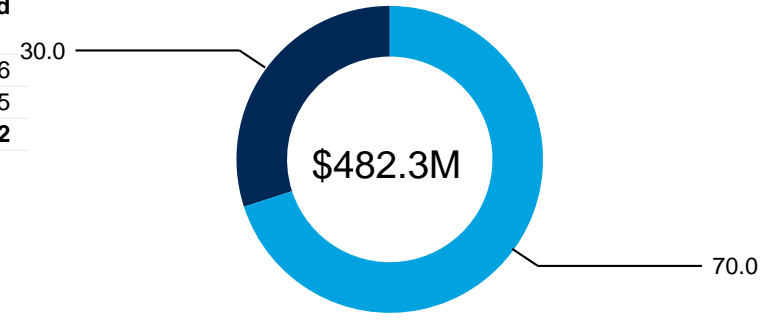
Source: Strategas Research Partners

Client Investment Review

Investment activity through 09/30/2022

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	337,690,175	70.0	5,424,337.00	1.6
Total Fixed Income	144,617,439	30.0	5,063,685.96	3.5
Total	482,307,615	100.0	10,488,022.96	2.2

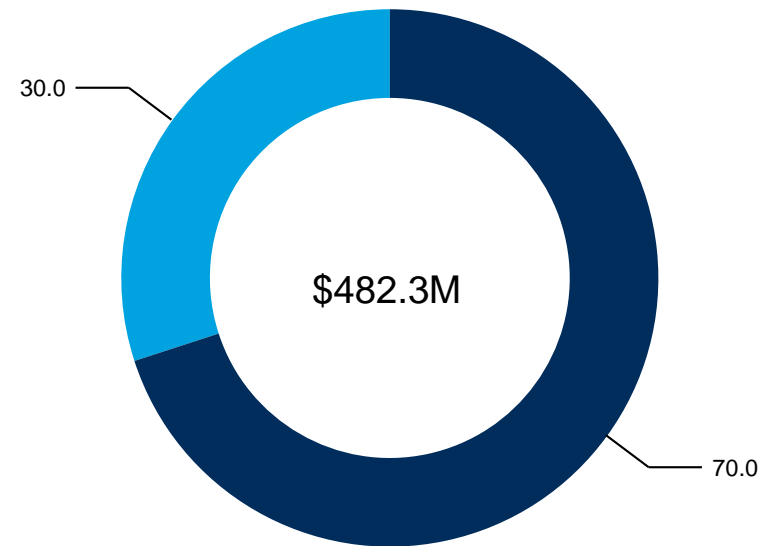


Investment Summary

	Fiscal Year to Date (3 Months)
Beginning Account Value	501,625,281.77
Net Contributions/Withdrawals	-2,817,584.83
Income Earned	2,586,148.86
Market Appreciation	-19,086,231.30
Ending Account Value	482,307,614.50

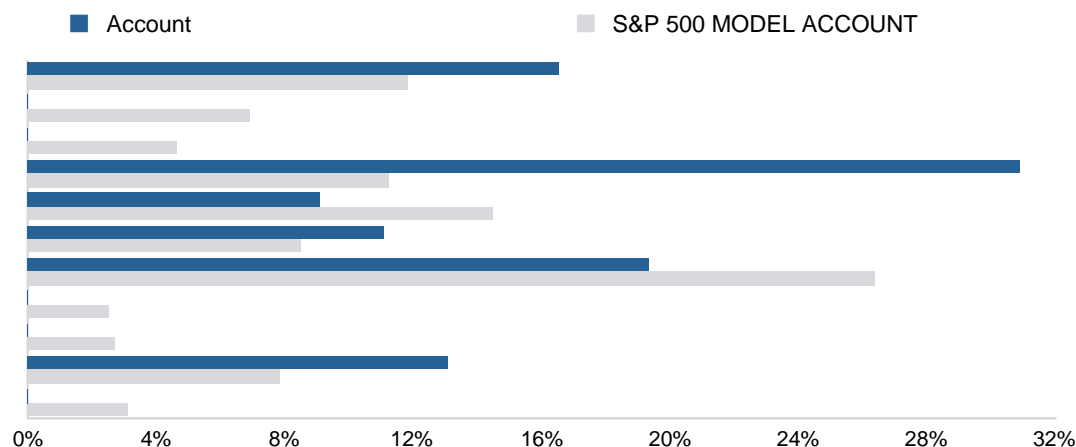
Total market value may differ slightly from your custodian statement due to processing lag of accruals in non-custody accounts.

	Market Value	% of Mkt Val
● Core Equity	337,690,175	70.0
● Taxable Fixed Income	144,490,752	30.0
● Taxable Bond Funds	126,688	.0
Total	482,307,615	100.0



Core Equity Allocation vs S & P 500 Model

	Account	Model
Consumer Disc	16.5	11.8
Consumer Staples	.0	6.9
Energy	.0	4.6
Financials	30.9	11.2
Health Care	9.1	14.5
Industrials	11.1	8.5
Information Tech	19.3	26.4
Materials	.0	2.5
Real Estate	.0	2.7
Communication Servic	13.1	7.8
Utilities	.0	3.1



Top 10 Performers

	Market Value	% of Mkt Val	Return
PROGRESSIVE CORP OH COM	26,763,163	5.5	30.97
O REILLY AUTOMOTIVE INC N	17,232,075	3.6	15.10
PFIZER INC COM	10,467,392	2.2	5.20
JOHNSON & JOHNSON COM	20,358,740	4.2	3.61
UNION PAC CORP COM	9,351,360	1.9	1.57
SCHWAB CHARLES CORP NEW C	18,700,574	3.9	-0.29
APPLE INC COM	24,240,280	5.0	-1.82
BERKSHIRE HATHAWAY INC DE	21,615,269	4.5	-2.14
PNC BK N A PITTSBURGH PA	3,004,370	.6	-2.32
CUMMINS INC SR GLBL NT	3,537,310	.7	-2.58

Largest 10 Holdings by Market Value

	Market Value	% of Mkt Val	Return
PROGRESSIVE CORP OH COM	26,763,163	5.5	30.97
APPLE INC COM	24,240,280	5.0	-1.82
MICROSOFT CORP COM	23,354,048	4.8	-16.28
HOME DEPOT INC COM	22,316,648	4.6	-13.93
BERKSHIRE HATHAWAY INC DE	21,615,269	4.5	-2.14
JOHNSON & JOHNSON COM	20,358,740	4.2	3.61
SCHWAB CHARLES CORP NEW C	18,700,574	3.9	-0.29
ALPHABET INC CAP STK CL C	18,576,180	3.9	-27.93
O REILLY AUTOMOTIVE INC N	17,232,075	3.6	15.10
JPMORGAN CHASE & CO COM	16,829,725	3.5	-34.25

Large Cap Equity Attribution

September 30, 2022

Sector	Qtr
Financials	1.24
Information Tech	0.65
Communication Services	0.38
Real Estate	0.18
Consumer Staples	0.13
Materials	0.07
Utilities	0.04
Consumer Disc	-0.09
Industrials	-0.27
Energy	-0.30
Health Care	-0.43
Total	1.59

Sector	1 Year
Financials	2.44
Information Tech	2.14
Consumer Disc	1.22
Real Estate	0.03
Materials	-0.07
Health Care	-0.17
Utilities	-0.46
Industrials	-0.54
Consumer Staples	-0.84
Communication Services	-0.88
Energy	-1.66
Total	1.21

Sector	5 Years
Information Tech	1.04
Financials	0.61
Consumer Disc	0.37
Industrials	0.23
Energy	0.21
Real Estate	0.09
Materials	0.07
Utilities	0.04
Consumer Staples	-0.03
Communication Services	-0.13
Health Care	-0.37
Total	2.13

Ky Judicial Retirement DB Top & Bottom Contributors

September 30, 2022

Top Contributors

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
SCHW	Charles Schwab	5.54	14.10	0.67
ORLY	O Reilly	5.10	11.33	0.50
TJX	TJ Maxx	2.81	11.74	0.29
AAPL	Apple	7.18	1.22	0.09
HD	Home Depot	6.61	1.31	0.08

1 Year

Ticker	Company	Ending Allocation	Total Return	Contribution
PGR	Progressive	7.93	30.97	1.72
ORLY	O Reilly	5.10	15.10	0.61
JNJ	Johnson & Johnson	6.03	3.61	0.21
PFE	Pfizer	3.10	5.20	0.18
UNP	Union Pacific	2.77	1.57	0.08

5 Years

Ticker	Company	Ending Allocation	Total Return	Contribution
AAPL	Apple	7.18	30.56	2.26
MSFT	Microsoft	6.92	26.98	1.83
PGR	Progressive	7.93	23.06	1.26
ORLY	O Reilly	5.10	26.60	0.91
HD	Home Depot	6.61	13.58	0.89

Bottom Contributors

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
GOOG	Alphabet	5.50	-12.09	-0.73
KMX	Carmax	1.94	-27.03	-0.70
MSFT	Microsoft	6.92	-9.10	-0.67
PFE	Pfizer	3.10	-15.81	-0.57
JNJ	Johnson & Johnson	6.03	-7.33	-0.47

1 Year

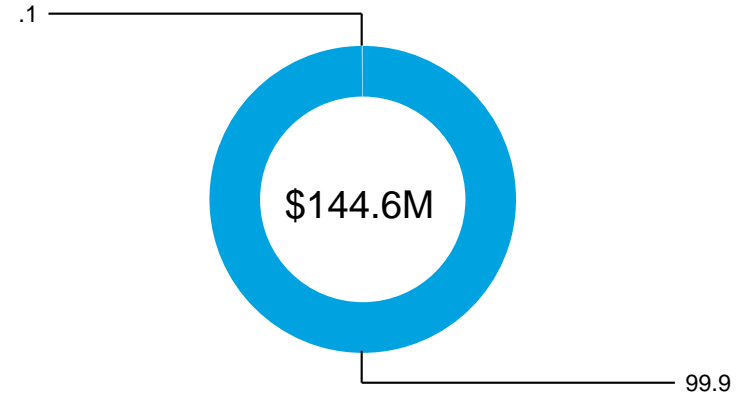
Ticker	Company	Ending Allocation	Total Return	Contribution
DIS	Walt Disney	3.67	-44.24	-2.59
JPM	JP Morgan Chase	4.98	-34.25	-2.33
META	Meta	1.45	-60.06	-1.93
GOOG	Alphabet	5.50	-27.93	-1.86
KMX	Carmax	1.94	-48.44	-1.62

5 Years

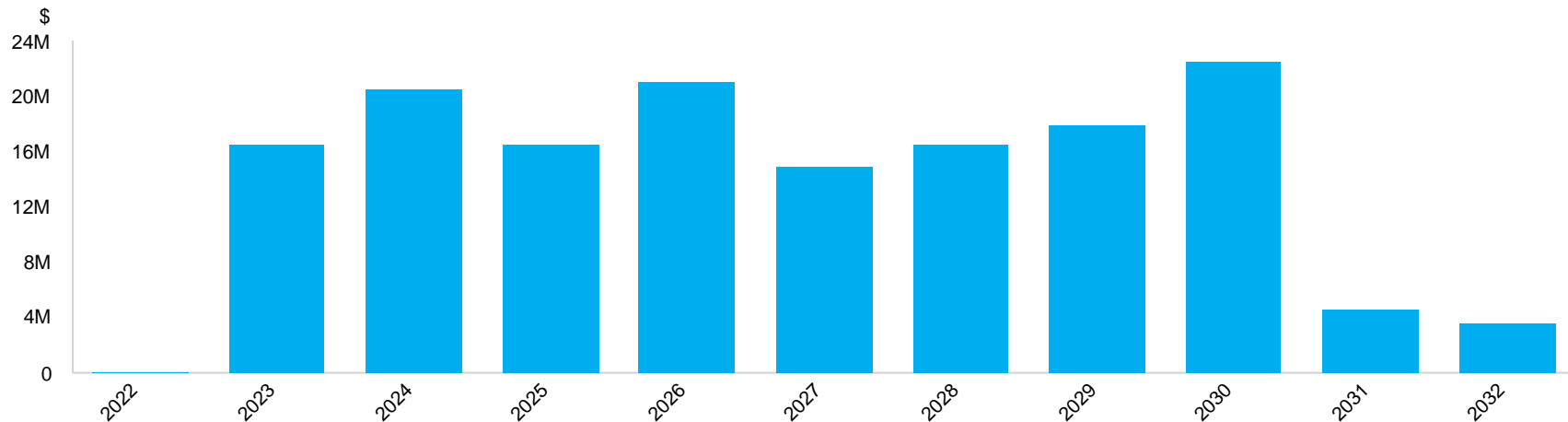
Ticker	Company	Ending Allocation	Total Return	Contribution
GE	General Electric	2.48	-35.25	-0.35
META	Meta	1.45	-16.43	-0.14
WFC	Wells Fargo	1.90	-3.34	-0.11
USB	US Bank	2.40	-2.42	-0.06
DIS	Walt Disney	3.67	-0.38	0.06

Fixed Income Allocation

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
● Taxable Fixed Income	144,490,752	99.9	5,062,725.00	3.5
● Taxable Bond Funds	126,688	.1	960.96	.8
Total	144,617,439	100.0	5,063,685.96	3.5



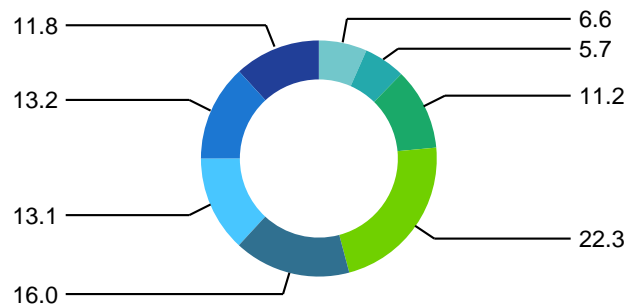
Fixed Income Maturity Schedule



Fixed Income Analysis

	09/30/2022	Bloomberg Gov't/Credit Interm Bond Index
Coupon	3.30	2.17
Current Yield	3.54	2.38
Yield to Maturity	4.96	4.61
Maturity	4.43	4.28
Duration	4.07	3.86
Face Amount	154,500,000	
Market Value	143,148,600	
Total Accrual	1,342,152	
Cost	162,971,430	

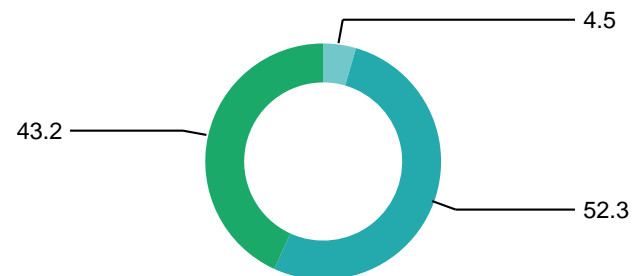
Quality Allocation by Market Value



■ AAA ■ AA+ ■ AA- ■ A+
■ A ■ A- ■ BBB+ ■ BBB

NR=Not rated by S&P

Maturity Allocation by Market Value



■ Less than 1 Year ■ Short (1-5 Years)
■ Intermediate (5-10 Years)

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
Matures 2032									
OREILLY AUTOMOTIVE INC SR GLBL 4.700%06/15/2032	06/15/2032	3,500,000.000	98.330	93.576	3,323,596.11	BBB	03/15/2032		164,500.00
Total Matures 2032					3,323,596.11				164,500.00
Matures 2031									
DISNEY WALT CO SR GLBL NT 2.650%01/13/2031	01/13/2031	4,500,000.000	107.230	82.744	3,749,317.50	BBB+			119,250.00
Total Matures 2031					3,749,317.50				119,250.00
Matures 2030									
EXXON MOBIL CORP SR GLBL COCO 2.610%10/15/2030	10/15/2030	4,500,000.000	107.950	84.718	3,866,467.50	AA-	07/15/2030		117,450.00
PFIZER INC GLBL NT 2.625%04/01/2030	04/01/2030	4,500,000.000	108.330	85.910	3,925,012.50	A+	01/01/2030		118,125.00
KIMBERLY CLARK CORP SR GLBL 3.100%03/26/2030	03/26/2030	4,500,000.000	109.260	88.250	3,973,187.50	A	12/26/2029		139,500.00
PROGRESSIVE CORP SR GLBL 3.200%03/26/2030	03/26/2030	4,500,000.000	109.830	87.854	3,955,430.00	A	12/26/2029		144,000.00
COMCAST CORP NEW GLBL NT 2.650%02/01/2030	02/01/2030	4,500,000.000	107.850	83.830	3,792,225.00	A-	11/01/2029		119,250.00
Total Matures 2030					19,512,322.50				638,325.00
Matures 2029									
TEXAS INSTRS INC SR GLBL NT 2.250%09/04/2029	09/04/2029	4,500,000.000	105.750	84.660	3,817,293.75	A+	06/04/2029		101,250.00
3M CO SR GLBL NT 2.375%08/26/2029	08/26/2029	4,500,000.000	105.780	81.944	3,697,870.63	A+	05/26/2029		106,875.00
BLACKROCK INC SR GLBL NT 3.250%04/30/2029	04/30/2029	4,500,000.000	110.960	89.965	4,109,768.75	AA-	01/30/2029		146,250.00
MERCK & CO INC SR GLBL 3.400%03/07/2029	03/07/2029	4,500,000.000	111.400	91.718	4,137,510.00	A+	12/07/2028		153,000.00
Total Matures 2029					15,762,443.13				507,375.00
Matures 2028									
US TREASURY NOTE 3.125%11/15/2028	11/15/2028	2,000,000.000	108.180	95.043	1,924,467.34	AAA			62,500.00
SCHWAB CHARLES CORP SR GLBL 3.200%01/25/2028	01/25/2028	4,500,000.000	106.380	91.562	4,146,690.00	A	10/25/2027		144,000.00
CHEVRON USA INC SR GLBL NT 3.850%01/15/2028	01/15/2028	5,000,000.000	100.840	94.982	4,789,738.89	AA-	10/15/2027		192,500.00
JOHNSON & JOHNSON SR GLBL	01/15/2028	5,000,000.000	108.810	92.078	4,634,511.11	AAA	10/15/2027		145,000.00

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
2.900%01/15/2028									
Total Matures 2028					15,495,407.34				544,000.00
Matures 2027									
BANK AMER CORP FR 3.248%10/21/2027	10/21/2027	5,000,000.000	108.340	89.616	4,552,977.78	A-	10/21/2026		162,400.00
FEDERAL FARM CR BKS CONS SYSTEMWIDE 3.330%04/12/2027	04/12/2027	5,000,000.000	100.000	94.478	4,802,062.50	AA+	04/12/2023		166,500.00
PEPSICO INC SR NT 2.625%03/19/2027	03/19/2027	5,000,000.000	108.550	91.760	4,592,375.00	A+	01/19/2027 100.000		131,250.00
Total Matures 2027					13,947,415.28				460,150.00
Matures 2026									
WELLS FARGO CO NEW SR NT 3.000%10/23/2026	10/23/2026	4,500,000.000	108.470	90.639	4,138,005.00	BBB+			135,000.00
JPMORGAN CHASE & CO SR NT 2.950%10/01/2026	10/01/2026	4,500,000.000	108.980	91.653	4,190,760.00	A-	07/01/2026 100.000		132,750.00
VERIZON COMMUNICATIONS INC SR GLOBL 2.625%08/15/2026	08/15/2026	4,500,000.000	108.120	90.828	4,102,353.75	BBB+			118,125.00
ABBVIE INC SR GLOBL 3.200%05/14/2026	05/14/2026	4,500,000.000	109.020	93.478	4,261,310.00	BBB+	02/14/2026		144,000.00
OMNICOM GROUP INC SR GLOBL 3.600%04/15/2026	04/15/2026	3,000,000.000	104.300	94.718	2,891,340.00	BBB+	01/15/2026		108,000.00
Total Matures 2026					19,583,768.75				637,875.00
Matures 2025									
NORTHERN TR CORP SUB NT 3.950%10/30/2025	10/30/2025	4,500,000.000	104.400	97.627	4,467,771.26	A			177,750.00
SYSCO CORP SR NT 3.750%10/01/2025	10/01/2025	3,500,000.000	102.850	96.244	3,434,165.00	BBB	07/01/2025		131,250.00
INTEL CORP SR GLOBL 3.700%07/29/2025	07/29/2025	5,000,000.000	103.130	97.432	4,903,461.11	A+	04/29/2025		185,000.00
CVS HEALTH CORP SR GLOBL NT 3.875%07/20/2025	07/20/2025	3,500,000.000	101.290	96.986	3,421,258.26	BBB	04/20/2025		135,625.00
Total Matures 2025					16,226,655.63				629,625.00
Matures 2024									
APPLE INC SR GLOBL NT 3.450%05/06/2024	05/06/2024	3,500,000.000	102.810	98.326	3,490,045.41	AA+			120,750.00
CISCO SYS INC SR NT 3.625%03/04/2024	03/04/2024	3,500,000.000	102.240	98.722	3,464,785.62	AA-			126,875.00
HOME DEPOT INC SR NT	02/15/2024	3,000,000.000	101.890	98.809	2,978,645.01	A	11/15/2023		112,500.00

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
3.750%02/15/2024 INTERNATIONAL BUSINESS MACHS SR GLBL	02/12/2024	3,500,000.000	102.280	98.654	3,470,159.10	A-			126,875.00
3.625%02/12/2024 ALTRIA GROUP INC SR GLBL NT	01/31/2024	3,500,000.000	102.900	98.487	3,470,378.33	BBB			140,000.00
4.000%01/31/2024 U S BANCORP MTNS BK ENT FR	01/30/2024	3,500,000.000	102.460	98.942	3,484,913.05	A+	12/29/2023		129,500.00
3.700%01/30/2024									
Total Matures 2024					20,358,926.52				756,500.00
Matures 2023									
MICROSOFT CORP NT 3.625%12/15/2023	12/15/2023	3,000,000.000	100.770	99.096	3,004,900.83	AAA	09/15/2023		108,750.00
SCHLUMBERGER INVT SA SR NT 3.650%12/01/2023	12/01/2023	3,500,000.000	102.720	98.438	3,487,913.34	A	09/01/2023		127,750.00
CUMMINS INC SR GLBL NT 3.650%10/01/2023	10/01/2023	3,500,000.000	101.530	99.241	3,537,310.00	A+	07/01/2023		127,750.00
PNC BK N A PITTSBURGH PA SUB NT 3.800%07/25/2023	07/25/2023	3,000,000.000	100.280	99.449	3,004,370.00	A-	06/25/2023		114,000.00
ORACLE CORP SR NT 3.625%07/15/2023	07/15/2023	3,500,000.000	102.600	99.132	3,496,404.72	BBB			126,875.00
Total Matures 2023					16,530,898.89				605,125.00
Matures 2022									
O REILLY AUTOMOTIVE INC NEW SR NT 3.800%09/01/2022	09/01/2022	.000	.000	.000	.00	BBB	06/01/2022		.00
Total Matures 2022					.00				.00
No Maturity									
ISHARES 1-3 YEAR TREASURY BOND ETF		1,560.000	84.580	81.210	126,687.60	NR			
Total No Maturity					126,687.60				
Total					144,617,439.25				5,062,725.00

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	193,200.000	27.51	5,315,124.68	96.15	18,576,180.00	3.9	.00	.00	.000
DISNEY WALT CO COM	131,225.000	50.56	6,634,271.18	94.33	12,378,454.25	2.6	.00	.00	.000
META PLATFORM, INC.	35,975.000	218.91	7,875,319.57	135.68	4,881,088.00	1.0	.00	.00	.000
OMNICOM GROUP INC COM	133,900.000	48.20	6,453,767.71	63.09	8,541,481.00	1.8	2.80	374,920.00	4.438
Total for Communication Services			26,278,483.14		44,377,203.25	9.2		374,920.00	.847
Consumer Disc									
CARMAX INC COM	99,250.000	59.76	5,931,512.25	66.02	6,552,485.00	1.4	.00	.00	.000
HOME DEPOT INC COM	80,875.000	30.16	2,439,272.37	275.94	22,316,647.50	4.6	7.60	614,650.00	2.754
O REILLY AUTOMOTIVE INC NEW COM	24,500.000	178.33	4,369,183.46	703.35	17,232,075.00	3.6	.00	.00	.000
TJX COS INC NEW COM	152,800.000	6.25	955,083.71	62.12	9,491,936.00	2.0	1.18	180,304.00	1.900
Total for Consumer Disc			13,695,051.79		55,593,143.50	11.5		794,954.00	1.430
Financials									
BANK OF AMERICA CORP COM	191,900.000	26.92	5,165,377.98	30.20	5,795,380.00	1.2	.88	168,872.00	2.914
BERKSHIRE HATHAWAY INC DEL CL B NEW	80,950.000	112.56	9,112,074.64	267.02	21,615,269.00	4.5	.00	.00	.000
JPMORGAN CHASE & CO COM	161,050.000	52.37	8,434,765.22	104.50	16,829,725.00	3.5	4.00	644,200.00	3.828
PROGRESSIVE CORP OH COM	230,300.000	29.79	6,861,543.88	116.21	26,763,163.00	5.5	.40	92,120.00	.344
SCHWAB CHARLES CORP NEW COM	260,200.000	35.35	9,196,899.10	71.87	18,700,574.00	3.9	.88	228,976.00	1.224
US BANCORP DEL COM NEW	199,000.000	22.95	4,567,455.38	40.32	8,119,200.00	1.7	1.92	382,080.00	4.762
WELLS FARGO & CO NEW COM	159,250.000	27.29	4,345,939.61	40.22	6,405,035.00	1.3	1.20	191,100.00	2.984
Total for Financials			47,684,055.81		104,228,346.00	21.6		1,707,348.00	1.640
Health Care									
JOHNSON & JOHNSON COM	124,625.000	70.56	8,793,252.14	163.36	20,358,740.00	4.2	4.52	563,305.00	2.767
PFIZER INC COM	239,200.000	25.51	6,102,666.18	43.76	10,467,392.00	2.2	1.60	382,720.00	3.656
Total for Health Care			14,895,918.32		30,826,132.00	6.4		946,025.00	3.069
Industrials									
EXPEDITORS INTL WASH INC COM	89,700.000	37.96	3,404,928.61	88.31	7,921,407.00	1.6	1.34	120,198.00	1.517
FASTENAL CO COM	260,600.000	20.76	5,409,535.11	46.04	11,998,024.00	2.5	1.24	323,144.00	2.693

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
GENERAL ELECTRIC CO COM NEW	135,100.000	107.89	14,576,442.68	61.91	8,374,849.00	1.7	.32	43,232.00	.517
UNION PAC CORP COM	48,000.000	93.91	4,507,666.83	194.82	9,351,360.00	1.9	5.20	249,600.00	2.669
Total for Industrials			27,898,573.23		37,645,640.00	7.8		736,174.00	1.956
Information Tech									
APPLE INC COM	175,400.000	20.14	3,532,379.95	138.20	24,240,280.00	5.0	.92	161,368.00	.666
CISCO SYS INC COM	108,900.000	17.33	1,887,674.36	40.00	4,356,000.00	.9	1.52	165,528.00	3.800
MICROSOFT CORP COM	100,275.000	25.41	2,548,453.91	232.90	23,354,047.50	4.8	2.72	272,748.00	1.168
TE CONNECTIVITY LTD REG SHS	118,425.000	31.41	3,720,203.06	110.36	13,069,383.00	2.7	2.24	265,272.00	2.030
Total for Information Tech			11,688,711.28		65,019,710.50	13.5		864,916.00	1.330
Total: Total Equity			142,140,793.57		337,690,175.25	70.0		5,424,337.00	1.607
Total Fixed Income									
Corporate Bonds									
ABBVIE INC SR GBLB 3.200% 05/14/2026	4,500,000.000	109.02	4,906,016.32	93.48	4,261,310.00	.9	3.20	144,000.00	3.423
ALTRIA GROUP INC SR GBLB NT 4.000% 01/31/2024	3,500,000.000	102.90	3,601,329.95	98.49	3,470,378.33	.7	4.00	140,000.00	4.061
APPLE INC SR GBLB NT 3.450% 05/06/2024	3,500,000.000	102.81	3,598,323.99	98.33	3,490,045.41	.7	3.45	120,750.00	3.509
BANK AMER CORP FR 3.248% 10/21/2027	5,000,000.000	108.34	5,417,210.81	89.62	4,552,977.78	.9	3.25	162,400.00	3.624
BLACKROCK INC SR GBLB NT 3.250% 04/30/2029	4,500,000.000	110.96	4,993,217.73	89.97	4,109,768.75	.9	3.25	146,250.00	3.613
CVS HEALTH CORP SR GBLB NT 3.875% 07/20/2025	3,500,000.000	101.29	3,545,260.35	96.99	3,421,258.26	.7	3.88	135,625.00	3.995
CHEVRON USA INC SR GBLB NT 3.850% 01/15/2028	5,000,000.000	100.84	5,042,000.00	94.98	4,789,738.89	1.0	3.85	192,500.00	4.053
CISCO SYS INC SR NT 3.625% 03/04/2024	3,500,000.000	102.24	3,578,499.64	98.72	3,464,785.62	.7	3.63	126,875.00	3.672
COMCAST CORP NEW GBLB NT 2.650% 02/01/2030	4,500,000.000	107.85	4,853,306.19	83.83	3,792,225.00	.8	2.65	119,250.00	3.161

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
CUMMINS INC SR GLBL NT 3.650% 10/01/2023	3,500,000.000	101.53	3,553,563.05	99.24	3,537,310.00	.7	3.65	127,750.00	3.678
DISNEY WALT CO SR GLBL NT 2.650% 01/13/2031	4,500,000.000	107.23	4,825,574.74	82.74	3,749,317.50	.8	2.65	119,250.00	3.203
EXXON MOBIL CORP SR GLBL COCO 2.610% 10/15/2030	4,500,000.000	107.95	4,857,881.62	84.72	3,866,467.50	.8	2.61	117,450.00	3.081
HOME DEPOT INC SR NT 3.750% 02/15/2024	3,000,000.000	101.89	3,056,795.26	98.81	2,978,645.01	.6	3.75	112,500.00	3.795
INTEL CORP SR GLBL 3.700% 07/29/2025	5,000,000.000	103.13	5,156,596.70	97.43	4,903,461.11	1.0	3.70	185,000.00	3.798
INTERNATIONAL BUSINESS MACHS SR GLBL 3.625% 02/12/2024	3,500,000.000	102.28	3,579,771.22	98.65	3,470,159.10	.7	3.63	126,875.00	3.674
JPMORGAN CHASE & CO SR NT 2.950% 10/01/2026	4,500,000.000	108.98	4,903,950.28	91.65	4,190,760.00	.9	2.95	132,750.00	3.219
JOHNSON & JOHNSON SR GLBL 2.900% 01/15/2028	5,000,000.000	108.81	5,440,382.18	92.08	4,634,511.11	1.0	2.90	145,000.00	3.150
KIMBERLY CLARK CORP SR GLBL 3.100% 03/26/2030	4,500,000.000	109.26	4,916,915.28	88.25	3,973,187.50	.8	3.10	139,500.00	3.513
MERCK & CO INC SR GLBL 3.400% 03/07/2029	4,500,000.000	111.40	5,012,820.28	91.72	4,137,510.00	.9	3.40	153,000.00	3.707
MICROSOFT CORP NT 3.625% 12/15/2023	3,000,000.000	100.77	3,022,956.85	99.10	3,004,900.83	.6	3.63	108,750.00	3.658
NORTHERN TR CORP SUB NT 3.950% 10/30/2025	4,500,000.000	104.40	4,698,095.06	97.63	4,467,771.26	.9	3.95	177,750.00	4.046
OREILLY AUTOMOTIVE INC SR GLBL 4.700% 06/15/2032	3,500,000.000	98.33	3,441,550.00	93.58	3,323,596.11	.7	4.70	164,500.00	5.023
OMNICOM GROUP INC SR GLBL 3.600% 04/15/2026	3,000,000.000	104.30	3,129,146.81	94.72	2,891,340.00	.6	3.60	108,000.00	3.801
ORACLE CORP SR NT 3.625% 07/15/2023	3,500,000.000	102.60	3,590,945.42	99.13	3,496,404.72	.7	3.63	126,875.00	3.657
PNC BK N A PITTSBURGH PA SUB NT 3.800% 07/25/2023	3,000,000.000	100.28	3,008,487.10	99.45	3,004,370.00	.6	3.80	114,000.00	3.821
PEPSICO INC SR NT 2.625% 03/19/2027	5,000,000.000	108.55	5,427,413.51	91.76	4,592,375.00	1.0	2.63	131,250.00	2.861

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
PFIZER INC GLBL NT 2.625% 04/01/2030	4,500,000.000	108.33	4,874,850.53	85.91	3,925,012.50	.8	2.63	118,125.00	3.056
PROGRESSIVE CORP SR GLBL 3.200% 03/26/2030	4,500,000.000	109.83	4,942,133.37	87.85	3,955,430.00	.8	3.20	144,000.00	3.642
SCHLUMBERGER INVT SA SR NT 3.650% 12/01/2023	3,500,000.000	102.72	3,595,266.69	98.44	3,487,913.34	.7	3.65	127,750.00	3.708
SCHWAB CHARLES CORP SR GLBL 3.200% 01/25/2028	4,500,000.000	106.38	4,787,060.00	91.56	4,146,690.00	.9	3.20	144,000.00	3.495
SYSCO CORP SR NT 3.750% 10/01/2025	3,500,000.000	102.85	3,599,581.69	96.24	3,434,165.00	.7	3.75	131,250.00	3.896
TEXAS INSTRS INC SR GLBL NT 2.250% 09/04/2029	4,500,000.000	105.75	4,758,542.97	84.66	3,817,293.75	.8	2.25	101,250.00	2.658
3M CO SR GLBL NT 2.375% 08/26/2029	4,500,000.000	105.78	4,760,024.33	81.94	3,697,870.63	.8	2.38	106,875.00	2.898
U S BANCORP MTNS BK ENT FR 3.700% 01/30/2024	3,500,000.000	102.46	3,586,048.69	98.94	3,484,913.05	.7	3.70	129,500.00	3.740
VERIZON COMMUNICATIONS INC SR GLBL 2.625% 08/15/2026	4,500,000.000	108.12	4,865,186.69	90.83	4,102,353.75	.9	2.63	118,125.00	2.890
WELLS FARGO CO NEW SR NT 3.000% 10/23/2026	4,500,000.000	108.47	4,881,224.62	90.64	4,138,005.00	.9	3.00	135,000.00	3.310
Total for Corporate Bonds			155,807,929.92		137,764,221.81	28.6		4,833,725.00	3.541
Governments									
FEDERAL FARM CR BKS CONS SYSTEMWIDE 3.330% 04/12/2027	5,000,000.000	100.00	5,000,000.00	94.48	4,802,062.50	1.0	3.33	166,500.00	3.525
US TREASURY NOTE 3.125% 11/15/2028	2,000,000.000	108.18	2,163,500.00	95.04	1,924,467.34	.4	3.13	62,500.00	3.288
Total for Governments			7,163,500.00		6,726,529.84	1.4		229,000.00	3.457
Taxable Bond Funds									
ISHARES 1-3 YEAR TREASURY BOND ETF	1,560.000	84.58	131,943.81	81.21	126,687.60	.0	.62	960.96	.759
Total for Taxable Bond Funds			131,943.81		126,687.60	.0		960.96	.759
Total: Total Fixed Income			163,103,373.73		144,617,439.25	30.0		5,063,685.96	3.534
Total			305,244,167.30		482,307,614.50	100.0		10,488,022.96	2.182

	Market Value	Fiscal Year to Date (3 Months)	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 01/01/1993
Total Portfolio - Gross	482,307,615	-3.33	-13.25	7.48	8.83	10.36	8.22	8.47
Total Portfolio - Net	482,307,615	-3.34	-13.30	7.41	8.74	10.29	8.16	8.42
70% SP500 30% Bloomberg Int Govt Cr		-4.24	-13.60	5.51	6.84	8.61	7.96	8.13
Total Equity	337,690,175	-3.46	-14.65	10.10	11.52	13.57	10.02	10.36
S P 500 Index		-4.88	-15.47	8.16	9.24	11.70	9.84	9.46
Total Fixed Income	144,617,439	-3.01	-10.48	-1.82	.20	.90	2.57	3.96
Bloomberg US Government/Credit Interm Bond		-3.06	-10.14	-1.64	.38	1.00	2.86	4.22

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	10.36	8.61
Standard Deviation	11.47	10.29
Beta	1.00	
Alpha	1.68	
R-Squared	.99	
Sharpe Ratio	9.62	10.55
Treynor Ratio	110.36	108.61
Tracking Error	2.94	
Information Ratio	.59	
Downside Deviation	7.30	6.61
Downside Standard Deviation	8.70	7.77
Sortino Ratio	1.52	1.39
Upside Capture	1.14	
Downside Capture	1.05	
Batting Average	.57	
Annualized Excess Return	1.75	
Cumulative Excess Return	39.52	
Turnover %	131.11	
M-Squared	-.99	
Residual Risk	.98	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	8.22	7.96
Standard Deviation	10.47	10.46
Beta	.99	
Alpha	.37	
R-Squared	.98	
Sharpe Ratio	10.34	10.32
Treynor Ratio	109.31	107.96
Tracking Error	3.13	
Information Ratio	.08	
Downside Deviation	6.77	6.90
Downside Standard Deviation	7.90	7.97
Sortino Ratio	1.30	1.24
Upside Capture	.98	
Downside Capture	.95	
Batting Average	.51	
Annualized Excess Return	.26	
Cumulative Excess Return	23.22	
Turnover %	190.45	
M-Squared	8.12	
Residual Risk	1.02	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

Purchases

Date	Amount	Security	Purchase Price	Total Cost
01/11/2022	4,000,000.00	Schwab Charles Corp SR Global	106.61	4,264,400.00
02/28/2022	500,000.00	Bank Amer Corp FR	102.74	513,700.00
02/28/2022	500,000.00	Blackrock Inc SR Global NT	105.00	525,000.00
02/28/2022	500,000.00	Johnson & Johnson SR Global	103.94	519,700.00
02/28/2022	1,000,000.00	Northern Tr Corp Sub NT	106.16	1,061,600.00
02/28/2022	500,000.00	Pepsico Inc SR NT	102.71	513,550.00
02/28/2022	500,000.00	Schwab Charles Corp SR Global	104.53	522,660.00
02/28/2022	-500,000.00	Bank Amer Corp FR	102.74	-513,700.00
02/28/2022	-500,000.00	Blackrock Inc SR Global NT	105.00	-525,000.00
02/28/2022	-500,000.00	Johnson & Johnson SR Global	103.94	-519,700.00
02/28/2022	-1,000,000.00	Northern Tr Corp Sub NT	106.16	-1,061,600.00
02/28/2022	-500,000.00	Pepsico Inc SR NT	102.71	-513,550.00
02/28/2022	-500,000.00	Schwab Charles Corp SR Global	104.53	-522,660.00
02/28/2022	500,000.00	Bank Amer Corp FR	102.74	513,700.00
02/28/2022	500,000.00	Blackrock Inc SR Global NT	105.00	525,000.00
02/28/2022	500,000.00	Johnson & Johnson SR Global	103.94	519,700.00
02/28/2022	1,000,000.00	Northern Tr Corp Sub NT	106.16	1,061,600.00
02/28/2022	500,000.00	Pepsico Inc SR NT	102.71	513,550.00
02/28/2022	500,000.00	Schwab Charles Corp SR Global	104.53	522,660.00
03/08/2022	2,000,000.00	US Treasury Note	108.17	2,163,500.00
04/07/2022	5,000,000.00	Federal Farm CR BKS Cons Systemwide	100.00	5,000,000.00
04/07/2022	1,500,000.00	Intel Corp SR Global	102.40	1,536,000.00
05/17/2022	5,000,000.00	Chevron USA Inc SR Global NT	100.84	5,042,000.00
05/17/2022	5,000,000.00	Chevron USA Inc SR Global NT	100.84	5,042,000.00
05/17/2022	-5,000,000.00	Chevron USA Inc SR Global NT	100.84	-5,042,000.00
09/14/2022	3,500,000.00	O'Reilly Automotive Inc SR Global	98.33	3,441,550.00
				<u>25,103,660.00</u>

Sales

Portfolio Turnover

KY JUDICIAL RET DEFINED BENEFIT AGT (920005014)

December 31, 2021 to September 30, 2022

Managed since: January 01, 1993

Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
01/05/2022	-3,700.00	TE CONNECTIVITY LTD REG SHS	163.98	606,724.38	09/26/2011	30.90	114,315.01	492,409.37
01/05/2022	-275.00	ALPHABET INC CAP STK CL C	2,815.27	774,198.41	10/05/2015	550.22	151,310.49	622,887.92
01/05/2022	-5,050.00	APPLE INC COM	178.79	902,907.62	04/25/2013	14.64	73,908.36	828,999.26
01/05/2022	-5,500.00	BANK OF AMERICA CORP COM	48.11	264,582.19	08/30/2019	26.92	148,043.66	116,538.53
01/05/2022	-2,325.00	BERKSHIRE HATHAWAY INC DEL CL B NEW	312.73	727,088.66	07/26/2011	48.71	113,258.14	613,830.52
01/05/2022	-2,850.00	CARMAX INC COM	123.16	351,011.61	01/30/2019	59.76	170,325.54	180,686.07
01/05/2022	-3,150.00	CISCO SYS INC COM	60.89	191,798.11	07/26/2011	18.22	57,392.25	134,405.86
01/05/2022	-3,775.00	DISNEY WALT CO COM	157.98	596,357.86	07/26/2011	25.61	96,677.53	499,680.33
01/05/2022	-2,600.00	EXPEDITORS INTL WASH INC COM	130.88	340,288.86	03/25/2013	37.20	96,723.38	243,565.48
01/05/2022	-1,025.00	META PLATFORM, INC.	331.38	339,663.89	05/06/2020	203.86	208,960.39	130,703.50
01/05/2022	-7,500.00	FASTENAL CO COM	62.41	468,106.36	02/12/2015	21.12	158,429.25	309,677.11
01/05/2022	-3,900.00	GENERAL ELECTRIC CO COM NEW	100.42	391,638.34	08/02/2021	109.86	428,444.04	-36,805.70
01/05/2022	-2,325.00	HOME DEPOT INC COM	410.53	954,481.80	06/30/2021	39.91	92,798.42	861,683.38
01/05/2022	-4,650.00	JPMORGAN CHASE & CO COM	166.73	775,310.07	06/06/2008	40.49	188,290.12	587,019.95
01/05/2022	-3,600.00	JOHNSON & JOHNSON COM	172.98	622,736.34	11/24/2021	161.97	583,097.04	39,639.30
01/05/2022	-2,900.00	MICROSOFT CORP COM	321.21	931,508.59	01/05/2006	26.75	77,576.91	853,931.68
01/05/2022	-700.00	O REILLY AUTOMOTIVE INC NEW COM	698.76	489,131.25	07/11/2017	174.94	122,459.20	366,672.05
01/05/2022	-3,850.00	OMNICOM GROUP INC COM	76.35	293,959.85	06/24/2003	37.20	143,218.65	150,741.20
01/05/2022	-6,850.00	PFIZER INC COM	55.66	381,262.89	09/07/2011	18.04	123,551.04	257,711.85
01/05/2022	-6,600.00	PROGRESSIVE CORP OH COM	103.38	682,326.29	05/23/2007	23.19	153,026.28	529,300.01
01/05/2022	-7,500.00	SCHWAB CHARLES CORP NEW COM	90.07	675,553.80	08/26/2020	35.35	265,091.25	410,462.55
01/05/2022	-4,400.00	TJX COS INC NEW COM	76.90	338,343.31	12/06/2004	5.92	26,031.29	312,312.02
01/05/2022	-5,700.00	US BANCORP DEL COM NEW	58.97	336,129.56	12/06/2000	17.47	99,562.90	236,566.66
01/05/2022	-1,400.00	UNION PAC CORP COM	254.05	355,664.96	07/24/2015	93.91	131,473.62	224,191.34
01/05/2022	-4,600.00	WELLS FARGO & CO NEW COM	52.71	242,481.32	06/02/2011	28.21	129,762.78	112,718.54
01/18/2022	-2,000,000.00	MCDONALDS CORP MED TERM NT SR NT	100.00	2,000,000.00	11/15/2020	1.00	2,005,756.99	-5,756.99
03/30/2022	-3,500,000.00	HSBC HLDGS PLC SR NT	100.00	3,500,000.00	01/05/2016	1.01	3,528,368.44	-28,368.44
04/06/2022	-1,975.00	TE CONNECTIVITY LTD REG SHS	124.23	245,352.99	09/26/2011	30.90	61,019.50	184,333.49
04/06/2022	-160.00	ALPHABET INC CAP STK CL C	2,754.84	440,774.28	10/05/2015	550.22	88,035.19	352,739.09
04/06/2022	-2,950.00	APPLE INC COM	171.83	506,907.71	04/25/2013	14.64	43,174.19	463,733.52
04/06/2022	-3,200.00	BANK OF AMERICA CORP COM	39.73	127,140.15	08/30/2019	26.92	86,134.49	41,005.66
04/06/2022	-1,350.00	BERKSHIRE HATHAWAY INC DEL CL B NEW	343.68	463,968.38	07/26/2011	48.71	65,762.79	398,205.59
04/06/2022	-1,650.00	CARMAX INC COM	96.99	160,035.49	01/30/2019	59.76	98,609.52	61,425.97

Portfolio Turnover

KY JUDICIAL RET DEFINED BENEFIT AGT (920005014)

December 31, 2021 to September 30, 2022

Managed since: January 01, 1993

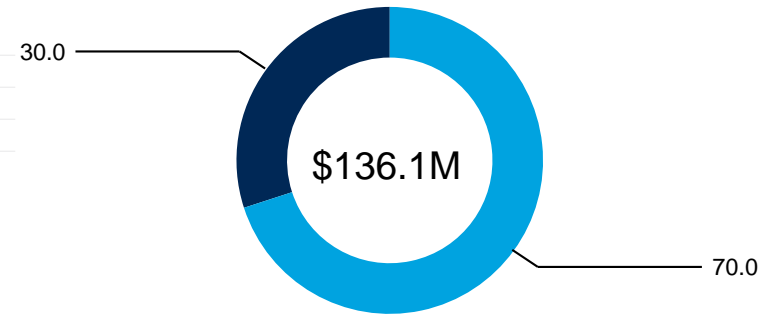
Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
04/06/2022	-1,800.00	CISCO SYS INC COM	54.35	97,836.52	07/26/2011	18.22	32,795.57	65,040.95
04/06/2022	-2,200.00	DISNEY WALT CO COM	132.65	291,838.37	07/26/2011	25.61	56,341.87	235,496.50
04/06/2022	-1,500.00	EXPEDITORS INTL WASH INC COM	96.43	144,645.46	03/25/2013	37.20	55,801.95	88,843.51
04/06/2022	-600.00	META PLATFORM, INC.	225.95	135,571.64	05/06/2020	203.86	122,318.28	13,253.36
04/06/2022	-4,400.00	FASTENAL CO COM	59.43	261,490.62	02/12/2015	21.12	92,945.16	168,545.46
04/06/2022	-2,250.00	GENERAL ELECTRIC CO COM NEW	88.37	198,831.48	08/02/2021	109.86	247,179.26	-48,347.78
04/06/2022	-1,350.00	HOME DEPOT INC COM	299.94	404,924.49	06/30/2021	39.91	53,882.95	351,041.54
04/06/2022	-2,700.00	JPMORGAN CHASE & CO COM	132.23	357,019.98	06/06/2008	40.49	109,329.75	247,690.23
04/06/2022	-2,075.00	JOHNSON & JOHNSON COM	180.16	373,830.09	11/24/2021	5.79	12,012.91	361,817.18
04/06/2022	-1,675.00	MICROSOFT CORP COM	302.56	506,787.25	01/05/2006	25.68	43,014.00	463,773.25
04/06/2022	-400.00	O REILLY AUTOMOTIVE INC NEW COM	690.32	276,128.59	07/11/2017	174.94	69,976.69	206,151.90
04/06/2022	-2,250.00	OMNICOM GROUP INC COM	80.43	180,973.10	06/24/2003	29.14	65,555.04	115,418.06
04/06/2022	-4,000.00	PFIZER INC COM	52.52	210,082.52	09/07/2011	18.04	72,146.59	137,935.93
04/06/2022	-3,850.00	PROGRESSIVE CORP OH COM	115.06	442,984.12	05/23/2007	23.19	89,265.33	353,718.79
04/06/2022	-4,400.00	SCHWAB CHARLES CORP NEW COM	81.73	359,610.16	08/26/2020	35.35	155,520.20	204,089.96
04/06/2022	-2,550.00	TJX COS INC NEW COM	60.53	154,351.73	12/06/2004	5.92	15,086.32	139,265.41
04/06/2022	-3,300.00	US BANCORP DEL COM NEW	53.01	174,949.26	12/06/2000	17.47	57,641.68	117,307.58
04/06/2022	-800.00	UNION PAC CORP COM	247.01	197,606.11	07/24/2015	93.91	75,127.78	122,478.33
04/06/2022	-2,650.00	WELLS FARGO & CO NEW COM	47.81	126,695.85	06/02/2011	25.38	67,265.48	59,430.37
04/15/2022	-1,500,000.00	UNION PAC CORP SR NT	100.00	1,500,000.00	08/22/2018	1.01	1,515,181.32	-15,181.32
05/11/2022	-2,000,000.00	AT& T INC SR GLBL NT	101.84	2,036,728.89	06/13/2018	1.01	2,012,390.34	24,338.55
05/16/2022	-2,000,000.00	BERKSHIRE HATHAWAY FIN CORP SR NT	100.00	2,000,000.00	05/31/2012	1.00	2,000,446.04	-446.04
09/01/2022	-3,500,000.00	O REILLY AUTOMOTIVE INC NEW SR NT	100.00	3,500,000.00	11/16/2017	1.01	3,546,886.81	-46,886.81
				<u>34,410,321.55</u>			<u>20,498,699.97</u>	<u>13,911,621.58</u>

Client Investment Review

Investment activity through 09/30/2022

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	95,233,109	70.0	1,523,876.00	1.6
Total Fixed Income	40,822,492	30.0	1,435,834.16	3.6
Total	136,055,600	100.0	2,959,710.16	2.2

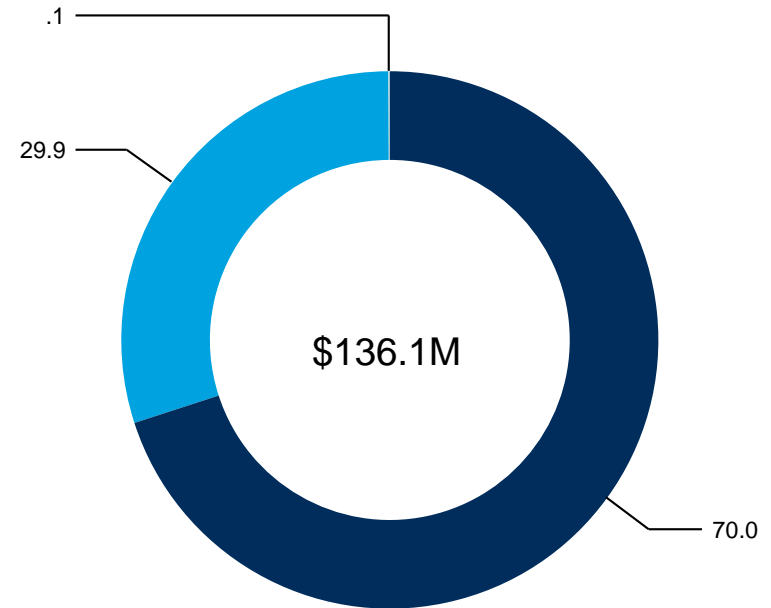


Investment Summary

	Fiscal Year to Date (3 Months)
Beginning Account Value	141,473,091.75
Net Contributions/Withdrawals	-779,964.09
Income Earned	729,053.56
Market Appreciation	-5,366,581.05
Ending Account Value	136,055,600.17

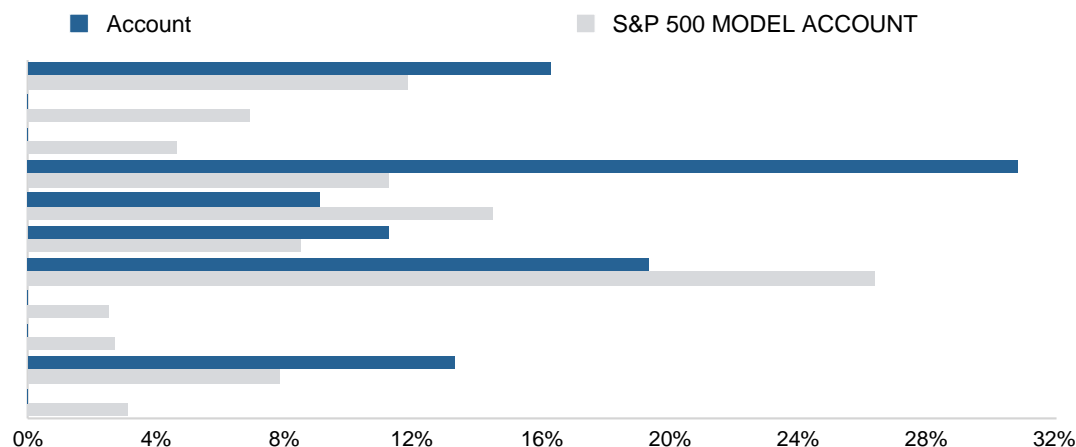
Total market value may differ slightly from your custodian statement due to processing lag of accruals in non-custody accounts.

	Market Value	% of Mkt Val
● Core Equity	95,233,109	70.0
● Taxable Fixed Income	40,679,562	29.9
● Taxable Bond Funds	142,930	.1
Total	136,055,600	100.0



Core Equity Allocation vs S & P 500 Model

	Account	Model
Consumer Disc	16.3	11.8
Consumer Staples	.0	6.9
Energy	.0	4.6
Financials	30.8	11.2
Health Care	9.1	14.5
Industrials	11.2	8.5
Information Tech	19.3	26.4
Materials	.0	2.5
Real Estate	.0	2.7
Communication Servic	13.3	7.8
Utilities	.0	3.1



Top 10 Performers

	Market Value	% of Mkt Val	Return
PROGRESSIVE CORP OH COM	7,571,082	5.6	31.01
O REILLY AUTOMOTIVE INC N	4,817,948	3.5	15.10
PFIZER INC COM	2,931,920	2.1	5.28
JOHNSON & JOHNSON COM	5,717,600	4.2	3.65
UNION PAC CORP COM	2,630,070	1.9	1.54
SCHWAB CHARLES CORP NEW C	5,253,697	3.9	-2.29
APPLE INC COM	6,840,900	5.0	-1.85
BERKSHIRE HATHAWAY INC DE	6,128,109	4.5	-2.12
PNC BK N A PITTSBURGH PA	1,001,457	.7	-2.32
CUMMINS INC SR GLBL NT	1,010,660	.7	-2.58

Largest 10 Holdings by Market Value

	Market Value	% of Mkt Val	Return
PROGRESSIVE CORP OH COM	7,571,082	5.6	31.01
APPLE INC COM	6,840,900	5.0	-1.85
MICROSOFT CORP COM	6,538,668	4.8	-16.36
HOME DEPOT INC COM	6,256,940	4.6	-13.96
BERKSHIRE HATHAWAY INC DE	6,128,109	4.5	-2.12
JOHNSON & JOHNSON COM	5,717,600	4.2	3.65
ALPHABET INC CAP STK CL C	5,307,480	3.9	-27.97
SCHWAB CHARLES CORP NEW C	5,253,697	3.9	-2.29
O REILLY AUTOMOTIVE INC N	4,817,948	3.5	15.10
JPMORGAN CHASE & CO COM	4,712,950	3.5	-34.26

Large Cap Equity Attribution

September 30, 2022

Sector	Qtr
Financials	1.24
Information Tech	0.65
Communication Services	0.38
Real Estate	0.18
Consumer Staples	0.13
Materials	0.07
Utilities	0.04
Consumer Disc	-0.09
Industrials	-0.27
Energy	-0.30
Health Care	-0.43
Total	1.59

Sector	1 Year
Financials	2.44
Information Tech	2.14
Consumer Disc	1.22
Real Estate	0.03
Materials	-0.07
Health Care	-0.17
Utilities	-0.46
Industrials	-0.54
Consumer Staples	-0.84
Communication Services	-0.88
Energy	-1.66
Total	1.21

Sector	5 Years
Information Tech	1.04
Financials	0.61
Consumer Disc	0.37
Industrials	0.23
Energy	0.21
Real Estate	0.09
Materials	0.07
Utilities	0.04
Consumer Staples	-0.03
Communication Services	-0.13
Health Care	-0.37
Total	2.13

Ky Legislators Retirement DB Top & Bottom Contributors

September 30, 2022

Top Contributors

Quarter				
Ticker	Company	Ending Allocation	Total Return	Contribution
SCHW	Charles Schwab	5.52	14.10	0.66
ORLY	O Reilly	5.06	11.33	0.50
TJX	TJ Maxx	2.81	11.74	0.29
AAPL	Apple	7.18	1.22	0.09
HD	Home Depot	6.57	1.31	0.08

1 Year

Ticker	Company	Ending Allocation	Total Return	Contribution
PGR	Progressive	7.95	31.01	1.79
ORLY	O Reilly	5.06	15.10	0.64
JNJ	Johnson & Johnson	6.00	3.65	0.23
PFE	Pfizer	3.08	5.28	0.21
UNP	Union Pacific	2.76	1.54	0.11

5 Years

Ticker	Company	Ending Allocation	Total Return	Contribution
AAPL	Apple	7.18	30.57	2.25
MSFT	Microsoft	6.87	26.95	1.81
PGR	Progressive	7.95	23.07	1.25
ORLY	O Reilly	5.06	26.62	0.90
HD	Home Depot	6.57	13.58	0.89

Bottom Contributors

Quarter				
Ticker	Company	Ending Allocation	Total Return	Contribution
GOOG	Alphabet	5.57	-12.09	-0.74
KMX	Carmax	1.91	-27.03	-0.69
MSFT	Microsfot	6.87	-9.10	-0.67
PFE	Pfizer	3.08	-15.81	-0.56
JNJ	Johnson & Johnson	6.00	-7.33	-0.46

1 Year

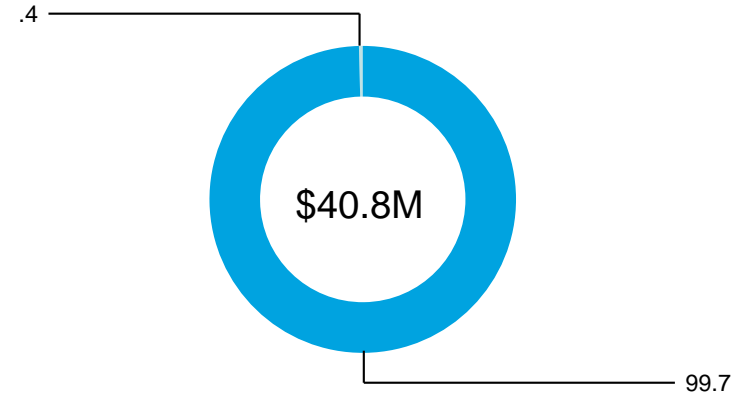
Ticker	Company	Ending Allocation	Total Return	Contribution
DIS	Disney	3.75	-44.21	-2.69
JPM	JP Morgan Chase	4.95	-34.26	-2.37
META	Meta	1.45	-60.08	-2.00
GOOG	Alphabet	5.57	-27.97	-1.91
KMX	Carmax	1.91	-48.47	-1.64

5 Years

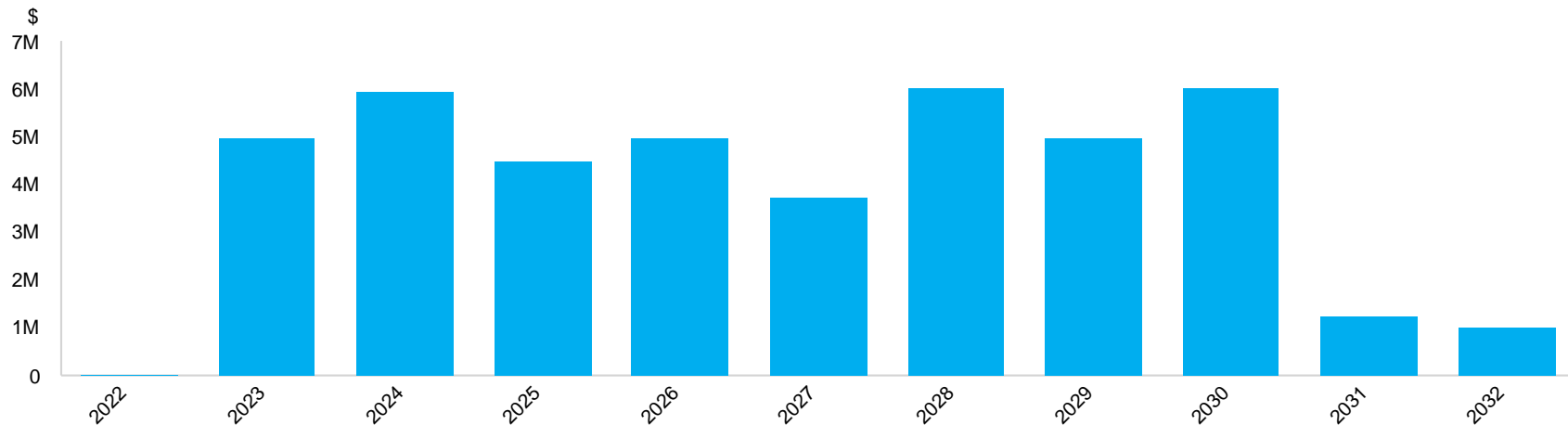
Ticker	Company	Ending Allocation	Total Return	Contribution
GE	General Electric	2.51	-35.26	-0.34
META	Meta	1.45	-16.36	-0.12
WFC	Wells Fargo	1.88	-3.31	-0.10
USB	US Bank	2.33	-2.41	-0.05
DIS	Walt Disney	3.75	-0.35	0.07

Fixed Income Allocation

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
● Taxable Fixed Income	40,679,562	99.7	1,434,750.00	3.6
● Taxable Bond Funds	142,930	.3	1,084.16	.8
Total	40,822,492	100.0	1,435,834.16	3.5



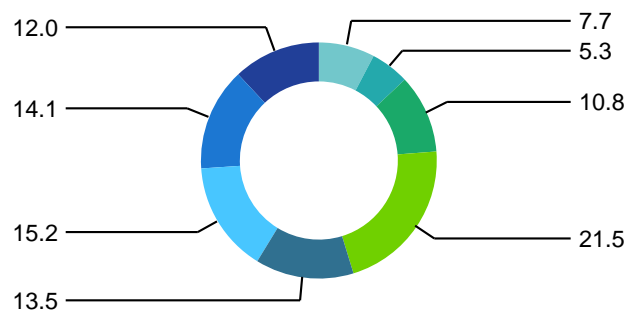
Fixed Income Maturity Schedule



Fixed Income Analysis

	09/30/2022	Bloomberg Gov't/Credit Interm Bond Index
Coupon	3.33	2.17
Current Yield	3.56	2.38
Yield to Maturity	4.95	4.61
Maturity	4.43	4.28
Duration	4.07	3.86
Face Amount	43,450,000	
Market Value	40,287,375	
Total Accrual	392,188	
Cost	45,736,372	

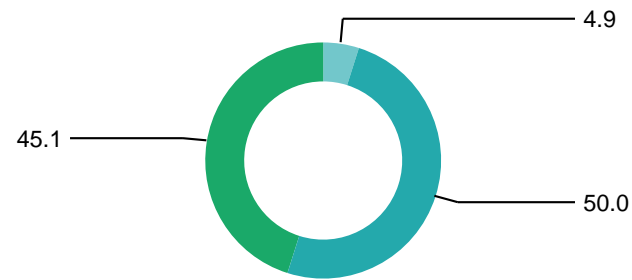
Quality Allocation by Market Value



■ AAA ■ AA+ ■ AA- ■ A+
■ A ■ A- ■ BBB+ ■ BBB

NR=Not rated by S&P

Maturity Allocation by Market Value



■ Less than 1 Year ■ Short (1-5 Years)
■ Intermediate (5-10 Years)

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
Matures 2032									
OREILLY AUTOMOTIVE INC SR GLBL 4.700%06/15/2032	06/15/2032	1,000,000.000	98.330	93.576	949,598.89	BBB	03/15/2032		47,000.00
Total Matures 2032					949,598.89				47,000.00
Matures 2031									
DISNEY WALT CO SR GLBL NT 2.650%01/13/2031	01/13/2031	1,250,000.000	107.380	82.744	1,041,477.09	BBB+			33,125.00
Total Matures 2031					1,041,477.09				33,125.00
Matures 2030									
EXXON MOBIL CORP SR GLBL COCO 2.610%10/15/2030	10/15/2030	1,250,000.000	107.910	84.718	1,074,018.75	AA-	07/15/2030		32,625.00
PFIZER INC GLBL NT 2.625%04/01/2030	04/01/2030	1,250,000.000	108.410	85.910	1,090,281.25	A+	01/01/2030		32,812.50
PROGRESSIVE CORP SR GLBL 3.200%03/26/2030	03/26/2030	1,250,000.000	109.860	87.854	1,098,730.55	A	12/26/2029		40,000.00
UNION PAC CORP SR GLBL 2.400%02/05/2030	02/05/2030	1,000,000.000	106.970	83.655	840,283.33	A-	11/05/2029		24,000.00
COMCAST CORP NEW GLBL NT 2.650%02/01/2030	02/01/2030	1,250,000.000	108.150	83.830	1,053,395.84	A-	11/01/2029		33,125.00
Total Matures 2030					5,156,709.72				162,562.50
Matures 2029									
TEXAS INSTRS INC SR GLBL NT 2.250%09/04/2029	09/04/2029	1,250,000.000	105.830	84.660	1,060,359.38	A+	06/04/2029		28,125.00
3M CO SR GLBL NT 2.375%08/26/2029	08/26/2029	1,250,000.000	105.840	81.944	1,027,186.29	A+	05/26/2029		29,687.50
BLACKROCK INC SR GLBL NT 3.250%04/30/2029	04/30/2029	1,250,000.000	110.360	89.965	1,141,602.43	AA-	01/30/2029		40,625.00
MERCK & CO INC SR GLBL 3.400%03/07/2029	03/07/2029	1,250,000.000	111.450	91.718	1,149,308.34	A+	12/07/2028		42,500.00
Total Matures 2029					4,378,456.44				140,937.50
Matures 2028									
US TREASURY NOTE 3.125%11/15/2028	11/15/2028	1,000,000.000	108.180	95.043	962,233.67	AAA			31,250.00
ABBVIE INC SR GLBL NT 4.250%11/14/2028	11/14/2028	1,250,000.000	104.360	93.967	1,194,804.51	BBB+	08/14/2028		53,125.00
SCHWAB CHARLES CORP SR GLBL 3.200%01/25/2028	01/25/2028	1,250,000.000	106.190	91.562	1,151,858.34	A	10/25/2027		40,000.00
CHEVRON USA INC SR GLBL NT	01/15/2028	1,250,000.000	100.840	94.982	1,197,434.72	AA-	10/15/2027		48,125.00

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
3.850%01/15/2028 JOHNSON & JOHNSON SR GLBL	01/15/2028	1,250,000.000	109.210	92.078	1,158,627.78	AAA	10/15/2027		36,250.00
2.900%01/15/2028									
Total Matures 2028					5,664,959.02				208,750.00
Matures 2027									
BANK AMER CORP FR 3.248%10/21/2027	10/21/2027	1,250,000.000	108.960	89.616	1,138,244.45	A-	10/21/2026		40,600.00
FEDERAL FARM CR BKS CONS SYSTEMWIDE 3.330%04/12/2027	04/12/2027	1,250,000.000	100.000	94.478	1,200,515.63	AA+	04/12/2023		41,625.00
PEPSICO INC SR NT 2.625%03/19/2027	03/19/2027	1,250,000.000	109.150	91.760	1,148,093.75	A+	01/19/2027 100.000		32,812.50
Total Matures 2027					3,486,853.83				115,037.50
Matures 2026									
WELLS FARGO CO NEW SR NT 3.000%10/23/2026	10/23/2026	1,250,000.000	108.470	90.639	1,149,445.83	BBB+			37,500.00
JPMORGAN CHASE & CO SR NT 2.950%10/01/2026	10/01/2026	1,250,000.000	108.130	91.653	1,164,100.00	A-	07/01/2026 100.000		36,875.00
VERIZON COMMUNICATIONS INC SR GLBL 2.625%08/15/2026	08/15/2026	1,250,000.000	108.160	90.828	1,139,542.71	BBB+			32,812.50
OMNICOM GROUP INC SR GLBL 3.600%04/15/2026	04/15/2026	1,250,000.000	104.400	94.718	1,204,725.00	BBB+	01/15/2026		45,000.00
Total Matures 2026					4,657,813.54				152,187.50
Matures 2025									
NORTHERN TR CORP SUB NT 3.950%10/30/2025	10/30/2025	1,250,000.000	104.250	97.627	1,241,047.57	A			49,375.00
SYSCO CORP SR NT 3.750%10/01/2025	10/01/2025	1,000,000.000	102.850	96.244	981,190.00	BBB	07/01/2025		37,500.00
INTEL CORP SR GLBL 3.700%07/29/2025	07/29/2025	1,250,000.000	102.400	97.432	1,225,865.28	A+	04/29/2025		46,250.00
CVS HEALTH CORP SR GLBL NT 3.875%07/20/2025	07/20/2025	1,000,000.000	101.290	96.986	977,502.36	BBB	04/20/2025		38,750.00
Total Matures 2025					4,425,605.21				171,875.00
Matures 2024									
APPLE INC SR GLBL NT 3.450%05/06/2024	05/06/2024	950,000.000	102.700	98.326	947,298.05	AA+			32,775.00
CISCO SYS INC SR NT 3.625%03/04/2024	03/04/2024	1,000,000.000	102.210	98.722	989,938.75	AA-			36,250.00
HOME DEPOT INC SR NT	02/15/2024	1,000,000.000	102.920	98.809	992,881.66	A	11/15/2023		37,500.00

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income
3.750%02/15/2024 INTERNATIONAL BUSINESS MACHS SR GLBL	02/12/2024	1,000,000.000	102.280	98.654	991,474.03	A-			36,250.00
3.625%02/12/2024 ALTRIA GROUP INC SR GLBL NT	01/31/2024	1,000,000.000	102.900	98.487	991,536.67	BBB			40,000.00
4.000%01/31/2024 U S BANCORP MTNS BK ENT FR	01/30/2024	1,000,000.000	102.680	98.942	995,689.44	A+	12/29/2023		37,000.00
3.700%01/30/2024									
Total Matures 2024					5,908,818.60				219,775.00
Matures 2023									
MICROSOFT CORP NT 3.625%12/15/2023	12/15/2023	1,000,000.000	101.630	99.096	1,001,633.62	AAA	09/15/2023		36,250.00
SCHLUMBERGER INVT SA SR NT 3.650%12/01/2023	12/01/2023	1,000,000.000	102.320	98.438	996,546.67	A	09/01/2023		36,500.00
CUMMINS INC SR GLBL NT 3.650%10/01/2023	10/01/2023	1,000,000.000	101.440	99.241	1,010,660.00	A+	07/01/2023		36,500.00
PNC BK N A PITTSBURGH PA SUB NT 3.800%07/25/2023	07/25/2023	1,000,000.000	100.310	99.449	1,001,456.67	A-	06/25/2023		38,000.00
ORACLE CORP SR NT 3.625%07/15/2023	07/15/2023	1,000,000.000	102.610	99.132	998,972.77	BBB			36,250.00
Total Matures 2023					5,009,269.73				183,500.00
Matures 2022									
O REILLY AUTOMOTIVE INC NEW SR NT 3.800%09/01/2022	09/01/2022	.000	.000	.000	.00	BBB	06/01/2022		.00
Total Matures 2022					.00				.00
No Maturity									
ISHARES 1-3 YEAR TREASURY BOND ETF		1,760.000	84.580	81.210	142,929.60	NR			
Total No Maturity					142,929.60				
Total					40,822,491.67				1,434,750.00

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	55,200.000	27.42	1,513,594.02	96.15	5,307,480.00	3.9	.00	.00	.000
DISNEY WALT CO COM	37,875.000	56.83	2,152,529.94	94.33	3,572,748.75	2.6	.00	.00	.000
META PLATFORM, INC.	10,200.000	218.25	2,226,153.96	135.68	1,383,936.00	1.0	.00	.00	.000
OMNICOM GROUP INC COM	37,825.000	53.99	2,042,193.82	63.09	2,412,856.75	1.8	2.80	105,910.00	4.438
Total for Communication Services			7,934,471.74		12,677,021.50	9.3		105,910.00	.837
Consumer Disc									
CARMAX INC COM	27,500.000	59.76	1,643,492.05	66.02	1,815,550.00	1.3	.00	.00	.000
HOME DEPOT INC COM	22,675.000	56.60	1,283,410.14	275.94	6,256,939.50	4.6	7.60	172,330.00	2.754
O REILLY AUTOMOTIVE INC NEW COM	6,850.000	178.61	1,223,444.25	703.35	4,817,947.50	3.5	.00	.00	.000
TJX COS INC NEW COM	43,100.000	11.93	514,198.06	62.12	2,677,372.00	2.0	1.18	50,858.00	1.900
Total for Consumer Disc			4,664,544.50		15,567,809.00	11.4		223,188.00	1.434
Financials									
BANK OF AMERICA CORP COM	54,350.000	26.92	1,462,940.56	30.20	1,641,370.00	1.2	.88	47,828.00	2.914
BERKSHIRE HATHAWAY INC DEL CL B NEW	22,950.000	119.41	2,740,542.72	267.02	6,128,109.00	4.5	.00	.00	.000
JPMORGAN CHASE & CO COM	45,100.000	58.19	2,624,476.48	104.50	4,712,950.00	3.5	4.00	180,400.00	3.828
PROGRESSIVE CORP OH COM	65,150.000	30.72	2,001,196.13	116.21	7,571,081.50	5.6	.40	26,060.00	.344
SCHWAB CHARLES CORP NEW COM	73,100.000	35.35	2,583,756.05	71.87	5,253,697.00	3.9	.88	64,328.00	1.224
US BANCORP DEL COM NEW	54,300.000	28.78	1,562,876.17	40.32	2,215,440.00	1.6	1.92	104,256.00	4.762
WELLS FARGO & CO NEW COM	44,500.000	33.33	1,483,258.95	40.22	1,789,790.00	1.3	1.20	53,400.00	2.984
Total for Financials			14,459,047.06		29,312,437.50	21.5		476,272.00	1.626
Health Care									
JOHNSON & JOHNSON COM	35,000.000	70.55	2,469,226.32	163.36	5,717,600.00	4.2	4.52	158,200.00	2.767
PFIZER INC COM	67,000.000	28.03	1,877,850.59	43.76	2,931,920.00	2.2	1.60	107,200.00	3.656
Total for Health Care			4,347,076.91		8,649,520.00	6.4		265,400.00	3.068
Industrials									
EXPEDITORS INTL WASH INC COM	25,100.000	39.94	1,002,516.05	88.31	2,216,581.00	1.6	1.34	33,634.00	1.517
FASTENAL CO COM	73,500.000	20.75	1,524,783.54	46.04	3,383,940.00	2.5	1.24	91,140.00	2.693

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
GENERAL ELECTRIC CO COM NEW	38,600.000	109.75	4,236,522.07	61.91	2,392,814.00	1.8	.32	12,352.00	.517
UNION PAC CORP COM	13,500.000	93.91	1,267,781.30	194.82	2,630,070.00	1.9	5.20	70,200.00	2.669
Total for Industrials			8,031,602.96		10,623,405.00	7.8		207,326.00	1.952
Information Tech									
APPLE INC COM	49,500.000	26.27	1,300,468.74	138.20	6,840,900.00	5.0	.92	45,540.00	.666
CISCO SYS INC COM	30,950.000	21.91	678,121.98	40.00	1,238,000.00	.9	1.52	47,044.00	3.800
MICROSOFT CORP COM	28,075.000	31.25	877,475.61	232.90	6,538,667.50	4.8	2.72	76,364.00	1.168
TE CONNECTIVITY LTD REG SHS	34,300.000	39.88	1,367,816.10	110.36	3,785,348.00	2.8	2.24	76,832.00	2.030
Total for Information Tech			4,223,882.43		18,402,915.50	13.5		245,780.00	1.336
Total: Total Equity			43,660,625.60		95,233,108.50	70.0		1,523,876.00	1.601
Total Fixed Income									
Corporate Bonds									
ABBVIE INC SR GLBL NT 4.250% 11/14/2028	1,250,000.000	104.36	1,304,500.00	93.97	1,194,804.51	.9	4.25	53,125.00	4.523
ALTRIA GROUP INC SR GLBL NT 4.000% 01/31/2024	1,000,000.000	102.90	1,028,953.24	98.49	991,536.67	.7	4.00	40,000.00	4.061
APPLE INC SR GLBL NT 3.450% 05/06/2024	950,000.000	102.70	975,692.03	98.33	947,298.05	.7	3.45	32,775.00	3.509
BANK AMER CORP FR 3.248% 10/21/2027	1,250,000.000	108.96	1,362,048.44	89.62	1,138,244.45	.8	3.25	40,600.00	3.624
BLACKROCK INC SR GLBL NT 3.250% 04/30/2029	1,250,000.000	110.36	1,379,554.43	89.97	1,141,602.43	.8	3.25	40,625.00	3.613
CVS HEALTH CORP SR GLBL NT 3.875% 07/20/2025	1,000,000.000	101.29	1,012,931.54	96.99	977,502.36	.7	3.88	38,750.00	3.995
CHEVRON USA INC SR GLBL NT 3.850% 01/15/2028	1,250,000.000	100.84	1,260,500.00	94.98	1,197,434.72	.9	3.85	48,125.00	4.053
CISCO SYS INC SR NT 3.625% 03/04/2024	1,000,000.000	102.21	1,022,129.61	98.72	989,938.75	.7	3.63	36,250.00	3.672
COMCAST CORP NEW GLBL NT 2.650% 02/01/2030	1,250,000.000	108.15	1,351,916.41	83.83	1,053,395.84	.8	2.65	33,125.00	3.161

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
CUMMINS INC SR GLOBL NT 3.650% 10/01/2023	1,000,000.000	101.44	1,014,418.26	99.24	1,010,660.00	.7	3.65	36,500.00	3.678
DISNEY WALT CO SR GLOBL NT 2.650% 01/13/2031	1,250,000.000	107.38	1,342,255.25	82.74	1,041,477.09	.8	2.65	33,125.00	3.203
EXXON MOBIL CORP SR GLOBL COCO 2.610% 10/15/2030	1,250,000.000	107.91	1,348,900.66	84.72	1,074,018.75	.8	2.61	32,625.00	3.081
HOME DEPOT INC SR NT 3.750% 02/15/2024	1,000,000.000	102.92	1,029,237.88	98.81	992,881.66	.7	3.75	37,500.00	3.795
INTEL CORP SR GLOBL 3.700% 07/29/2025	1,250,000.000	102.40	1,280,000.00	97.43	1,225,865.28	.9	3.70	46,250.00	3.798
INTERNATIONAL BUSINESS MACHS SR GLOBL 3.625% 02/12/2024	1,000,000.000	102.28	1,022,791.79	98.65	991,474.03	.7	3.63	36,250.00	3.674
JPMORGAN CHASE & CO SR NT 2.950% 10/01/2026	1,250,000.000	108.13	1,351,599.84	91.65	1,164,100.00	.9	2.95	36,875.00	3.219
JOHNSON & JOHNSON SR GLOBL 2.900% 01/15/2028	1,250,000.000	109.21	1,365,091.23	92.08	1,158,627.78	.9	2.90	36,250.00	3.150
MERCK & CO INC SR GLOBL 3.400% 03/07/2029	1,250,000.000	111.45	1,393,128.69	91.72	1,149,308.34	.8	3.40	42,500.00	3.707
MICROSOFT CORP NT 3.625% 12/15/2023	1,000,000.000	101.63	1,016,308.36	99.10	1,001,633.62	.7	3.63	36,250.00	3.658
NORTHERN TR CORP SUB NT 3.950% 10/30/2025	1,250,000.000	104.25	1,303,135.51	97.63	1,241,047.57	.9	3.95	49,375.00	4.046
OREILLY AUTOMOTIVE INC SR GLOBL 4.700% 06/15/2032	1,000,000.000	98.33	983,300.00	93.58	949,598.89	.7	4.70	47,000.00	5.023
OMNICOM GROUP INC SR GLOBL 3.600% 04/15/2026	1,250,000.000	104.40	1,304,998.94	94.72	1,204,725.00	.9	3.60	45,000.00	3.801
ORACLE CORP SR NT 3.625% 07/15/2023	1,000,000.000	102.61	1,026,104.57	99.13	998,972.77	.7	3.63	36,250.00	3.657
PNC BK N A PITTSBURGH PA SUB NT 3.800% 07/25/2023	1,000,000.000	100.31	1,003,124.87	99.45	1,001,456.67	.7	3.80	38,000.00	3.821
PEPSICO INC SR NT 2.625% 03/19/2027	1,250,000.000	109.15	1,364,337.28	91.76	1,148,093.75	.8	2.63	32,812.50	2.861
PFIZER INC GLOBL NT 2.625% 04/01/2030	1,250,000.000	108.41	1,355,079.82	85.91	1,090,281.25	.8	2.63	32,812.50	3.056

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
PROGRESSIVE CORP SR GBLB 3.200% 03/26/2030	1,250,000.000	109.86	1,373,253.13	87.85	1,098,730.55	.8	3.20	40,000.00	3.642
SCHLUMBERGER INVT SA SR NT 3.650% 12/01/2023	1,000,000.000	102.32	1,023,166.32	98.44	996,546.67	.7	3.65	36,500.00	3.708
SCHWAB CHARLES CORP SR GBLB 3.200% 01/25/2028	1,250,000.000	106.19	1,327,430.00	91.56	1,151,858.34	.8	3.20	40,000.00	3.495
SYSCO CORP SR NT 3.750% 10/01/2025	1,000,000.000	102.85	1,028,451.91	96.24	981,190.00	.7	3.75	37,500.00	3.896
TEXAS INSTRS INC SR GBLB NT 2.250% 09/04/2029	1,250,000.000	105.83	1,322,899.94	84.66	1,060,359.38	.8	2.25	28,125.00	2.658
3M CO SR GBLB NT 2.375% 08/26/2029	1,250,000.000	105.84	1,323,049.25	81.94	1,027,186.29	.8	2.38	29,687.50	2.898
UNION PAC CORP SR GBLB 2.400% 02/05/2030	1,000,000.000	106.97	1,069,704.65	83.66	840,283.33	.6	2.40	24,000.00	2.869
U S BANCORP MTNS BK ENT FR 3.700% 01/30/2024	1,000,000.000	102.68	1,026,793.56	98.94	995,689.44	.7	3.70	37,000.00	3.740
VERIZON COMMUNICATIONS INC SR GBLB 2.625% 08/15/2026	1,250,000.000	108.16	1,351,938.92	90.83	1,139,542.71	.8	2.63	32,812.50	2.890
WELLS FARGO CO NEW SR NT 3.000% 10/23/2026	1,250,000.000	108.47	1,355,895.73	90.64	1,149,445.83	.8	3.00	37,500.00	3.310
Total for Corporate Bonds			43,404,622.06		38,516,812.77	28.3		1,361,875.00	3.569
Governments									
FEDERAL FARM CR BKS CONS SYSTEMWIDE 3.330% 04/12/2027	1,250,000.000	100.00	1,250,000.00	94.48	1,200,515.63	.9	3.33	41,625.00	3.525
US TREASURY NOTE 3.125% 11/15/2028	1,000,000.000	108.18	1,081,750.00	95.04	962,233.67	.7	3.13	31,250.00	3.288
Total for Governments			2,331,750.00		2,162,749.30	1.6		72,875.00	3.419
Taxable Bond Funds									
ISHARES 1-3 YEAR TREASURY BOND ETF	1,760.000	84.58	148,859.68	81.21	142,929.60	.1	.62	1,084.16	.759
Total for Taxable Bond Funds			148,859.68		142,929.60	.1		1,084.16	.759
Total: Total Fixed Income			45,885,231.74		40,822,491.67	30.0		1,435,834.16	3.551
Total			89,545,857.34		136,055,600.17	100.0		2,959,710.16	2.183

	Market Value	Fiscal Year to Date (3 Months)	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 01/01/1993
Total Portfolio - Gross	136,055,600	-3.31	-13.23	7.50	8.79	10.41	8.21	8.41
Total Portfolio - Net	136,055,600	-3.33	-13.28	7.42	8.71	10.35	8.16	8.37
70% SP500 30% Bloomberg Int Govt Cr		-4.24	-13.60	5.51	6.84	8.61	7.96	8.13
Total Equity	95,233,109	-3.45	-14.67	10.09	11.49	13.57	9.98	10.16
S P 500 Index		-4.88	-15.47	8.16	9.24	11.70	9.84	9.46
Total Fixed Income	40,822,492	-3.02	-10.57	-1.95	.07	.97	2.55	3.90
Bloomberg US Government/Credit Interm Bond		-3.06	-10.14	-1.64	.38	1.00	2.86	4.22

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	10.41	8.61
Standard Deviation	11.47	10.29
Beta	1.01	
Alpha	1.69	
R-Squared	.99	
Sharpe Ratio	9.63	10.55
Treynor Ratio	109.32	108.61
Tracking Error	2.93	
Information Ratio	.61	
Downside Deviation	7.30	6.61
Downside Standard Deviation	8.70	7.77
Sortino Ratio	1.53	1.39
Upside Capture	1.14	
Downside Capture	1.05	
Batting Average	.56	
Annualized Excess Return	1.80	
Cumulative Excess Return	40.86	
Turnover %	127.78	
M-Squared	-.95	
Residual Risk	.98	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	8.21	7.96
Standard Deviation	10.43	10.46
Beta	.99	
Alpha	.34	
R-Squared	.98	
Sharpe Ratio	10.37	10.32
Treynor Ratio	109.30	107.96
Tracking Error	3.16	
Information Ratio	.07	
Downside Deviation	6.74	6.90
Downside Standard Deviation	7.86	7.97
Sortino Ratio	1.31	1.24
Upside Capture	.98	
Downside Capture	.95	
Batting Average	.52	
Annualized Excess Return	.26	
Cumulative Excess Return	22.65	
Turnover %	190.86	
M-Squared	8.52	
Residual Risk	1.02	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

Purchases

Date	Amount	Security	Purchase Price	Total Cost
01/11/2022	1,000,000.00	SCHWAB CHARLES CORP SR GLBL	106.61	1,066,100.00
02/28/2022	250,000.00	BLACKROCK INC SR GLBL NT	105.00	262,500.00
02/28/2022	250,000.00	NORTHERN TR CORP SUB NT	106.16	265,400.00
02/28/2022	-250,000.00	BLACKROCK INC SR GLBL NT	105.00	-262,500.00
02/28/2022	-250,000.00	NORTHERN TR CORP SUB NT	106.16	-265,400.00
02/28/2022	250,000.00	BLACKROCK INC SR GLBL NT	105.00	262,500.00
02/28/2022	250,000.00	BLACKROCK INC SR GLBL NT	105.00	262,500.00
02/28/2022	250,000.00	NORTHERN TR CORP SUB NT	106.16	265,400.00
03/02/2022	-250,000.00	OMNICOM GROUP INC SR GLBL	104.78	-261,950.00
03/02/2022	250,000.00	OMNICOM GROUP INC SR GLBL	104.78	261,950.00
03/02/2022	250,000.00	SCHWAB CHARLES CORP SR GLBL	104.53	261,330.00
03/08/2022	1,000,000.00	US TREASURY NOTE	108.17	1,081,750.00
04/01/2022	250,000.00	OMNICOM GROUP INC SR GLBL	104.78	261,950.00
04/07/2022	1,250,000.00	ABBVIE INC SR GLBL NT	104.36	1,304,500.00
04/07/2022	1,250,000.00	INTEL CORP SR GLBL	102.40	1,280,000.00
04/07/2022	1,250,000.00	FEDERAL FARM CR BKS CONS SYSTEMWIDE	100.00	1,250,000.00
04/07/2022	-1,250,000.00	ABBVIE INC SR GLBL NT	104.36	-1,304,500.00
04/07/2022	-1,250,000.00	INTEL CORP SR GLBL	102.40	-1,280,000.00
05/01/2022	-250,000.00	BLACKROCK INC SR GLBL NT	105.00	-262,500.00
05/01/2022	1,250,000.00	ABBVIE INC SR GLBL NT	104.36	1,304,500.00
05/01/2022	1,250,000.00	INTEL CORP SR GLBL	102.40	1,280,000.00
05/01/2022	1,250,000.00	INTEL CORP SR GLBL	102.40	1,280,000.00
05/01/2022	1,250,000.00	ABBVIE INC SR GLBL NT	104.36	1,304,500.00
05/01/2022	-1,250,000.00	ABBVIE INC SR GLBL NT	104.36	-1,304,500.00
05/01/2022	-1,250,000.00	INTEL CORP SR GLBL	102.40	-1,280,000.00
05/17/2022	1,250,000.00	CHEVRON USA INC SR GLBL NT	100.84	1,260,500.00
05/17/2022	1,250,000.00	CHEVRON USA INC SR GLBL NT	100.84	1,260,500.00
05/17/2022	-1,250,000.00	CHEVRON USA INC SR GLBL NT	100.84	-1,260,500.00
09/14/2022	1,000,000.00	OREILLY AUTOMOTIVE INC SR GLBL	98.33	983,300.00
				<u>9,277,330.00</u>

Sales

Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
01/05/2022	-1,500.00	TE CONNECTIVITY LTD REG SHS	163.98	245,969.34	11/07/2007	40.74	61,103.18	184,866.16
01/05/2022	-100.00	ALPHABET INC CAP STK CL C	2,815.27	281,526.69	10/05/2015	548.40	54,840.36	226,686.33
01/05/2022	-2,125.00	APPLE INC COM	178.79	379,936.37	04/25/2013	32.36	68,762.61	311,173.76
01/05/2022	-2,350.00	BANK OF AMERICA CORP COM	48.11	113,048.76	08/30/2019	26.92	63,255.02	49,793.74
01/05/2022	-975.00	BERKSHIRE HATHAWAY INC DEL CL B NEW	312.73	304,908.14	03/27/2020	182.34	177,779.35	127,128.79
01/05/2022	-1,200.00	CARMAX INC COM	123.16	147,794.36	01/30/2019	59.76	71,716.02	76,078.34
01/05/2022	-1,325.00	CISCO SYS INC COM	60.89	80,676.98	06/03/2005	25.72	34,078.33	46,598.65
01/05/2022	-1,575.00	DISNEY WALT CO COM	157.98	248,811.56	04/23/2015	108.49	170,875.69	77,935.87
01/05/2022	-1,100.00	EXPEDITORS INTL WASH INC COM	130.88	143,968.36	03/25/2013	37.20	40,921.43	103,046.93
01/05/2022	-450.00	META PLATFORM, INC.	331.38	149,120.73	05/06/2020	203.86	91,738.71	57,382.02
01/05/2022	-3,150.00	FASTENAL CO COM	62.41	196,604.67	02/12/2015	21.12	66,540.29	130,064.38
01/05/2022	-1,650.00	GENERAL ELECTRIC CO COM NEW	100.42	165,693.14	08/02/2021	113.92	187,975.43	-22,282.29
01/05/2022	-975.00	HOME DEPOT INC COM	410.53	400,266.55	04/23/2015	113.55	110,707.25	289,559.30
01/05/2022	-1,950.00	JPMORGAN CHASE & CO COM	166.73	325,130.03	06/06/2008	40.49	78,960.38	246,169.65
01/05/2022	-1,500.00	JOHNSON & JOHNSON COM	172.98	259,473.47	05/19/1993	161.97	242,957.10	16,516.37
01/05/2022	-1,200.00	MICROSOFT CORP COM	321.21	385,451.83	06/30/2021	27.07	32,484.00	352,967.83
01/05/2022	-300.00	O REILLY AUTOMOTIVE INC NEW COM	698.76	209,627.68	07/11/2017	174.94	52,482.52	157,145.16
01/05/2022	-1,625.00	OMNICOM GROUP INC COM	76.35	124,073.96	06/30/2021	43.83	71,215.65	52,858.31
01/05/2022	-2,900.00	PFIZER INC COM	55.66	161,410.56	09/07/2011	18.04	52,306.28	109,104.28
01/05/2022	-2,800.00	PROGRESSIVE CORP OH COM	103.38	289,471.76	05/23/2007	23.19	64,920.24	224,551.52
01/05/2022	-3,150.00	SCHWAB CHARLES CORP NEW COM	90.07	283,732.60	08/26/2020	35.35	111,338.33	172,394.27
01/05/2022	-1,850.00	TJX COS INC NEW COM	76.90	142,257.98	04/23/2015	33.17	61,364.59	80,893.39
01/05/2022	-2,350.00	US BANCORP DEL COM NEW	58.97	138,579.73	12/07/2000	10.86	25,525.70	113,054.03
01/05/2022	-575.00	UNION PAC CORP COM	254.05	146,076.68	07/24/2015	93.91	53,998.09	92,078.59
01/05/2022	-1,900.00	WELLS FARGO & CO NEW COM	52.71	100,155.32	06/02/2011	28.21	53,597.67	46,557.65
01/18/2022	-1,000,000.00	MCDONALDS CORP MED TERM NT SR NT	100.00	1,000,000.00	12/06/2012	1.00	1,001,688.29	-1,688.29
01/31/2022	-1,000,000.00	BERKSHIRE HATHAWAY INC DEL SR NT	100.00	1,000,000.00	06/07/2018	1.00	1,003,604.22	-3,604.22
03/30/2022	-1,000,000.00	HSBC HLDGS PLC SR NT	100.00	1,000,000.00	06/10/2015	1.01	1,007,574.20	-7,574.20
04/06/2022	-1,200.00	TE CONNECTIVITY LTD REG SHS	124.23	149,075.23	11/07/2007	40.74	48,882.55	100,192.68
04/06/2022	-90.00	ALPHABET INC CAP STK CL C	2,754.84	247,935.53	10/05/2015	548.40	49,356.33	198,579.20
04/06/2022	-1,675.00	APPLE INC COM	171.83	287,820.48	04/25/2013	14.64	24,514.16	263,306.32
04/06/2022	-1,700.00	BANK OF AMERICA CORP COM	39.73	67,543.20	08/30/2019	26.92	45,758.95	21,784.25
04/06/2022	-750.00	BERKSHIRE HATHAWAY INC DEL CL B NEW	343.68	257,758.43	03/27/2020	40.76	30,571.13	227,187.30

Portfolio Turnover

KY LEGISLATORS RET DEFINED BEN AGT (920006012)

December 31, 2021 to September 30, 2022

Managed since: January 01, 1993

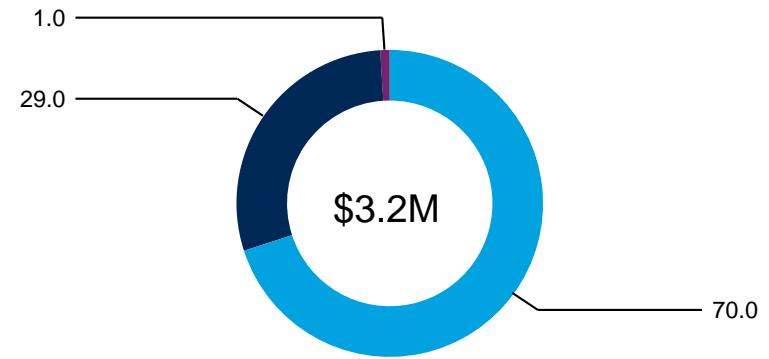
Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
04/06/2022	-900.00	CARMAX INC COM	96.99	87,292.08	01/30/2019	59.76	53,787.01	33,505.07
04/06/2022	-1,000.00	CISCO SYS INC COM	54.35	54,353.62	06/03/2005	19.83	19,828.86	34,524.76
04/06/2022	-250.00	DISNEY WALT CO COM	132.64	33,159.91	04/23/2015	25.44	6,358.93	26,800.98
04/06/2022	-800.00	EXPEDITORS INTL WASH INC COM	96.43	77,144.24	03/25/2013	37.20	29,761.04	47,383.20
04/06/2022	-350.00	META PLATFORM, INC.	225.95	79,083.46	05/06/2020	203.86	71,352.33	7,731.13
04/06/2022	-2,300.00	FASTENAL CO COM	59.43	136,686.37	02/12/2015	21.12	48,584.97	88,101.40
04/06/2022	-1,300.00	GENERAL ELECTRIC CO COM NEW	88.37	114,880.41	08/02/2021	113.92	148,101.86	-33,221.45
04/06/2022	-750.00	HOME DEPOT INC COM	299.94	224,958.05	04/23/2015	39.91	29,934.98	195,023.07
04/06/2022	-1,500.00	JPMORGAN CHASE & CO COM	132.23	198,344.43	06/06/2008	35.42	53,129.95	145,214.48
04/06/2022	-1,200.00	JOHNSON & JOHNSON COM	180.16	216,190.89	05/19/1993	58.65	70,383.85	145,807.04
04/06/2022	-975.00	MICROSOFT CORP COM	302.56	294,995.56	06/30/2021	27.07	26,393.25	268,602.31
04/06/2022	-250.00	O REILLY AUTOMOTIVE INC NEW COM	690.32	172,580.36	07/11/2017	174.94	43,735.43	128,844.93
04/06/2022	-1,300.00	OMNICOM GROUP INC COM	80.43	104,562.23	06/30/2021	41.58	54,048.49	50,513.74
04/06/2022	-2,300.00	PFIZER INC COM	52.52	120,797.45	09/07/2011	18.04	41,484.29	79,313.16
04/06/2022	-2,200.00	PROGRESSIVE CORP OH COM	115.06	253,133.78	05/23/2007	23.19	51,008.76	202,125.02
04/06/2022	-2,500.00	SCHWAB CHARLES CORP NEW COM	81.73	204,323.95	08/26/2020	35.35	88,363.75	115,960.20
04/06/2022	-1,450.00	TJX COS INC NEW COM	60.53	87,768.63	04/23/2015	6.06	8,782.29	78,986.34
04/06/2022	-1,850.00	US BANCORP DEL COM NEW	53.01	98,077.61	12/07/2000	10.86	20,094.70	77,982.91
04/06/2022	-500.00	UNION PAC CORP COM	247.01	123,503.82	07/24/2015	93.91	46,954.86	76,548.96
04/06/2022	-1,500.00	WELLS FARGO & CO NEW COM	47.81	71,714.63	06/02/2011	28.21	42,313.95	29,400.68
05/11/2022	-900,000.00	AT& T INC SR GLBL NT	101.84	916,528.00	06/13/2018	0.99	893,726.84	22,801.16
09/01/2022	-1,000,000.00	O REILLY AUTOMOTIVE INC NEW SR NT	100.00	1,000,000.00	11/16/2017	1.01	1,013,354.93	-13,354.93
				<u>14,103,979.60</u>			<u>8,174,879.37</u>	<u>5,929,100.23</u>

Client Investment Review

Investment activity through 09/30/2022

Asset Allocation Summary

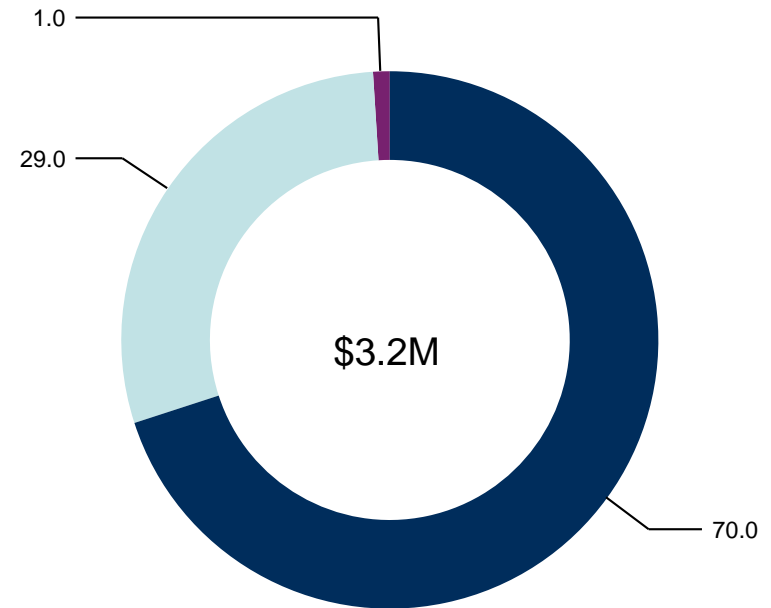
	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	2,247,591	70.0	35,988.42	1.6
Total Fixed Income	931,093	29.0	20,887.32	2.2
Cash & Equivalents	31,718	1.0	6,364.87	20.1
Total	3,210,403	100.0	63,240.61	2.0



Investment Summary

	Fiscal Year to Date (3 Months)
Beginning Account Value	3,127,502.28
Net Contributions/Withdrawals	186,930.61
Income Earned	13,872.94
Market Appreciation	-117,903.27
Ending Account Value	3,210,402.56

	Market Value	% of Mkt Val
● Core Equity	2,247,591	70.0
● Taxable Bond Funds	931,093	29.0
● Cash & Equivalents	31,718	1.0
Total	3,210,403	100.0



	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Cash & Equivalents									
Money Markets									
GOLDMAN SACHS FINANCIAL SQUARE	221,286.850	1.00	221,286.85	1.00	221,365.81	6.5	2.88	6,364.87	2.876
Total for Money Markets			221,286.85		221,365.81	6.5		6,364.87	2.876
Total: Cash & Equivalents			221,286.85		221,365.81	6.5		6,364.87	2.876
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	1,296.000	134.43	174,215.28	96.15	124,610.40	3.7	.00	.00	.000
DISNEY WALT CO COM	883.000	168.42	148,715.86	94.33	83,293.39	2.4	.00	.00	.000
META PLATFORM, INC.	247.000	334.52	82,626.79	135.68	33,512.96	1.0	.00	.00	.000
OMNICOM GROUP INC COM	896.000	75.10	67,289.08	63.09	57,155.84	1.7	2.80	2,508.80	4.438
Total for Communication Services			472,847.01		298,572.59	8.8		2,508.80	.842
Consumer Disc									
CARMAX INC COM	650.000	122.11	79,371.59	66.02	42,913.00	1.3	.00	.00	.000
HOME DEPOT INC COM	529.000	327.52	173,259.05	275.94	145,972.26	4.3	7.60	4,020.40	2.754
O REILLY AUTOMOTIVE INC NEW COM	163.000	609.49	99,346.60	703.35	114,646.05	3.4	.00	.00	.000
TJX COS INC NEW COM	918.000	69.06	63,400.50	62.12	57,026.16	1.7	1.18	1,083.24	1.900
Total for Consumer Disc			415,377.74		360,557.47	10.6		5,103.64	1.415
Financials									
BANK OF AMERICA CORP COM	1,285.000	40.31	51,800.77	30.20	38,807.00	1.1	.88	1,130.80	2.914
BERKSHIRE HATHAWAY INC DEL CL B NEW	549.000	292.03	160,325.89	267.02	146,593.98	4.3	.00	.00	.000
JPMORGAN CHASE & CO COM	1,129.000	152.59	172,276.75	104.50	117,980.50	3.5	4.00	4,516.00	3.828
PROGRESSIVE CORP OH COM	1,511.000	99.53	150,394.51	116.21	175,593.31	5.2	.40	604.40	.344
SCHWAB CHARLES CORP NEW COM	1,809.000	73.03	132,110.68	71.87	130,012.83	3.8	.88	1,591.92	1.224
US BANCORP DEL COM NEW	1,232.000	55.89	68,854.94	40.32	50,265.60	1.5	1.92	2,365.44	4.762
WELLS FARGO & CO NEW COM	1,017.000	48.61	49,431.33	40.22	40,903.74	1.2	1.20	1,220.40	2.984
Total for Financials			785,194.87		700,156.96	20.6		11,428.96	1.634

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Health Care									
JOHNSON & JOHNSON COM	824.000	172.03	141,754.67	163.36	134,608.64	4.0	4.52	3,724.48	2.767
PFIZER INC COM	1,490.000	47.98	71,497.36	43.76	65,202.40	1.9	1.60	2,384.00	3.656
Total for Health Care			213,252.03		199,811.04	5.9		6,108.48	3.057
Industrials									
EXPEDITORS INTL WASH INC COM	573.000	120.63	69,118.33	88.31	50,601.63	1.5	1.34	767.82	1.517
FASTENAL CO COM	1,716.000	55.36	95,003.06	46.04	79,004.64	2.3	1.24	2,127.84	2.693
GENERAL ELECTRIC CO COM NEW	833.000	100.19	83,460.05	61.91	51,637.67	1.5	.32	266.56	.517
UNION PAC CORP COM	331.000	227.84	75,413.54	194.82	64,485.42	1.9	5.20	1,721.20	2.669
Total for Industrials			322,994.98		245,729.36	7.2		4,883.42	1.988
Information Tech									
APPLE INC COM	1,220.000	149.37	182,227.44	138.20	168,604.00	5.0	.92	1,122.40	.666
CISCO SYS INC COM	857.000	55.02	47,155.57	40.00	34,280.00	1.0	1.52	1,302.64	3.800
MICROSOFT CORP COM	667.000	288.86	192,672.53	232.90	155,344.30	4.6	2.72	1,814.24	1.168
TE CONNECTIVITY LTD REG SHS	766.000	148.07	113,423.24	110.36	84,535.76	2.5	2.24	1,715.84	2.030
Total for Information Tech			535,478.78		442,764.06	13.0		5,955.12	1.345
Total: Total Equity			2,745,145.41		2,247,591.48	66.1		35,988.42	1.602
Total Fixed Income									
Taxable Bond Funds									
ISHARES TRUST ISHARES 1-5 YEAR	11,845.000	53.74	636,606.22	49.28	583,721.60	17.2	.91	10,743.42	1.841
VANGUARD SCOTTSDALE FDS VANGUARD	4,590.000	92.02	422,377.73	75.68	347,371.20	10.2	2.21	10,143.90	2.920
Total for Taxable Bond Funds			1,058,983.95		931,092.80	27.4		20,887.32	2.243
Total: Total Fixed Income			1,058,983.95		931,092.80	27.4		20,887.32	2.243
Total			4,025,416.21		3,400,050.09	100.0		63,240.61	1.861

Performance Overview

	Market Value	Fiscal Year to Date (3 Months)	1 Year	3 Years	5 Years	Inception to Date 06/01/2015
Total Portfolio - Gross	3,210,403	-3.26	-13.65	5.74	7.13	7.31
Total Portfolio - Net	3,210,403	-3.28	-13.72	5.66	7.05	7.22
70% SP500 30% Bloomberg Int Govt Cr		-4.24	-13.60	5.51	6.84	7.14
Total Equity	2,247,591	-3.42	-14.59	8.37	9.33	9.60
S P 500 Index		-4.88	-15.47	8.16	9.24	9.56
Total Fixed Income	931,093	-3.07	-11.85	-2.44	.86	1.40
Bloomberg US Government/Credit Interm Bond		-3.06	-10.14	-1.64	.38	.81
Cash & Equivalents	31,718	.55	.73	.53	1.04	.81
3 Mos Treasury Bill Rate		.69	1.08	.63	1.19	.96

	Total Portfolio - Gross	70% SP500 30% Bloomberg Int Govt Cr
Return	7.13	6.84
Standard Deviation	13.40	12.99
Beta	1.00	
Alpha	.28	
R-Squared	1.00	
Sharpe Ratio	7.99	8.22
Treynor Ratio	107.13	106.84
Tracking Error	1.48	
Information Ratio	.22	
Downside Deviation	9.07	8.75
Downside Standard Deviation	10.18	9.81
Sortino Ratio	.89	.88
Upside Capture	1.04	
Downside Capture	1.03	
Batting Average	.62	
Annualized Excess Return	.29	
Cumulative Excess Return	1.91	
Turnover %	.38	
M-Squared	3.85	
Residual Risk	.00	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

iShares 1-5 Year Investment Grade Corp Bd ETF (IGSB)

	IGSB	Bloomberg Intermediate Gov/Cr
Duration	2.74	3.86
Effective Maturity	----	4.28
Credit Rating	A-	AA1/AA2
Weighted Coupon	3.12	2.17
Weighted Price	94.48	91.03
Yield to Maturity	3.97	4.61

Source: Morningstar | As of Oct. 6, 2022, Category: Short-Term Bond as of Aug 31, 2022.

Source: Bloomberg | Bloomberg Intermediate Gov/Cr as of Sept 30, 2022

iShares 1-5 Year Investment Grade Corp Bd ETF (IGSB)

Credit Rating (Subtotal Weight)	0-1	1-3	3-5	5-7	7-10	10-20	>20
AAA (0.82)		0.45	0.37	—	—	—	—
AA (8.42)		4.73	3.66	—	—	—	—
A (44.97)	0.18	27.50	17.09	--	—	—	—
BBB (43.82)	0.05	27.10	16.52	—	—	—	—
BB (1.12)	—	0.60	0.51	—	—	—	—
B	—	—	—	—	—	—	—
Below B	—	—	—	—	—	—	—
Not Rated (0.85)	—	0.19	0.57	—	—	—	—

Source: Morningstar

As of Oct 5, 2022 | Data is based on the long position of the holdings. Source: Holdings-based calculations.

Vanguard Interm-Term Corp Bd ETF (VCIT)

	VCIT	Bloomberg Intermediate Gov/Cr
Duration	6.30	3.86
Effective Maturity	7.60	4.28
Credit Rating	BBB+	AA1/AA2
Weighted Coupon	-----	2.17
Weighted Price	90.75	91.03
Yield to Maturity	4.88	4.61

Source: Morningstar | As of Aug 31, 2022, Category: Corporate Bond

Source: Bloomberg | Bloomberg Intermediate Gov/Cr as of Sept 30, 2022

Vanguard Interm-Term Corp Bd ETF (VCIT)

Credit Rating (Subtotal Weight)	0-1	1-3	3-5	5-7	7-10	10-20	>20
AAA (0.89)	—	—	0.36	—	0.47	—	—
AA (4.86)	—	—	0.34	2.34	2.18	—	—
A (40.08)	—	0.16	6.05	18.71	14.91	—	—
BBB (52.00)	—	0.10	8.59	27.61	15.56	—	—
BB (1.82)	—	0.00	0.60	1.02	0.19	—	—
B	—	—	—	—	—	—	—
Below B	—	—	—	—	—	—	—
Not Rated (0.36)	—	—	0.02	—	0.31	—	—

Source: Morningstar

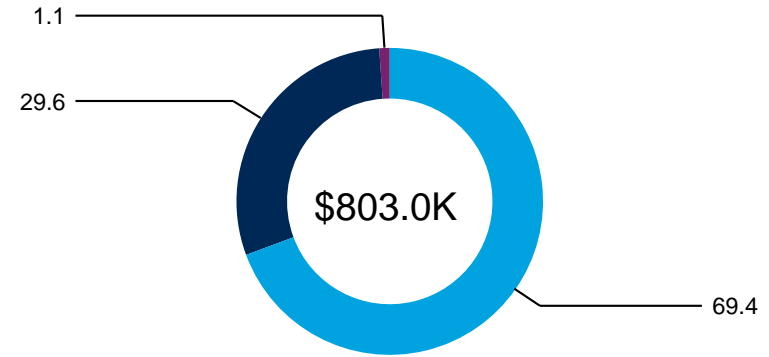
As of Aug 31, 2022 | Data is based on the long position of the holdings. Source: Holdings-based calculations.

Client Investment Review

Investment activity through 09/30/2022

Asset Allocation Summary

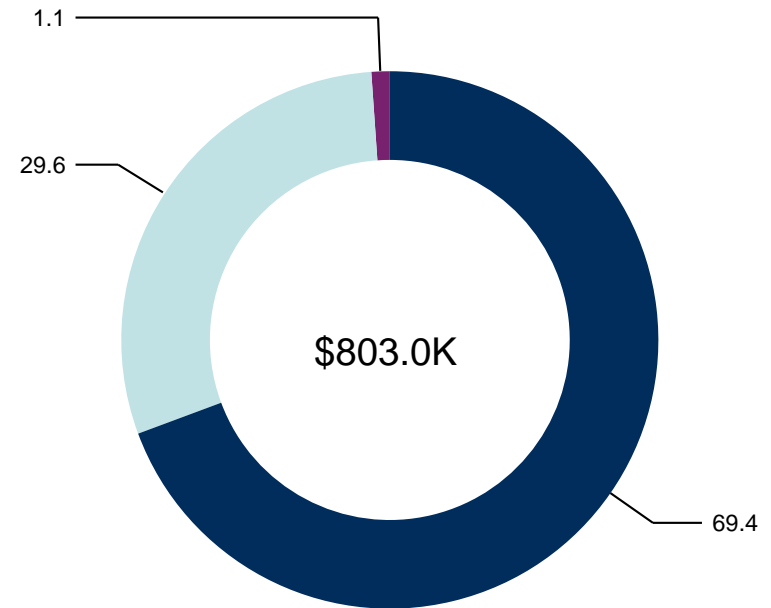
	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	557,184	69.4	8,990.24	1.6
Total Fixed Income	237,352	29.6	5,326.93	2.2
Cash & Equivalents	8,503	1.1	1,814.17	21.4
Total	803,039	100.0	16,131.34	2.0



Investment Summary

	Fiscal Year to Date (3 Months)
Beginning Account Value	776,827.78
Net Contributions/Withdrawals	52,069.47
Income Earned	3,478.95
Market Appreciation	-29,336.92
Ending Account Value	803,039.28

	Market Value	% of Mkt Val
● Core Equity	557,184	69.4
● Taxable Bond Funds	237,352	29.6
● Cash & Equivalents	8,503	1.1
Total	803,039	100.0



	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Cash & Equivalents									
Money Markets									
GOLDMAN SACHS FINANCIAL SQUARE	63,072.960	1.00	63,072.96	1.00	63,097.97	7.4	2.88	1,814.17	2.876
Total for Money Markets			63,072.96		63,097.97	7.4		1,814.17	2.876
Total: Cash & Equivalents			63,072.96		63,097.97	7.4		1,814.17	2.876
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	302.000	133.23	40,234.51	96.15	29,037.30	3.4	.00	.00	.000
DISNEY WALT CO COM	218.000	165.13	35,998.48	94.33	20,563.94	2.4	.00	.00	.000
META PLATFORM, INC.	62.000	327.52	20,306.37	135.68	8,412.16	1.0	.00	.00	.000
OMNICOM GROUP INC COM	225.000	75.16	16,911.88	63.09	14,352.75	1.7	2.80	630.00	4.438
Total for Communication Services			113,451.24		72,366.15	8.4		630.00	.872
Consumer Disc									
CARMAX INC COM	162.000	120.14	19,462.46	66.02	10,695.24	1.2	.00	.00	.000
HOME DEPOT INC COM	132.000	325.81	43,006.26	275.94	36,424.08	4.2	7.60	1,003.20	2.754
O REILLY AUTOMOTIVE INC NEW COM	39.000	614.33	23,958.96	703.35	27,430.65	3.2	.00	.00	.000
TJX COS INC NEW COM	225.000	68.62	15,439.15	62.12	13,977.00	1.6	1.18	265.50	1.900
Total for Consumer Disc			101,866.83		88,526.97	10.3		1,268.70	1.433
Financials									
BANK OF AMERICA CORP COM	323.000	40.10	12,950.87	30.20	9,754.60	1.1	.88	284.24	2.914
BERKSHIRE HATHAWAY INC DEL CL B NEW	137.000	293.57	40,219.59	267.02	36,581.74	4.3	.00	.00	.000
JPMORGAN CHASE & CO COM	282.000	150.76	42,515.09	104.50	29,469.00	3.4	4.00	1,128.00	3.828
PROGRESSIVE CORP OH COM	377.000	100.48	37,881.64	116.21	43,811.17	5.1	.40	150.80	.344
SCHWAB CHARLES CORP NEW COM	450.000	73.05	32,872.57	71.87	32,341.50	3.8	.88	396.00	1.224
US BANCORP DEL COM NEW	306.000	55.44	16,966.04	40.32	12,484.80	1.5	1.92	587.52	4.762
WELLS FARGO & CO NEW COM	251.000	48.34	12,132.17	40.22	10,095.22	1.2	1.20	301.20	2.984
Total for Financials			195,537.97		174,538.03	20.4		2,847.76	1.633

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Health Care									
JOHNSON & JOHNSON COM	212.000	172.04	36,472.80	163.36	34,632.32	4.0	4.52	958.24	2.767
PFIZER INC COM	374.000	48.01	17,955.02	43.76	16,366.24	1.9	1.60	598.40	3.656
Total for Health Care			54,427.82		50,998.56	5.9		1,556.64	3.052
Industrials									
EXPEDITORS INTL WASH INC COM	145.000	119.07	17,264.99	88.31	12,804.95	1.5	1.34	194.30	1.517
FASTENAL CO COM	422.000	55.28	23,329.44	46.04	19,428.88	2.3	1.24	523.28	2.693
GENERAL ELECTRIC CO COM NEW	215.000	98.88	21,259.29	61.91	13,327.85	1.6	.32	68.80	.517
UNION PAC CORP COM	82.000	227.63	18,666.03	194.82	15,975.24	1.9	5.20	426.40	2.669
Total for Industrials			80,519.75		61,536.92	7.2		1,212.78	1.971
Information Tech									
APPLE INC COM	301.000	150.00	45,151.49	138.20	41,598.20	4.9	.92	276.92	.666
CISCO SYS INC COM	212.000	54.68	11,592.88	40.00	8,480.00	1.0	1.52	322.24	3.800
MICROSOFT CORP COM	162.000	288.15	46,679.69	232.90	37,729.80	4.4	2.72	440.64	1.168
TE CONNECTIVITY LTD REG SHS	194.000	146.75	28,469.49	110.36	21,409.84	2.5	2.24	434.56	2.030
Total for Information Tech			131,893.55		109,217.84	12.7		1,474.36	1.350
Total: Total Equity			677,697.16		557,184.47	65.0		8,990.24	1.614
Total Fixed Income									
Taxable Bond Funds									
ISHARES TRUST ISHARES 1-5 YEAR	3,015.000	53.59	161,585.55	49.28	148,579.20	17.3	.91	2,734.61	1.841
VANGUARD SCOTTSDALE FDS VANGUARD	1,173.000	91.38	107,192.37	75.68	88,772.64	10.4	2.21	2,592.33	2.920
Total for Taxable Bond Funds			268,777.92		237,351.84	27.7		5,326.93	2.244
Total: Total Fixed Income			268,777.92		237,351.84	27.7		5,326.93	2.244
Total			1,009,548.04		857,634.28	100.0		16,131.34	1.882

Performance Overview

	Market Value	Fiscal Year to Date (3 Months)	1 Year	3 Years	5 Years	Inception to Date 06/01/2015
Total Portfolio - Gross	803,039	-3.26	-13.62	5.67	7.11	7.30
Total Portfolio - Net	803,039	-3.28	-13.69	5.58	7.02	7.22
70% SP500 30% Bloomberg Int Govt Cr		-4.24	-13.60	5.51	6.84	7.14
Total Equity	557,184	-3.43	-14.60	8.36	9.32	9.62
S P 500 Index		-4.88	-15.47	8.16	9.24	9.56
Total Fixed Income	237,352	-3.07	-11.87	-2.43	.87	1.40
Bloomberg US Government/Credit Interm Bond		-3.06	-10.14	-1.64	.38	.81
Cash & Equivalents	8,503	.55	.72	.52	1.00	.79
3 Mos Treasury Bill Rate		.69	1.08	.63	1.19	.96

	Total Portfolio - Gross	70% SP500 30% Bloomberg Int Govt Cr
Return	7.11	6.84
Standard Deviation	13.37	12.99
Beta	1.00	
Alpha	.25	
R-Squared	1.00	
Sharpe Ratio	8.01	8.22
Treynor Ratio	107.11	106.84
Tracking Error	1.48	
Information Ratio	.20	
Downside Deviation	9.05	8.75
Downside Standard Deviation	10.16	9.81
Sortino Ratio	.89	.88
Upside Capture	1.04	
Downside Capture	1.03	
Batting Average	.60	
Annualized Excess Return	.26	
Cumulative Excess Return	1.73	
Turnover %	3.60	
M-Squared	4.07	
Residual Risk	.00	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

This report is for informational purposes only and does not supersede confirmations and monthly client statements. The results reported should not be relied upon for tax information. Clients should consult tax documents for a complete summary of gain or loss history. The information has been derived from sources considered to be reliable but we cannot guarantee the accuracy.

This information represents past performance and is not indicative of future results. Principal value and investment return will fluctuate, and shares/units, when redeemed, may be worth more or less than the original amount. Returns assume reinvestment of dividends and other earnings.

Performance calculations are performed using the Daily Time Weighted Rate of Return (DTWRR) calculation method. This time-weighted rate of return method revalues the portfolio whenever a cash flow takes place, therefore significantly minimizing its impact on the return. Returns are measured from day-to-day and are then compounded or geometrically linked resulting in the time-weighted rate of return. Performance returns for time periods longer than 365 days have been annualized.

Performance calculations may also be performed using the Internal Rate of Return (IRR) Calculation method. The IRR is used to calculate the appropriate money-weighted rate of return. Cash flows are included based on their timing and size. The IRR is related to the time-value of money or present value formula. It calculates the discount rate which will take the starting value and all cash flows to result in the ending market value. Performance returns for time periods longer than 365 days have been annualized.

The inception date is the date on which performance calculations started. Your portfolio manager may or may not have begun executing security purchases and sales on the start date. Baird Trust may change the inception date to minimize the effect on performance when securities fund the account.

Account values on the Investment Summary page may not reflect the market value of holdings, due to the inclusion of accrued income. Accrued income is included when income has been earned as of the reporting end date, but not yet paid out.

Broad Index Descriptions

Barclays U.S. Intermediate Government Credit Bond Index: The index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

S&P 500 Composite: The S&P 500 composite index is an unmanaged, market capitalization weighted index of 500 common stocks widely regarded to be representative of the market in general. Returns include reinvestment of dividends.

MSCI EAFE: The MSCI EAFE Index is a Morgan Stanley international index that includes stocks traded on 16 exchanges in Europe, Australia and the Far East, weighted by capitalization.

MSCI ACWI Index: MSCI's flagship global equity index, is designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 27 emerging markets.

Index returns may not represent your portfolio and are provided only as a representation of broad market performance. It is not possible to invest directly in an index.

Glossary of Terms and Calculations

Cost Basis Information: All information with respect to cost information is derived from transactions in your account or information supplied by other sources. There is no guarantee as to the accuracy of this information or the corresponding gain and loss information. Certain transactions resulting from reorganization activity - including but not limited to mergers, acquisitions, exchanges, tenders, conversions, spin-offs, and stock distributions - may have complex tax ramifications that may require adjustments to the cost basis of the assets acquired and/or disposed. Please consult a tax advisor for guidance in handling these transactions. The cost basis for factorable securities, unit investment trusts, and certain limited partnerships may be reduced by the amount of principal payments returned. This cost information is displayed and the gain/loss information is calculated for these securities only if both the cost and principal payment information is deemed to be complete.

Inception Date: The inception date is the date on which performance calculations started.

Total Portfolio Net: Returns are calculated after the deduction of investment management fees and transaction expenses. In some cases, separate custodial fees may be assessed but are not deducted from the return. Some client accounts may see adjustments to their historical returns compared to statements from prior periods. The differences may occur in accounts with significant contributions or distributions. Additional information is available upon request.

Non-Performance Assets: Non-performance assets are assets on which performance is not calculated. These would include, but are not limited to, limited partnerships, annuities, and assets requested to be "unsupervised" (excluded from the performance calculation).

Valuations: The pricing of securities displayed in this report is derived from various sources, and in some cases may be higher or lower than the price you would actually receive in the market. For securities listed on an exchange or trading continually in an active marketplace, the prices reflect market quotations at the close of the reporting period. For securities trading less frequently, we rely on third party pricing services, or a computerized pricing model, which do not always reflect actual market prices. Valuation differences may be due to the different definitions of the closing market prices of securities.

The information contained herein, while not guaranteed, has been obtained from sources which we believe to be reliable and accurate. This material is not to be considered an offer or solicitation regarding the sale of any security.

Information contained in this report has been provided at your request. If you have questions regarding this information, please contact your Baird Financial Advisor or Baird Trust Portfolio Manager.

Baird Trust Company ("Baird Trust"), a Kentucky state-chartered trust company, is owned by Baird Financial Corporation ("BFC"). It is affiliated with Robert W. Baird & Co. Incorporated ("Baird"), (an SEC-registered broker-dealer and investment advisor), and other operating businesses owned by BFC.



INVESTMENT POLICY STATEMENT

Effective as of April 23, 2022

INTRODUCTION



This Investment Policy Statement amends and completely replaces the Investment Policy Statement of the **Investment Committees for the Kentucky Judicial Retirement Fund** and the **Kentucky Legislators Retirement Fund**, dated October 25, 2019.

The purpose of this **Investment Policy Statement** is to establish a clear understanding between the **Investment Committees for the Kentucky Judicial Retirement Fund** and the **Kentucky Legislators Retirement Fund**, hereinafter referred to as the “Committees,” and **Baird Trust Company**, hereinafter referred to as the “Manager,” of the investment policies and objectives of the Committees. This **Statement** will outline an overall philosophy that is specific enough for the Manager to know what is expected, but sufficiently flexible to allow for changing economic and securities markets. The Manager shall be responsible for individually managing the investments for the retirement plans administered by **Judicial Form Retirement System** (hereinafter referred to as JFRS), including the Defined Benefit Fund and the Hybrid Cash Balance Fund for the Kentucky Judicial Retirement Fund, and the Defined Benefit Fund and the Hybrid Cash Balance Fund for the Kentucky Legislators Retirement Fund.

A. OBJECTIVES

The assets of the two Defined Benefit Funds and the two Hybrid Cash Balance Funds (collectively the “Funds,” or individually a “Fund”) must be invested with the care, skill and diligence that a prudent person acting in this capacity would undertake. The Manager’s primary objective will be to provide growth of principal and income of each Fund’s assets. This objective should be pursued as a long-term goal designed to maximize portfolio results without exposure to undue risk, as defined herein. The Committees understand that fluctuating rates of return are characteristic of the securities markets, thus, the Manager’s greatest concern should be long-term appreciation of the Funds’ assets and consistency of total portfolio returns.

The Committees recognize that short-term market fluctuations may cause variations in performance in each Fund’s portfolios; however, over three-year rolling time periods, the Committees expect the total portfolios of each of the four Funds to achieve or exceed a total return equal to the composite performance of securities markets, as represented by broad market indexes similar to but not limited to the S&P 500 Index (Equity), and the Bloomberg Barclays Intermediate US Government/Credit Bond Index (Fixed Income).

B. POLICIES AND RESTRICTIONS

The Committees intend the investment policies and restrictions presented in this **Statement** to be used as a framework to help the Manager achieve the investment objectives of the Funds, at a level of risk the Committees deem acceptable. The Committees allow the Manager discretion in the asset allocation and diversification of the Funds, for the purposes of increasing investment returns and/or reducing risk exposure in accordance with the policies and restrictions of this **Statement**. When appropriate and from time to time, the Committees may also give the Manager broad responsibility in writing to shift the commitment of any of the Funds’ investments among asset classes, industry sectors, and individual securities or funds of securities to pursue opportunities presented by long-term secular changes within the capital markets.

All Fund investments shall be consistent with those permitted for Trust Funds by law in the Commonwealth of Kentucky. Investments shall be limited to readily marketable securities or funds of such securities, and no investment shall be made in mortgages.

ASSET ALLOCATION



C. ASSET ALLOCATION GUIDELINES

The Committees expect each of the four Funds' asset allocation policies to separately reflect, and be consistent with, the investment objectives and risk tolerances expressed throughout this *Statement*. These policies, developed after examining the historical relationships of risk and return among asset classes, are designed to provide a high probability of maximizing the Committees' return objectives while minimizing risk. Although dynamic capital markets may cause fluctuating risk and return opportunities over a market cycle, the following standards and limits will be used to evaluate the asset allocation and Fund performance (as measured at market value) over a full market cycle not to exceed five years.

Each of the Funds' investments shall be separately managed under allocation rules as follows:

1. Cash and cash equivalent balances will be held separately for each Fund as a liquidity reserve for the payment of certain Fund expenses, pension or qualified refund payments, and insurance premium requirements. Such liquidity reserve balances will be held separately from a Fund's overall investment portfolio as managed by the Manager.
2. Equities (generally, common stock investments) in each Fund's investment portfolio will have a target allocation of 70% of the total portfolio market value, not including cash and cash equivalents balances, of such Fund. The Manager is granted discretion to vary from this portfolio allocation within a range of 60% to 80% (inclusive) of the Fund's portfolio market value, unless otherwise granted an exception by a Committee in writing.
3. Fixed income investments in each Fund's investment portfolio will have a target allocation of 30% of the total portfolio market value, not including cash and cash equivalent balances, of such Fund. The Manager is granted discretion to vary from this portfolio allocation within a range of 20% to 40% (inclusive) of the Fund's portfolio market value, unless otherwise granted an exception by a Committee in writing.
4. If a Fund's portfolio allocation falls outside of its targeted range, the Manager will notify the applicable Investment Committee, or its designee, of the status of the Fund's portfolio allocation percentages. Such Committee may direct the 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 Manager, at its discretion, may or may not adjust the Fund's portfolio allocations. The Committees' designee will review all of the Funds' portfolio allocations on a monthly basis and will make quarterly or more frequent reports to the Committees, if the target portfolio allocations fall outside of the parameters above.

D. EQUITY GUIDELINES

The Committees expect the Manager to maintain each Fund's equity portfolio at a risk level approximately equivalent to that of the domestic equity markets as a whole, with the objective of exceeding its results. Equity investments shall be selected from any security listed on the New York, American and Regional Stock Exchanges, or at the NASDAQ markets.

At the Manager's discretion, equity allocations may be achieved by the purchase of individual securities, shares of one or more registered mutual funds invested substantially in equities, and/or shares of one or more registered exchange traded funds (ETFs) invested substantially in equities.

Should the Manager elect to invest in mutual funds or ETFs for a Fund's equity allocation, the aggregate of such funds' investments must be consistent with the Equity Guidelines herein for such Fund, and must in the aggregate generally comply with the underlying diversification characteristics, risk and limits in the Equity Guidelines for such Fund as described herein. The Committees understand that any mutual Funds or ETFs utilized by the Manager may allow broader latitude, but whose investment objective, in the Manager's opinion, is consistent with the Fund's investment guidelines.

The Committees also understand that any mutual fund or ETFs utilized under these Guidelines may utilize derivative instruments for exposure, efficiency, or risk management purposes and are not used as a speculative nature. Any mutual fund or ETF selected by the Manager must generally be consistent with these Guidelines.

The Manager is prohibited from investment in private placements, unregistered securities, hedge funds, letter stock, uncovered options, common trust funds or collective investment funds, or from engaging in short sales, margin transactions or other specialized investment activities. The Manager may write covered options against common stocks held by the Funds to increase investment returns and/or reduce risk. No investments shall be made in proprietary funds of the Manager without written consent of the Committees.

Within the above guidelines, the Committees give the Manager discretion for equity security and fund selection, timing, turnover, and benchmark selection for each of the four Funds, subject to the following limitations:

1. Each Fund's investment in equities (generally, common stocks) shall be from those stocks that meet the statutory standards for investment of trust funds, except that 50% of the total equity portfolio of each Fund may not be invested in common stocks with a dividend payment history of less than five years.
2. Investment in an individual security, at time of purchase shall not exceed 5% of a Fund's then current market value of such Fund's equity portfolio. At a time when a security's value reaches 8% of such Fund's equity portfolio market value, the Manager shall promptly notify the applicable Investment Committee, or its designee. Upon notification of a security value reaching 8%, the Committee may recommend a course of action to the Manager; absent a Committee recommendation to reduce the equity holding, the Manager, at its discretion, may or may not reduce the equity holding.

3. Investment in a particular sector of a Fund's equity portfolio shall not exceed more than 20% of the sector's weighting in the S&P 500.

If an individual sector weighting reaches a 40% weighting of a Fund's total equity portfolio, the Manager shall promptly notify the applicable Investment Committee, or its designee. Upon notification of a sector reaching a 40% weighting, the Committee may recommend a course of action to the Manager; absent a Committee recommendation to take action, the Manager has discretion, as long as the weighting does not exceed more than 20% of the sector weight in the S&P 500.

4. 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.

Unless corrective actions are otherwise provided for in these Equity Guidelines, or unless a Committee provides corrective or rebalancing directions to the Manager, should any Fund's equity portfolio no longer comply with the Equity limits and requirements as described immediately above, the Manager shall take, with notice to the applicable Committee or its designee, reasonable steps to bring such Fund's equity investments into compliance with these Equity Guidelines.

E. FIXED INCOME GUIDELINES

The Committees expect the Manager to maintain each Fund's fixed income portfolio at a risk level approximately equivalent to that of the domestic fixed income markets as a whole, with the objective of exceeding its results.

At the Manager's discretion, fixed income allocations may be achieved by purchase of individual securities, shares of one or more registered mutual funds investing substantially in fixed income, and/or shares of one or more registered ETFs investing substantially in fixed income. Should the Manager elect to invest in mutual funds or ETFs for a Fund's fixed income allocation, the aggregate of such funds' investments must be consistent with the Fixed Income Guidelines herein for such Fund, and must in the aggregate generally comply with the underlying diversification characteristics, risk and limits in the Fixed Income Guidelines for such Fund as described herein.

The Committees also understand that any mutual fund or ETFs utilized under these Guidelines may utilize derivative instruments for exposure, efficiency, or risk management purposes and are not used as a speculative nature. Any mutual fund or ETF selected by the Manager must generally be consistent with these Guidelines.

At its discretion, the Manager may select for either or both of the Hybrid Cash Balance Funds' fixed income portfolios one or more low cost registered fixed income mutual funds or ETFs utilizing an indexing strategy, and/or utilizing a targeted sector or style strategy, and/or utilizing an actively managed strategy, provided that in the aggregate such selected funds are consistent with the Hybrid Cash Balance Fund's overall fixed income benchmark and Fixed Income Guidelines for such Fund as described herein.

The 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 Manager without written consent of the Committees.

Investments in fixed income securities will be managed actively to pursue opportunities presented by changes in interest rates, credit ratings and maturity premiums. The Manager may select from appropriately liquid preferred stocks, corporate debt securities, obligations of the U.S. Government and its Agencies and issues convertible to equities.

Within the above guidelines, the Committees give the Manager discretion for fixed income security and fund selection, timing, turnover, and benchmark selection for each of the four Funds, subject to the following limitations:

1. No individual fixed income security (with the exception of those of the U.S. Government and its Agencies) may be purchased with a modified duration of more than 15 years at time of purchase.
2. Investments in individual fixed income securities of the U.S. Government and its Agencies may be purchased with a maturity of up to 30 years at time of purchase, but the weighted average maturity of those securities in each Fund shall not exceed ten years.
3. Investments for any Fund in an individual security at time of purchase of a single issuer (with the exception of U.S. Government and its Agencies) must not exceed 5% of the market value of such Fund's fixed income portfolio.
4. Only corporate debt issues that meet or exceed a credit rating of BBB from Standard & Poor's and/or a Baa rating from Moody's, may be purchased.
5. Preferred stocks must be rated A or better, by Moody's and/or Standard & Poor's at the time of purchase.
6. Only ETF or Mutual Fund securities whose fixed income investments have a dollar-weighted average credit rating of BBB from Standard & Poor's and/or Baa rating from Moody's, may be purchased. No ETF or Mutual Fund shall have a total allocation of more than 5% in below investment grade rated holdings.
7. Investment in bonds will be limited to those eligible for purchase by national banks.
8. Individual fixed income security maturities will be reasonably spaced with due consideration given to call provisions.
9. 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, including ETF or Mutual Funds, shall at all times be within one year of the duration of its fixed income benchmark.

10. The fixed income benchmark selected by the Manager for any Fund shall be approved by the Committee' and must be a broad market benchmark that reasonably reflects the nature and risk of the underlying investments of such Fund's fixed income portfolio.

Unless corrective actions are otherwise provided for in these Fixed Income Guidelines, or unless a Committee has provided corrective or rebalancing directions to the Manager, should any Fund's fixed income portfolio no longer comply with the Fixed Income limits and requirements described immediately above, the Manager shall take, with notice to the applicable Committee or its designee, reasonable steps to bring such Fund's fixed income investments into compliance with these Fixed Income Guidelines.

F. CASH AND CASH EQUIVALENT GUIDELINES

The Committees expect the Manager to invest each Fund's portfolios substantially in equity and fixed income investments as described in this *Statement*. As noted in the Asset Allocation Guidelines above, certain cash and cash equivalent balances will be held as liquidity reserves separately from each Fund's investment portfolios, as necessary to provide for certain Fund expenses, insurance premiums, and underlying plan participant cash flow and pension payment requirements. The Manager may also 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.

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:

1. Treasury bills;
2. Commercial paper investments and marketable short-term money market securities, each with time of purchase ratings of at 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;
3. Marketable short-term money market funds of marketable short-term securities, under the following limits for each such fund:
 - a. fund ratings at least AAA or Aaa by Standard & Poor's or Moody's, respectively, at time of purchase;
 - b. final maturities of underlying fund investments of no longer than 13 months from dates of acquisition;
 - c. fund weighted average maturity of underlying fund investments of no longer than 60 days at all times;
4. 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;
5. 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

6. All other cash and cash equivalent investments with maturities no longer than one year from their dates of acquisition.

Additionally, the 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.

Unless corrective actions are otherwise provided for in these Cash and Cash Equivalent Guidelines, or unless a Committee has provided corrective or rebalancing directions to the Manager, should any Fund's portfolio no longer comply with the Cash and Cash Equivalent limits or requirements described immediately above, the Manager shall take, with notice to the applicable Committee, reasonable steps to bring such Fund's short term investments into compliance with these Cash and Cash Equivalent Guidelines.

G. OTHER ASSETS

The Manager will not purchase assets other than those described herein without the prior written consent of the Committees. Investments in commodities and currency exchange contracts are strictly prohibited.

The Manager may invest in or hold ETF or mutual funds which make use of derivatives securities, for the purpose of gaining exposure, cost efficiency and risk management purposes as long as such investments do not cause the Funds to be leveraged beyond a 100% position. All derivative securities utilized shall be sufficiently liquid and expected to be able to be sold at or near its most recently quoted market price.

Under no circumstances shall the Manager purchase securities on margin or take positions in derivative securities that leverage the Funds' investments beyond a 100% invested position. The Manager shall not hold ETF or Mutual fund securities that holds underlying securities on margin.

Investments not specifically addressed by this *Statement* are forbidden by the Committees without prior written consent.

H. SALES AND PURCHASES

The Manager shall have discretion in selecting brokers or institution(s) to execute transactions, unless directed otherwise by the Committees.

The Manager shall immediately notify the JFRS Executive Director, or approved brokers of all transactions, with specific data as to settlement and delivery instructions. The JFRS Executive Director or approved brokers will in turn notify the custodian of the Funds to execute such sales and purchases.

MONITORING



I. COMMUNICATIONS AND COMPLIANCE

The JFRS Executive Director will maintain contact with the Manager as necessary and will advise the Manager of available funds for reinvestment with respect to each of the Funds. The Manager is required to give the Committees monthly Fund portfolio appraisals, and to give the Committees promptly at the end of each quarter a quarterly account review. Such quarterly account reviews shall include but not limited to detail regarding each Fund's value and investment characteristics, each Fund's time-weighted investment performance and strategy, and each Fund's compliance with investment guidelines. The Committees or their designee must also receive information about changes in the Manager's investment philosophy, management, ownership and key personnel in a timely fashion.

Meetings between the Committees and the Manager will generally be held on a quarterly basis. In the event a quarterly meeting with the Manager is not held, the Committee's designee will provide a quarterly update. All such meetings with or updates shall include:

1. Each Fund's holdings and characteristics, investment performance and risk levels in light of the stated objectives, policies, guidelines, and benchmarks.
2. A review of each Fund's portfolio investment positions during the prior quarter in comparison to the guidelines of this *Statement*, along with any exceptions. The Manager shall include an assessment of the financial effects of any compliance exceptions and proposals for corrective actions.
3. The Manager's view on any important recent or anticipated developments within the economy and the securities markets, and their potential effect on investment strategy and Fund performance.
4. The effects of any recent or anticipated changes within the Manager's organization on investment philosophy, strategy and performance.
5. Amendments to the policies and objectives presented in this *Statement* as desired by the Committees or recommended by the Manager.

In addition to requiring that the Manager provide compliance reporting as described above, JFRS may also engage an independent third party to provide the Committees with a periodic compliance assessment for each Fund.

The Committees, or designee, may call more frequent meetings if significant concerns arise about the Manager's performance, strategy, personnel and organizational structure.

By **executing** this *Investment Policy Statement*, the Manager agrees to its terms and conditions. Should the Manager believe at any time that changes, additions or deletions to this *Statement* are advisable, it will be the Manager's full responsibility to recommend them to the Committees on a timely basis.

Executed on this, the 16th day of June, 2022.

**Investment Committee
Kentucky Judicial Retirement Plan**

Stephen F LeLaurin
By: [Stephen F LeLaurin \(Jun 16, 2022 10:38 CDT\)](#)
Stephen F. LeLaurin, Chairman

**Investment Committee
Kentucky Legislators Retirement Plan**

Brad Montell
By: [Brad Montell \(Jul 1, 2022 15:47 EDT\)](#)
W. Brad Montell, Chairman

Baird Trust Company

Don Asfahl
By: [Don Asfahl \(Jul 5, 2022 08:41 EDT\)](#)
Donald L. Asfahl, Chairman

Item V – Administrative Reports

- A. Public Pension Oversight Board - *Material Included*
- B. 2022 Actuarial Valuations - *Material Included*
- C. 2023 Regular Session of GA - *Material Included*
- D. Blue and Co. FY22 End Audit Update
- E. Open Records Rules & Procedures - *Material Included*
- F. Pension Administration Software Update

Board of Trustees Meeting Kentucky Judicial Form Retirement System Actuarial Update

October 21, 2022

Wesley J. Wickenheiser, FSA, EA, MAAA
Partner | Vice President & Senior Consulting Actuary

Matthew Widick, FSA, EA, CERA, MAAA
Senior Actuarial Consultant



Agenda

- Service Team
- Valuation Process
- Recent Activity
- Current Actuarial Assumptions
- Current Actuarial Methods
- Review of 2021-2022 GASB Results
- Questions

Service Team



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Partner | Vice President & Senior Consulting Actuary

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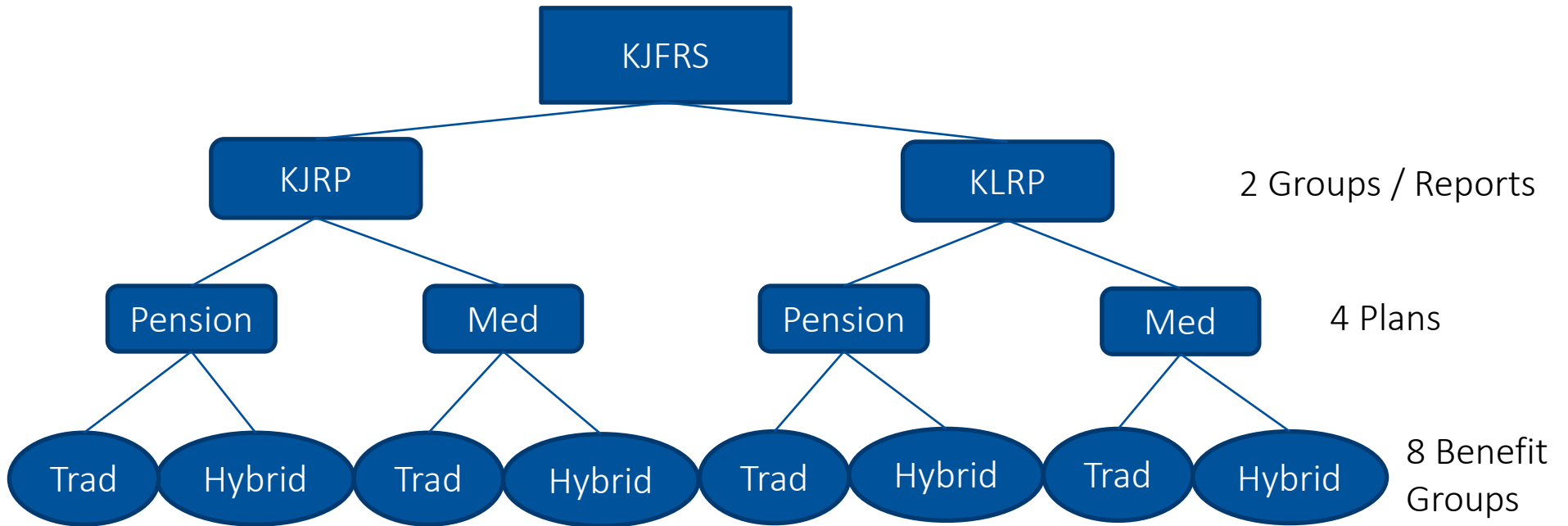
Senior Actuarial Consultant

629-895-7863

Matthew.Widick@usi.com



Valuation Process



4 separate actuarial valuations in 2 reports of the 8 different benefit groups

Valuation Process

- Actuarial valuations follow fiscal year (i.e., July 1 through June 30)
- Full actuarial valuation every 2 years (odd numbered years)
 - Determination of cash funding requirements for 2 year
 - July 1, 2021 valuation provided requirements for years beginning in 2022 and 2023
 - Includes GASB results
 - Assumptions reviewed and approved by Board
- Rollforward valuation every 2 years (even numbered years)
 - GASB results only
 - Based on data and assumptions from previous full actuarial valuation
- Experience Analysis every 5 years
 - Most recent study completed in 2020

Valuation Process

- Post-retirement medical benefits
 - Contributions/Assets for medical cannot be used for pensions
 - Employee contributions for Judicial medical benefits under Hybrid Plan exceed annual cost of medical benefits
 - Requires 1% of pay contribution
 - Actual cost approximately 0.80% of pay

Recent Activity

- Actuarial audit in progress
 - Milliman is actuary performing audit
 - Very thorough
 - So far has resulted in programming update resulting in relatively minor reduction in liability– see “Programming Update Note” in GASB reports
- Numerous recent benefit determinations
 - 29 Judges
 - 7 Legislators
- Statute change for amortization method

Actuarial Assumptions

- Long-Term Interest Rate – 6.50%
- Salary Increase
 - Rolling 1% next five years, 3.5% thereafter
- Mortality
 - PubG-2010 (A) with fully generational improvements using Scale MP-2020
 - OPEB plans use the headcount weighted version of the table
 - No pre-retirement mortality assumed for Hybrid plans

Actuarial Assumptions

- Turnover/Terminations
 - Judges: None assumed
 - Legislators: 2003 SOA Turnover Basic Age Table
- Retirement
 - Rates identical for the two plans – assume rates of retirement starting 5 years prior to NRA and 100% at Age 70
 - Traditional tiers - Extra 20% increase in retirement rate in 27th year
- Percent Married – 70% married
- Health Care Cost Trend Rates
 - Getzen Model – SOA Long Term Healthcare Cost Trends

Actuarial Assumptions

- COLA
 - Future COLAs not assumed for statutory contribution
- Load for Legislators Plan for Future Non-legislative Salary
 - 40% load
 - Large impact and very speculative
- Healthcare Aging Factors – 2013 SOA Yamamoto study

Actuarial Methods

- Entry Age Normal Method
 - Required for GASB calculations
- Amortization of Unfunded Liability
 - Interest plus 1% of UAAL
 - Equivalent to a “rolling” 25-year amortization
 - Barring huge unexpected gains, never fully amortizes liability
 - Statutory
 - Not actuarially sound
 - Closed amortization period established July 1, 2023 with Senate Bill 32

Actuarial Methods

- Asset Valuation Method
 - Market Value adjusted for 5-year phase-in of gains and losses
 - Smoothing method keeps short-term market swings from immediately impacting funding requirements
 - July 1, 2017 - adopted an 80%-120% “collar” around Market Value
 - GASB disclosures are based on market values of assets

GASB Disclosures – Judicial Plan

June 30, 2021 and June 30, 2022

	2022		2021	
	<u>Pension</u>	<u>Medical</u>	<u>Pension</u>	<u>Medical</u>
Discount Rate				
Assumed Long-Term Rate	6.50%	6.50%	6.50%	6.50%
Muni-Bond Rate	N/A	N/A	N/A	N/A
Blended Rate	N/A	N/A	N/A	N/A
Year of Insolvency	N/A	N/A	N/A	N/A
Hybrid Rate	6.50%	6.50%	6.50%	6.50%
Liability	\$376,657,581	\$40,619,947	\$379,534,564	\$39,389,897
Assets	\$390,889,642	\$119,335,249	\$448,440,179	\$133,915,389
Funded Ratio	103.8%	293.8%	118.2%	339.8%
Expense for following year	(\$16,293,363)	(\$13,247,134)	(\$23,346,372)	(\$15,402,096)

GASB Disclosures – Legislators Plan June 30, 2021 and June 30, 2022

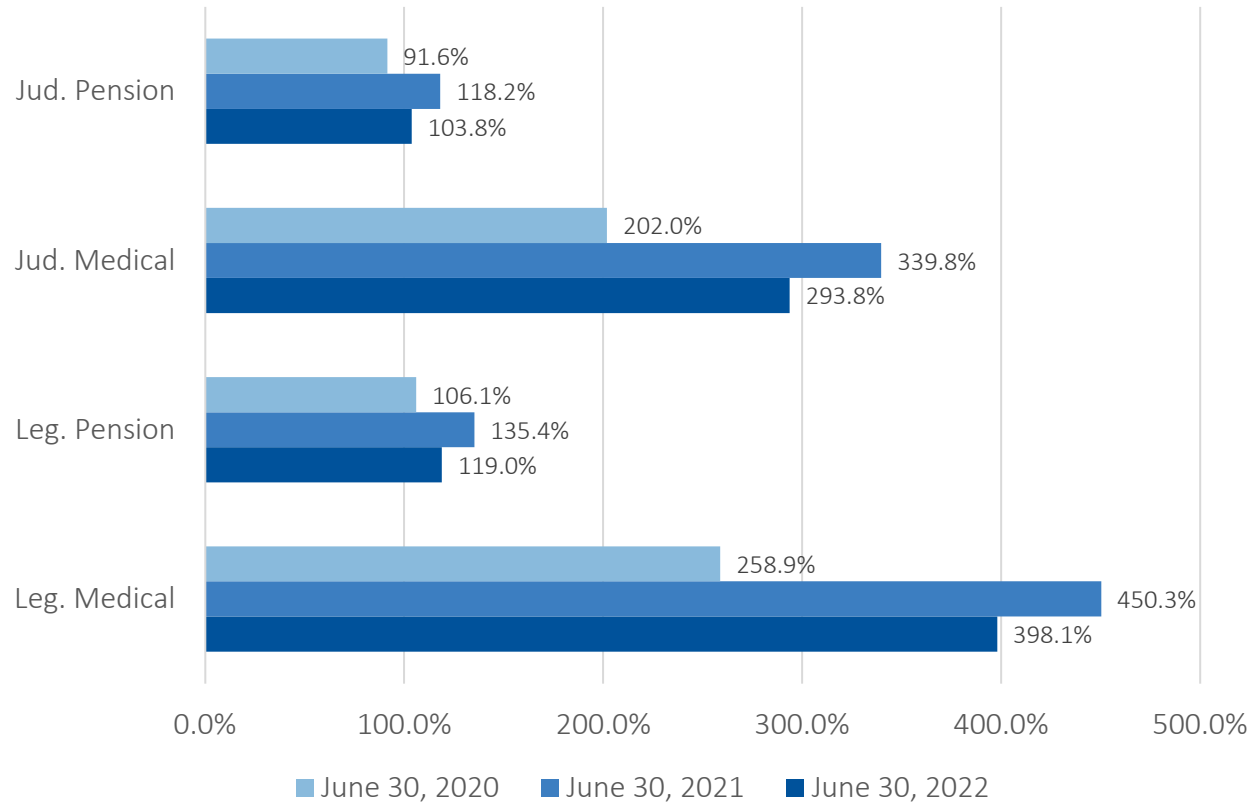
	2022		2021	
	<u>Pension</u>	<u>Medical</u>	<u>Pension</u>	<u>Medical</u>
Discount Rate				
Assumed Long-Term Rate	6.50%	6.50%	6.50%	6.50%
Muni-Bond Rate	N/A	N/A	N/A	N/A
Blended Rate	N/A	N/A	N/A	N/A
Year of Insolvency	N/A	N/A	N/A	N/A
Hybrid Rate	6.50%	6.50%	6.50%	6.50%
Liability	\$71,119,553	\$15,858,518	\$72,568,155	\$15,667,998
Assets	\$84,604,342	\$63,301,184	\$98,291,597	\$70,660,745
Funded Ratio	119.0%	398.1%	135.4%	450.3%
Expense for following year	(\$4,443,557)	(\$7,231,766)	(\$5,929,096)	(\$8,326,334)

GASB Disclosures – Liability Split

Liability Split – Traditional vs. Hybrid – as of July 1, 2021

	Judges		Legislators	
	<u>Pension</u>	<u>Medical</u>	<u>Pension</u>	<u>Medical</u>
Liability				
Traditional	\$377,246,057	\$39,235,016	\$71,827,900	\$15,552,624
<u>Hybrid</u>	<u>\$2,288,507</u>	<u>\$154,881</u>	<u>\$740,255</u>	<u>\$115,374</u>
Total	\$379,534,564	\$39,389,897	\$72,568,155	\$15,667,998

GASB Disclosures – Historical Funded Ratio



Historical Headcounts

	Plan Year Beginning			
	7/1/2021	7/1/2019	7/1/2017	7/1/2015
<u>Judges</u>				
Active – Traditional	179	197	227	247
Active – Hybrid	52	41	22	16
Terminated Vested	14	15	17	20
Retired	280	279	258	250
Beneficiaries	76	75	74	79
Total	601	607	598	612
<u>Legislators</u>				
Active – Traditional	43	58	80	104
Active – Hybrid	58	45	23	11
Terminated Vested	47	43	43	45
Retired	190	184	170	150
Beneficiaries	55	54	50	44
Total	393	384	366	354

Questions?

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Kentucky Judicial Retirement Plan

GASB Disclosure Report as of July 1, 2022

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Introduction

An actuarial valuation of the Kentucky Judicial Retirement Plan (“KJRP”) was last performed as of July 1, 2021. The results shown in this report as of July 1, 2022 were developed using a “roll-forward” method that employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2021 Actuarial Valuation Report.

Actuarial valuations are based on the integrity of employee data, plan asset data, plan provisions and an extensive set of assumptions regarding future events. There is necessary uncertainty with any actuarial calculation based on the accuracy of the data provided, the correct interpretation of plan provisions and the realization of the assumptions made. These results were based on participant data and asset information provided by the Kentucky Judicial Form Retirement System. This information was not audited but was reviewed for reasonableness.

Detailed explanations of the actuarial assumptions and methods used in the report are contained in later sections of this report. Also included in this report is a summary of provisions of the plan as we understand them.

Governmental Accounting Standards Board Statement 67 (“GASB 67”) and Statement 74 (“GASB 74”) establish financial reporting standards for defined benefit pension plans and other postemployment benefit (OPEB) plans sponsored by employers that are subject to governmental accounting standards. Governmental Accounting Standards Board Statement 68 (“GASB 68”) and Statement 75 (“GASB 75”) provide standards for reporting pension and OPEB expenditures and expense, and related liabilities and assets for such plans. The purpose of this report is to provide pertinent financial statement disclosure information for the fiscal year ending in 2022. Actuarial computations under Statements 67, 68, 74, and 75 are for purposes of fulfilling plan and employer governmental accounting requirements and may not be appropriate for other purposes. This report has been prepared on a basis consistent with our understanding of the statements and does not constitute legal, accounting, tax or investment advice.

Statements 68 and 75 set forth a methodology for the calculation of the annual Pension Expense for the upcoming fiscal year. GASB 68 and GASB 75 provide a method for reflecting prior gains and losses from asset and plan experience, as well as other areas including plan amendments. Amounts not reflected previously or in the upcoming year are reflected in the Deferred Outflows and Inflows of Resources shown.

USI Consulting Group does not have access to and is not providing information concerning liabilities other than benefits, such as for legal or accounting fees.

USI Consulting Group is not aware of any significant events subsequent to the current year’s measurement date that could materially affect the information contained in this report.

We are not aware of any relationship between the plan or plan sponsor and USI Consulting Group which would impair or appear to impair our objectivity.

To the best of our knowledge, all information provided in this report is complete and accurate and disclosures for GASB purposes have been determined in accordance with generally accepted accounting principles.

Consolidation of Traditional and Hybrid Tier Reports

Beginning with the July 1, 2021 valuation report, the traditional and hybrid tiers of KJRP have been treated as one plan for all calculations. All results prior to July 1, 2021 contained in this report have been combined from the results reported in the separate traditional and hybrid tier reports prepared in prior years. Effective July 1, 2021, separate valuation reports will not be prepared and all results contained will be calculated based on the full plan containing both tiers of benefits.

Legislative and Regulatory Background

State statutes were amended in 2013 such that all participants entering KJRP on or after January 1, 2014 will be covered under a hybrid cash balance/OPEB tier; those entering before that date will continue to be covered under the traditional defined benefit/OPEB tier. The legislation making this change also restricted the availability of future cost-of-living adjustments (COLA's) to plan benefits.

Actuarial Standard of Practice No. 51 (ASOP 51) is effective for actuarial valuations on or after November 1, 2018. This standard calls for explicit disclosure of risks associated with the pension plan and any recommended actions for better understanding the nature and impact of those risks. We have provided this information on page 32 of this report. Please let us know if any additional analysis or information is desired.

Reliance on Outside Software

The actuarial liabilities shown in this report are determined using software purchased from an outside vendor which was developed for this purpose. Certain information is entered into this model in order to generate the liabilities. These inputs include economic and non-economic assumptions, plan provisions, and census information. We rely on the coding within the software to value the liabilities using the actuarial methods and assumptions selected. Both the input to and the output from the model is checked for accuracy and reviewed for reasonableness.

Programming Update Note

In a review of our valuation programming, we determined that a portion of the liability, currently being calculated using Pre-Commencement mortality, would be more accurately valued using Post-Commencement mortality. This change is related to the update in the mortality assumption effective in the July 1, 2021 valuation and results in a decrease in liability that offsets a portion of the increase due to the assumption change, as stated in the prior valuation.

Actuarial Soundness

A plan that has adopted a reasonable funding method, that adopts reasonable assumptions and which contributes at a rate at or above the recommended contribution rate (based on these reasonable methods and assumptions), could be considered to be actuarially sound.

In order to ensure KJRP is funded in an “actuarially sound manner”, we would recommend the following:

1. Reflect a 1.5% future COLA assumption when calculating the funding requirement for KJRP, to the extent future cost-of-living increases are expected to occur, or intended to be provided.
2. Revise the actuarial funding method to amortize all past unfunded as well as new liabilities over a period not more than 30 years (we suggest shorter periods for various sources of new liability) and amortize future gains and losses over a period not more than 15 years. (Note that GASB 68 may require the expensing of liabilities at a faster pace than these amortization periods.)
3. Contribute at least the recommended contribution each year.

Deviations from these recommendations may result in an “actuarially unsound” approach to funding KJRP and may eventually result in KJRP becoming insolvent – that is, exhausting assets at which time all future benefits would be provided on a pay as you go basis.

Although the Actuarial Standards of Practice 4 “Measuring Pension Obligations” allows for plan liabilities to be calculated under a legally prescribed method, the statement goes on to say,

“If, in the actuary’s professional judgment, such an actuarial cost method or amortization method is significantly inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming that all actuarial assumptions will be realized and that the plan sponsor or other contributing entity will make contributions when due, the actuary should disclose this.”

It is our professional actuarial opinion that the current legally prescribed method, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability (per KRS 21.525) and which (per KRS 21.405) does not recognize cost of living increases effective after the most recent valuation (assuming future increases are expected), is inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming all actuarial assumptions are realized. The current method of amortizing unfunded liabilities will not result in the full amortization of those liabilities.

In addition, the total cost of the Medical Premium Supplement for the Hybrid Tier is approximately 0.75% of pay, compared to the required employee contribution of 1% of pay. As a result, members are paying approximately 0.25% of pay more than the benefits are expected to be worth. The Medical plan is currently significantly overfunded and, without any changes, is expected to be increasingly overfunded going forward.

Senate Bill 32 was recently passed and made updates to the amortization period under KRS 21.525. This update establishes the use of a close amortization period effective July 1, 2023.

Summary of Benefits (Pension - Traditional Tier)

This summary is not a Summary Plan Description or a plan document. You should not rely solely on this summary in making a determination of eligibility of benefits. Liabilities and plan provisions are based on the plan data and provisions as of July 1, 2021.

Source

Sections 21.345-21.580 of the Kentucky Revised Statutes.

Eligibility for Membership

District, Circuit, Court of Appeals and Supreme Court Judges may, within 30 days after taking office, elect to make monthly contributions, and thereby become eligible for membership in the KJRP plan. Individuals commencing participation on or after January 1, 2014 will participate in the hybrid tier.

Employee Contributions

Members entering the plan on or after September 1, 2008 must contribute 6% of their “official salary”. Members entering the plan prior to September 1, 2008 must contribute 5% 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.

Normal Retirement

Condition

Members who have completed at least 8 years of service and have attained age 65. However, the age 65 requirement shall be reduced by one year for each five years of service, and one year for each year beyond the years of service needed to accrue a benefit of 100% of final average compensation, but with total reduction not to reduce the age requirement below 60. The full accrued benefit will also be payable upon completion of 27 years of service.

For purposes of determining years of service for vesting only, years of service under other authorized state systems will count.

Benefit Formula

The monthly retirement income, payable for the member’s lifetime, is based on the following formula:

Members who first participated before July 1, 1978, 5% of final average compensation multiplied by years of service, so long as his service continues without interruption. In no event shall the monthly retirement benefit exceed 100% of final average compensation. (Final average compensation means the average monthly compensation of the member for the 60 months of service immediately preceding retirement date, except for retirements occurring between January 1, 2003 and January 1, 2009, which shall use 36 months).

For an individual who first participated, or renewed former participation, between July 1, 1978 and June 30, 1980 the benefit shall be 4.15% of average compensation multiplied by years of service not to exceed 100% of average compensation.

July 1, 2022

For all other individuals, the benefit shall be 2.75% of average compensation multiplied by years of service not to exceed 100% of average compensation.

Early Retirement

Members who retire prior to normal retirement date with at least 8 years of service have two alternatives with regard to receiving retirement income as follows:

1. Upon reaching normal retirement age, the member may be vested with the right to receive a monthly service retirement allowance computed and payable on the basis of years of service and average salary for the 60 months prior to retirement, or
2. A member may elect to be paid, commencing as of the date of the election, a monthly service retirement allowance equivalent to the amount of monthly allowance that would have been paid had the member waited until reaching normal retirement age, but reduced in accordance with age at the time of election for each year under normal retirement age at the rate of 5% per year.

If the member has 27 or more years of service credit, there shall be no reduction for benefit commencement prior to normal retirement age. If the difference between the number of years of total governmental service and 27 is less than the difference between actual age and normal retirement age, the reduction shall be 5% for each year of service under 27.

Late Retirement

A judge may continue service beyond normal retirement age and continue to accrue service credits, but cannot receive a benefit in excess of 100% of final average compensation.

Disability Benefit

Condition

No service requirement.

Benefit

Upon determination of disability, a member will be eligible to receive $\frac{1}{2}$ of the monthly retirement income that would have been payable commencing at normal retirement date if this member had continued service until that date and then retired. In calculating the retirement income, average salary for the 5 years preceding disability will be used. When a disabled member reaches normal retirement date, the member may apply and start receiving the full amount of retirement income that would have been payable based upon the actual number of years of service and compensation, in lieu of the disability benefit.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income (other than an actuarially reduced income), or was receiving a disability income, the surviving spouse (if married to the member at the time of retirement) is entitled to receive a monthly allowance equal to $\frac{1}{2}$ of what the member was receiving for his/her lifetime.

If a member dies after retirement, and was at the time receiving an actuarially reduced allowance, or was not receiving an allowance, but had acquired a vested right to have received an allowance upon

reaching normal retirement date, the surviving spouse (if married to the member at the time of retirement) is entitled to receive $\frac{1}{2}$ of the monthly allowance the member would have received at normal retirement date for his/her lifetime.

If an active member dies before retirement and before reaching normal retirement age, without regard to length of service, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to $\frac{1}{2}$ of the monthly retirement income the member would have received commencing at the member's normal retirement date as if the member had continued in service until that date and then retired, computed on the basis of final compensation at the time of death.

If a member dies before retirement and after reaching normal retirement date, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to $\frac{1}{2}$ of the monthly allowance the member would have been entitled to on the basis of years of service, had the member retired on his date of death, computed on the basis of final compensation at the time of death.

If a member is not married at the time of death, any death benefits described above to which a surviving spouse would have been entitled will be payable to the children of the deceased member until such time as the youngest child attains age 21, or for the life of a disabled child. Also, a member may designate that survivor benefits shall go in part or in total to minor children instead of the spouse.

If cumulative payments to the member and/or beneficiary do not exceed the member's total contributions to this plan, then the excess of such contributions over cumulative plan benefits paid shall be paid as an additional death benefit.

Termination Benefit

If a Judge ceases to be a member of the plan other than by death or disability without having completed at least 8 years of service, then the amount of the member's accumulated contributions shall be returned to the member. If, thereafter, this individual again becomes a holder of an office qualifying for membership in this plan then this individual shall not be entitled to credit for the prior period of service unless, at the time he again participates in the plan, the amount previously refunded is repaid with interest.

Excess Benefit

Certain members of this plan have benefits that exceed the 415(b) dollar limit. These members have an excess benefit for the amount that exceeds this dollar limit. This excess benefit is included in this plan's liabilities and is paid out of this plan's assets.

Cost-of-Living Adjustment

Ad hoc cost-of-living adjustments (COLA's) have been granted as noted below:

<u>Effective Date of Increase</u>	<u>Percentage Increase</u>	<u>Increase Applies To Benefits Based on Service Prior To</u>
7/1/1986	5%	6/30/1980
7/1/1988	5%	6/30/1982
7/1/1989	5%	6/30/1982
7/1/1990	5%	6/30/1990
7/1/1991	5%	6/30/1991
7/1/1993	3%	6/30/1993
7/1/1994	5%	6/30/1994
7/1/1995	5%	6/30/1995
7/1/1996	None	N/A
7/1/1997	None	N/A
8/1/1998	2.3%	N/A
7/1/1999	1.6%	N/A
7/1/2000	2.2%	N/A
7/1/2001	3.4%	N/A
7/1/2002	2.85%	N/A
7/1/2003	1.6%	N/A
7/1/2004	2.3%	N/A
7/1/2005	2.7%	N/A
7/1/2006	3.4%	N/A
7/1/2007	3.2%	N/A
7/1/2008	2.8%	N/A
7/1/2009 and later*	1.5%	N/A

*COLA's were suspended for fiscal years beginning in 2012 and later; COLA's after 7/1/2013 are not reflected in this valuation. No further COLA's will be granted until the plan is 100% funded, unless a one-time COLA is 100% prefunded.

In addition, a provision for an on-going cost-of-living adjustment is made by statute. Effective August 1, 1998 and each July 1 thereafter, a recipient of a monthly pension shall receive a cost-of-living adjustment keyed to the Consumer Price Index. This COLA is excluded from the inviolable contract and can be repealed by the General Assembly at any time. Beginning July 1, 2009, if granted, this cost-of-living adjustment will be 1.50% for all retirees who have been retired in excess of one year and prorated for those retired less than one year.

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted, except for any anticipated COLA adjustments under the provision as in effect prior to August 1, 1998.

Summary of Benefits (Pension - Hybrid Tier)

Source

Sections 21.345-21.580 of the Kentucky Revised Statutes. {See 2013 Senate Bill 2}.

Eligibility for Membership

District, Circuit, Court of Appeals and Supreme Court Judges may, within 30 days after taking office, elect to make monthly contributions, and thereby become eligible for membership in the KJRP-HT plan. Individuals commencing participation before January 1, 2014 became participants in the KJRP.

Hypothetical Member Accounts

The Hypothetical Member Account for each member is credited monthly with 9% of “creditable compensation” (including a 5% employee credit and a 4% state credit), as well as interest as described below. The Hypothetical Member Account balance on June 30 each year is equal to the sum of all prior contribution credits and all prior interest credits.

Employee Contributions

All members contribute 5% of their “creditable compensation” to help fund their pension benefit. Additionally, all members contribute 1% of their “creditable compensation” towards the retiree medical benefit.

State Contributions

The state contributes actuarially determined amounts to finance benefits.

Creditable Compensation

Creditable compensation is based on actual compensation received during each year.

Interest on Hypothetical Member Accounts

The Hypothetical Member Account will be credited with 4% annually. The credit will be applied on each June 30 based upon the Hypothetical Member Account balance from the preceding June 30. No interest credit is provided for contribution credits made in the current year.

Additionally, if the geometric average net investment return for the prior five years (or years since the effective date of the hybrid plan, if less) exceed 4%, members who were active and participating in the prior year will have their hypothetical accounts credited with 75% of the amount of the return over 4%. This additional interest credit is applied in the same method as the interest credit in the prior paragraph.

Normal Retirement

Condition

Members who have attained age 65 and completed at least 5 years of service. However, for members who are at least age 57, members may retire if age plus service equals 87 years.

Benefit

A member will receive their accumulated Hypothetical Account as either a lump sum or as one of a variety of annuity options, calculated by dividing their accumulated Hypothetical Account by an actuarial factor.

Early Retirement

A member who retires prior to normal retirement date with at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

Termination Benefit

If a judge ceases to be a member of the plan prior to having 5 years of service, the amount of the member's accumulated contributions shall be returned to the member, including the member contributions and the interest applicable to this portion of the account. A member terminating with less than 5 years of service does not receive a refund of state contributions nor the interest applicable to this portion of the account.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income, the named beneficiary shall receive survivor benefits based upon the form of retirement benefits being received.

If a member with at least 5 years of service dies before retirement, the named beneficiary is entitled to receive a full refund of the accumulated Hypothetical Member Account. If a member with less than 5 years of service dies before retirement, the named beneficiary is entitled to receive a refund of the member's accumulated contributions, including the member contributions and the interest applicable to this portion of the account.

Summary of Benefits (OPEB Plan)

Eligibility

For those hired prior to January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KJRP Traditional Tier. For those hired on or after January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KJRP Hybrid Tier.

Benefits

Retirees and their covered spouses are provided access to the State of KY group medical plan. Benefits for eligible retirees and their covered spouses are provided for life.

Contributions

Traditional Tier

Retiree and their covered spouses are required to pay a portion of the medical insurance premiums to receive coverage under the group medical plan. The percentage will vary based on the number of years of service credit as follows:

<u>Years of Service Credit at Retirement</u>	<u>Percentage of Medical Insurance Premium Paid by the Plan</u>
20 or more	100%
15, but less than 20	75%
10, but less than 15	50%
4, but less than 10	25%
Less than 4	0%

Hybrid Tier

Retired members with at least 15 years of service, in addition to actual retirement benefits, will receive a monthly medical insurance benefit of ten dollars per year of service. All members contribute 1% of creditable compensation during active service. In addition, during retirement members must contribute the difference between the premium rates in effect that year and their monthly medical insurance stipend.

Actuarial Assumptions

Interest

6.5% per annum – this rate was selected by the KJRP Investment Committee and USI Consulting Group and the Fund Investment Manager believe this to be a reasonable long-term rate of return assumption.

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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.5% was used for the discount rate/long-term rate of return assumption for GASB calculations.

Mortality

PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcounted weighted version of this table was used. No pre-retirement mortality is assumed for the Hybrid Plan.

Terminations

None assumed

Salary Increases

1% for the next 3 years and 3.5% thereafter.

Disability

None

Retirement Age

Retirements were assumed to occur as follow:

<u>Retirement Age</u>	<u>Percentage of Active Members Retiring</u>
NRA-5	15.00%
NRA-4	7.50%
NRA-3	7.50%
NRA-2	15.00%
NRA-1	20.00%
NRA	20.00%
Above NRA	33.33%*
Age 70	100.00%

NRA = Normal Retirement Age

In addition to these rates, for members of the traditional tier only, an extra 20% rate is assumed at the age a member reaches 27 years of service credit.

Post-Retirement Death Benefit

Assumption is that 70% of the judges would be married at retirement and the husband would be 3 years older than the wife on average.

Pre-Retirement Death Benefit

Assumption is that 70% of the judges would be survived by a spouse upon death prior to retirement and that the husband would be 3 years older than the wife on average.

Benefit Commencement Age

Terminated participants who have not yet begun receiving their benefits are assumed to retire at their Normal Retirement Date.

Cost-of-Living Adjustment

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted.

Expenses

Estimated administrative expenses (assumed to be \$410,200 effective for the 2021-22 plan year).

Medical Insurance Premium Supplement

Plan Participation

100% of future eligible retirees are assumed to elect coverage at retirement.

Marital Status

Current elections are assumed to persist each year in the future. For pre-Medicare 2021 data, we expect approximately 42% of those covered also cover a spouse. For post-Medicare participants, we expect 70% will cover a spouse.

Medical Claims Cost for 2021-22

The per contract medical claims cost for 2021-2022 is determined based on the group premium rates, weighted by tier of coverage, and applied on a per contract basis based on the member's life. Weighted premiums are aged from the average age of the covered group. The premiums for 2021-22 and the current tier elections are shown in the table below:

	Monthly Premium Rates	Current Tier Elections
Pre-Medicare Coverage		
Family	\$1,841.08	21.67%
Single	\$753.76	46.67%
Parent Plus	\$1,075.44	11.67%
Member and Spouse	\$1,653.10	20.00%
Medicare Coverage		
Medicare Advantage PPO	\$274.91	100.00%

Based on these weightings, the assumed annual claims cost per contract for a male, age 65 are:

<u>Pre-65 Cost</u>	<u>Post-65 Cost</u>
\$ 17,486	\$ 5,608

Age Variance

Claims were adjusted downward using the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013 for attained ages 55 to 65. No aging was applied to the Medicare Advantage premium rates.

Health Care Cost Trend Rate

6.25% grading to 5.75% over 2 years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075.

Administrative Expenses

Administrative expenses are assumed to be included in the per capita claims cost.

Retiree Contributions

Traditional Tier

Retirees are required to pay a percentage of the premium rate in effect at retirement based on years of service, as described in the plan provisions section of the report.

Hybrid Tier

Retirees are required to contribute 1% of creditable compensation during active service. Upon retirement, retirees must contribution the difference between the premium rates in effect each year and their monthly stipend. Monthly stipends are \$10 per year of service.

Coordination with Medicare

Benefits for retirees are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. It is assumed to pay benefits secondary to Medicare after attaining age 65.

Non-members

Judges electing not to participate are assumed to continue as non-members in the future.

Actuarial Methods

Funding Method

Accrued liability and normal cost calculated based on Entry Age Normal funding method. The required contribution is calculated based on KRS 21.525, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability.

Asset Valuation Method

The determination of the actuarial value of assets is as follows:

1. Investment gains/losses are determined for each year by comparing the expected value of assets based on the assumed interest assumption to actual market value. Expected value of assets in each year shall be determined by projecting the market value of assets from the prior year using the assumed interest rate, plus contributions less benefit payments and plan expenses (adjusted with interest at the assumed rate). If the expected value of plan assets is different than the actual market value of plan assets then the difference is treated as a gain or loss for that year.
2. The amount of any gain or loss as determined above shall be recognized evenly over the subsequent five years.
3. The actuarial value of assets on any valuation date shall be equal to the market value of assets on that date adjusted as follows:
 - Reduced by 80% of a gain or increased by 80% of a loss from the preceding year
 - Reduced by 60% of a gain or increased by 60% of a loss from the 2nd preceding year
 - Reduced by 40% of a gain or increased by 40% of a loss from the 3rd preceding year
 - Reduced by 20% of a gain or increased by 20% of a loss from the 4th preceding year
4. In no event will the actuarial value of assets be less than 80% or greater than 120% of the current market value of assets

This asset valuation method is used in the determination of funding levels. The fair market value of assets is used for disclosure purposes under GASB Statement Nos. 67, 68, 74, and 75.

For purposes of GASB Statement Nos. 67, 68, 74, and 75, the market value of assets has been allocated between retirement related and medical premium supplement liabilities. This market value allocation is carried forward each year based on the following:

1. State and member contributions, as well as transfers for purchase of additional service, are allocated pro-rata reflecting the Annual Required Contribution for that year.
2. Benefits paid reflect actual benefits paid relative to retirement related benefits separately from medical premium supplements.
3. Preliminary assets are determined by adjusting beginning value for allocated State and member contributions and actual benefits paid.
4. Net investment return is allocated pro-rata based on the preliminary assets developed in the previous step.
5. Allocated assets as of the valuation date equal the preliminary balance plus the allocated share of investment income.

Actuarial value of assets is developed initially in total and then allocated between retirement related benefits and medical premium supplement benefits on a pro-rata basis reflecting allocated share of market value as of the valuation date.

Actuarial Certification

The information contained in this document (including any attachments) is not intended by USI Consulting Group to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer. The information and valuation results shown in this report are, to the best of our knowledge, complete and accurate and are based upon the following:

1. The liabilities used in this report are based on a roll forward of liabilities from the July 1, 2021 Actuarial Valuation Report.
2. Financial data as of June 30, 2022, submitted by the Kentucky Judicial Form Retirement System. This data was not audited by us but appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions and methods are established either by statute or the Board. The actuarial assumptions currently adopted by the Board appear to be reasonable, both individually and in aggregate. However, exclusion of retiree cost-of-living adjustments that can be reasonably anticipated to occur in future years (or for which there is an intent to provide in future years) does not reflect our best estimate of expected experience under the plan. As such, the valuation results presented in this report, including GASB disclosure information, do not fully reflect the potential liability for future retiree cost-of-living adjustments.
4. For purposes of GASB 67, 68, 74, and 75 disclosures, assets were split between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2008 and have been brought forward each year from that date based on actual cash flows and a prorata allocation of investment return. This methodology, initiated by the prior actuary, was based on guidance from the plan's auditor.

We believe the information is sufficiently complete and reliable. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles. The actuarial valuation is based on actuarial assumptions used in the July 1, 2021 report. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for USI Consulting Group, member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Certified by:



Mathew Widick, F.S.A., E.A., C.E.R.A., M.A.A.A.
Senior Actuarial Consultant

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Brentwood, TN 37027
(615) 665-1640

October 7, 2022

Date

GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	<u>June 30, 2022</u>
Additions	
Contributions:	
Employer	\$7,063,402
Employee	<u>2,395,236</u>
Total Contributions	9,458,638
Transfer In Payments	0
Investment Income	(42,019,008)
Other	<u>0</u>
Total Additions	(32,560,370)
Deductions	
Benefit Payments / Refunds	24,990,167
Administrative Expenses	0
Other	<u>0</u>
Total Deductions	<u>24,990,167</u>
Net Increase in Net Position	(57,550,537)
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	<u>448,440,179</u>
End of Year Market Value of Assets	<u>\$390,889,642</u>

Net Pension Liability

Determination of Net Pension Liability

	<u>June 30, 2022</u>
Total Pension Liability (6.5%)	376,657,581
Plan Fiduciary Net Position (Market Value of Assets)	<u>(390,889,642)</u>
Net Pension Liability	<u><u>(\$14,232,061)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.78%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease	Current Rate	1% Increase
	(5.5%)	(6.5%)	(7.5%)
	<hr/>		
Net Pension Liability	\$20,981,416	(\$14,232,061)	(\$44,455,835)

Schedule of Changes in the Net Pension Liability and Related Ratios (Dollar amounts in millions)

	fiscal year ending June 30									
	2014	2015	2016	2017	2018	2019	2021	2021	2022	2023
Total Pension Liability										
Service cost	\$5.0	\$5.0	\$5.0	\$4.9	\$4.1	\$4.1	\$3.5	\$3.6	\$4.3	
Interest	21.9	22.2	23.4	23.8	22.7	22.9	23.4	23.7	23.8	
Changes of benefit terms	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Differences between expected and actual experience	0.0	4.4	0.0	(8.8)	0.0	(0.1)	0.0	(5.3)	0.0	
Changes of assumptions	29.1	(4.4)	0.0	(2.1)	0.0	(7.7)	0.0	9.1	(5.9)	
Benefit Payments / Refunds	(21.8)	(22.3)	(22.9)	(23.0)	(23.2)	(24.2)	(24.4)	(24.4)	(25.0)	
Net Change in Total Pension Liability	\$34.2	\$5.0	\$5.5	(\$5.3)	\$3.7	(\$4.9)	\$2.5	\$6.7	(\$2.8)	
Total Pension Liability - beginning	332.1	366.3	371.3	376.8	371.5	375.2	370.3	372.7	379.5	
Total Pension Liability - ending (a)	\$366.3	\$371.3	\$376.8	\$371.5	\$375.2	\$370.3	\$372.7	\$379.5	\$376.7	
Plan Fiduciary Net Position (Market Value of Assets)										
Contributions - employer	\$10.8	\$15.1	\$15.2	\$12.0	\$12.0	\$8.7	\$8.7	\$6.8	\$7.1	
Contributions - employee	2.8	1.9	1.8	1.6	2.0	1.5	1.7	1.9	2.4	
Transfer In Payments	1.6	0.2	0.1	0.0	0.6	0.0	0.0	0.0	0.0	
Net investment income	33.2	25.6	8.7	34.6	27.1	38.6	19.5	122.8	(42.0)	
Benefit Payments / Refunds	(21.8)	(22.2)	(22.9)	(23.0)	(23.2)	(24.2)	(24.4)	(24.4)	(25.0)	
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Change in Plan Fiduciary Net Position	\$26.6	\$20.7	\$2.9	\$25.2	\$18.4	\$24.6	\$5.6	\$107.1	(\$57.5)	
Plan Fiduciary Net Position - beginning	217.3	243.9	264.6	267.5	292.7	311.1	335.7	341.3	448.4	
Plan Fiduciary Net Position - ending (b)	\$243.9	\$264.6	\$267.5	\$292.7	\$311.1	\$335.7	\$341.3	\$448.4	\$390.9	
Net Pension Liability - ending (a) - (b)	\$122.4	\$106.7	\$109.3	\$78.8	\$64.1	\$34.6	\$31.4	(\$68.9)	(\$14.2)	
Plan Fiduciary Net Position as a % of the Total Pension Liability	66.6%	71.3%	71.0%	78.8%	82.9%	90.7%	91.6%	118.2%	103.8%	
Covered-employee payroll	\$32.9	\$31.9	\$31.9	\$30.3	\$30.6	\$30.6	\$30.9	\$29.5	\$29.8	
Net Pension Liability as a % of covered-employee payroll	371.7%	334.5%	342.6%	260.1%	209.5%	113.1%	101.6%	(233.6%)	(47.7%)	
Discount Rate (traditional)	6.15%	6.41%	6.41%	6.24%	6.24%	6.47%	6.47%	6.50%	6.50%	
Discount Rate (hybrid)	n/a	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%	

Kentucky Judicial Retirement Plan
July 1, 2022

Schedule of Contributions

(Dollar amounts in millions)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution ¹	\$15.2	\$15.1	\$15.2	\$12.0	\$12.0	\$9.3	\$9.9	\$6.7	\$7.9	
Contributions in relation to the actuarially determined contribution	10.8	15.1	15.2	12.0	12.0	8.7	8.7	6.8	7.1	
Contribution deficiency (excess)	\$4.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.6	\$1.2	(\$0.1)	\$0.8	
Covered-employee payroll	\$32.9	\$31.9	\$31.9	\$30.3	\$30.6	\$30.6	\$30.9	\$29.5	\$29.8	
Contributions as a percentage of covered-employee payroll	32.8%	47.3%	47.6%	39.6%	39.2%	28.4%	28.2%	23.1%	23.8%	

¹ Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption.

Additional Requirements Under GASB Statement No. 67

GASB Statement No. 67 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 67, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. USI Consulting Group is prepared to assist the system as needed.

GASB Statement No. 68

Schedule of Changes in NPL, Deferrals, & Pension Expense

	Increase (Decrease)			Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources	Pension Expense
	Total Pension Liability (a)	Plan Net Position (Assets) (b)	Net Pension Liability (a) - (b)			
Balances—at 06/30/21	<u>\$379,534,564</u>	<u>\$448,440,179</u>	<u>\$ (68,905,615)</u>	<u>\$ 14,138,945</u>	<u>\$ 93,496,987</u>	
Changes for the Year:						
Service cost	4,270,153		4,270,153			4,270,153
Interest expense	23,751,102		23,751,102			23,751,102
Benefit changes						
Experience losses (gains)	-		-	-	-	(1,972,037)
Changes of assumptions	(5,908,071)		(5,908,071)	-	2,305,589	(144,932)
Contributions—State		7,063,402	(7,063,402)			
Contributions—Members		2,395,236	(2,395,236)			(2,395,236)
Transfer In Payments		-	-			
Net investment income		(42,019,008)	42,019,008			
Expected return on plan investments						(28,569,402)
Current expense of asset gain/loss						(11,233,011)
Non expensed asset gain/loss				56,470,728	-	
Refunds of contributions	-	-	-			
Benefits paid	(24,990,167)	(24,990,167)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(7,177,846)		
Post-measurement Contribution				4,981,770		
Other changes						
Amortization of or change in beginning balances				(3,833,377)	(27,698,557)	
Net Changes	<u>(2,876,983)</u>	<u>(57,550,537)</u>	<u>54,673,554</u>	<u>50,441,275</u>	<u>(25,392,968)</u>	<u>(16,293,363)</u>
Balances—at 06/30/22	<u>\$376,657,581</u>	<u>\$390,889,642</u>	<u>\$ (14,232,061)</u>	<u>\$ 64,580,220</u>	<u>\$ 68,104,019</u>	<u>\$ (16,293,363)</u>

Kentucky Judicial Retirement Plan
July 1, 2022

Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized pension expense/(income) will be (\$16,293,363). At June 30, 2023, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	As of June 30, 2022		Recognized in Pension Expense	As of June 30, 2023		Remaining Amort. Period
	Deferred Outflows of Resources	Deferred Inflows of Resources		Deferred Outflows of Resources	Deferred Inflows of Resources	
Experience losses (gains)						
- 6/30/2017	50,109		5,354	44,756		8.360 years
- 6/30/2019	177,994		15,924	162,071		10.178 years
- 6/30/2021	-	3,269,036	(1,993,314)	-	1,275,722	0.640 years
subtotal	228,103	3,269,036	(1,972,037)	206,826	1,275,722	
Change of assumptions						
- 6/30/2017	-	7,120	(761)	-	6,360	8.360 years
- 6/30/2021	5,671,629	-	3,458,311	2,213,318	-	0.640 years
- 6/30/2022	-	5,908,071	(3,602,482)	-	2,305,589	0.640 years
subtotal	5,671,629	5,915,191	(144,932)	2,213,318	2,311,949	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	1,678,685	(1,678,685)	-	-	0.000 years
- 6/30/2019	-	7,561,040	(3,780,520)	-	3,780,520	1.000 year
- 6/30/2020	1,061,367	-	353,789	707,578	-	2.000 years
- 6/30/2021	-	80,981,106	(20,245,277)	-	60,735,829	3.000 years
- 6/30/2022	70,588,410	-	14,117,682	56,470,728	-	4.000 years
subtotal	71,649,777	90,220,831	(11,233,011)	57,178,306	64,516,349	
Total	\$ 77,549,509	\$ 99,405,058	\$ (13,349,980)	\$ 59,598,450	\$ 68,104,020	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactive (0 years of future service is assumed for inactive for this calculation).

OPEB Expense & Deferred Outflows/Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	(10,901,803)
2025	(5,753,290)
2026	(6,107,076)
2027	14,138,198
2028	20,516
Thereafter	97,884

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 68 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	\$ -
Change of Assumptions Losses (gains)*	(5,908,071)
<u>Asset Losses (gains)</u>	<u>70,588,410</u>
Total	\$ 64,680,339

* This new base is due to the issue discussed in the "Programming Update Note" on page 2.

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	<u>June 30, 2022</u>
Additions	
Contributions	
Employer	84,098
Employee	63,650
Total Contributions	<u>147,748</u>
Transfer In Payments	0
Investment Income	(12,828,042)
Other	0
Total Additions	<u>(12,680,294)</u>
Deductions	
Benefit Payments / Refunds	1,899,846
Administrative Expenses	0
Other	0
Total Deductions	<u>1,899,846</u>
Net Increase in Net Position	<u>(14,580,140)</u>
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	<u>133,915,389</u>
End of Year Market Value of Assets	<u>\$119,335,249</u>

Net OPEB Liability

Determination of Net OPEB Liability

Total OPEB Liability	40,619,947
Plan Fiduciary Net Position (Market Value of Assets)	<u>(119,335,249)</u>
Net OPEB Liability	<u><u>(\$78,715,302)</u></u>

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability 293.78%

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease on Trend Assumption	Current Trend Assumption	1% Increase on Trend Assumption
Net OPEB Liability	(\$83,241,866)	(\$78,715,302)	(\$73,301,371)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	(\$73,852,418)	(\$78,715,302)	(\$82,786,987)

Schedule of Changes in the Net OPEB Liability and Related Ratios

(Dollar amounts in millions)

	fiscal year ending June 30									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Total OPEB Liability										
Service cost	\$1.2	\$0.9	\$0.9	\$0.7	\$0.7	\$0.7				
Interest	4.6	3.3	3.6	3.0	3.2	2.5				
Changes of benefit terms	0.0	0.0	0.0	0.0	0.0	0.0				
Differences between expected and actual experience	(22.1)	0.0	(9.7)	0.0	(9.3)	0.0				
Changes of assumptions	5.6	0.0	0.1	0.0	(2.3)	0.0				
Benefit Payments / Refunds	(1.9)	(2.0)	(2.0)	(2.0)	(1.8)	(1.9)				
Net Change in Total OPEB Liability	(\$12.6)	\$2.2	(\$7.1)	\$1.8	(\$9.6)	\$1.3				
Total OPEB Liability - beginning	64.7	52.1	54.4	47.3	49.0	39.4				
Total OPEB Liability - ending (a)	\$52.1	\$54.4	\$47.3	\$49.0	\$39.4	\$40.6				
Plan Fiduciary Net Position (Assets)										
Contributions - employer	\$1.2	\$1.2	\$0.0	\$0.0	\$0.0	\$0.1				
Contributions - employee	0.1	0.2	0.0	0.0	0.1	0.1				
Transfer In Payments	0.0	0.1	0.0	0.0	0.0	0.0				
Net investment income	9.4	7.6	11.0	5.6	36.7	(12.8)				
Benefit Payments / Refunds	(1.9)	(2.0)	(2.0)	(2.0)	(1.8)	(1.9)				
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0				
Other	0.0	0.0	0.0	0.0	0.0	0.0				
Net Change in Plan Fiduciary Net Position	\$8.8	\$7.1	\$9.1	\$3.7	\$35.0	(\$14.5)				
Plan Fiduciary Net Position - beginning	70.3	79.2	86.3	95.4	99.0	133.9				
Plan Fiduciary Net Position - ending (b)	\$79.2	\$86.3	\$95.4	\$99.0	\$133.9	\$119.3				
Net OPEB Liability - ending (a) - (b)	(\$27.0)	(\$31.9)	(\$48.0)	(\$50.1)	(\$94.5)	(\$78.7)				
Plan Fiduciary Net Position as a % of the Total OPEB Liability	152.0%	158.6%	201.7%	202.0%	339.8%	293.8%				
Covered-employee payroll	\$30.3	\$30.6	\$30.6	\$30.9	\$29.5	\$29.8				
Net OPEB Liability as a % of covered-employee payroll	(89.1%)	(104.2%)	(156.9%)	(162.1%)	(320.3%)	(264.1%)				
Discount Rate (traditional)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%				
Discount Rate (hybrid)	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%				

Schedule of Contributions

(Dollar amounts in millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Actuarially determined contribution ¹	\$1.2	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0				
Contributions in relation to the actuarially determined contribution	1.2	1.2	0.0	0.0	0.0	0.1				
Contribution deficiency (excess)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.1)				
Covered-employee payroll	\$30.3	\$30.6	\$30.6	\$30.9	\$29.5	\$29.8				
Contributions as a percentage of covered-employee payroll	4.0%	3.9%	0.0%	0.0%	0.0%	0.3%				

¹ Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption.

Additional Requirements Under GASB Statement No. 74

GASB Statement No. 74 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 74, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. USI Consulting Group is prepared to assist the system as needed.

GASB Statement No. 75

Schedule of Changes in NOL, Deferrals, & OPEB Expense

	Increase (Decrease)			Deferred OPEB Outflows of Resources	Deferred OPEB Inflows of Resources	OPEB Expense
	Total OPEB Liability (a)	Plan Net Position (Assets) (b)	Net OPEB Liability (a) - (b)			
Balances--at 06/30/21	<u>\$ 39,389,897</u>	<u>\$ 133,915,389</u>	<u>\$(94,525,492)</u>	<u>\$ 332,485</u>	<u>\$ 34,037,282</u>	
Changes for the Year:						
Service cost	650,744		650,744			650,744
Interest expense	2,479,152		2,479,152			2,479,152
Benefit changes						
Experience losses (gains)	-		-	-	-	(3,514,917)
Changes of assumptions	-		-	-	-	(886,765)
Contributions--State		84,098	(84,098)			
Contributions--Members		63,650	(63,650)			(63,650)
Transfer In Payments		-	-			
Net investment income		(12,828,042)	12,828,042			
Expected return on plan investments						(8,721,993)
Current expense of asset gain/loss						(3,189,705)
Non expensed asset gain/loss				17,240,028	-	
Refunds of contributions	-	-	-			
Benefits paid	(1,899,846)	(1,899,846)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				-		
Post-measurement Contribution				-		
Other changes						
Amortization of or change in beginning balances				(106,830)	(12,008,224)	
Net Changes	<u>1,230,050</u>	<u>(14,580,140)</u>	<u>15,810,190</u>	<u>17,133,198</u>	<u>(12,008,224)</u>	<u>(13,247,134)</u>
Balances--at 06/30/22	<u>\$ 40,619,947</u>	<u>\$ 119,335,249</u>	<u>\$(78,715,302)</u>	<u>\$ 17,465,682</u>	<u>\$ 22,029,058</u>	<u>\$(13,247,134)</u>

Kentucky Judicial Retirement Plan

July 1, 2022

OPEB Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized OPEB expense will be (\$13,247,134). At June 30, 2023, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to OPEBs from the following sources:

	As of June 30, 2022		Recognized in Pension Expense	As of June 30, 2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources		Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)						
- 6/30/2017	3,140	-	335	2,805		8.360 years
- 6/30/2011	12,179	-	1,090	11,089		10.178 years
- 6/30/2021	-	5,766,802	(3,516,342)	-	2,250,460	0.640 years
subtotal	15,319	5,766,802	(3,514,917)	13,894	2,250,460	
Change of assumptions						
- 6/30/2018	1,302	-	117	1,185	-	12.178 years
- 6/30/2021	-	1,454,486	(886,882)	-	567,604	0.640 years
subtotal	1,302	1,454,486	(886,765)	1,185	567,604	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	485,494	(485,494)	-	-	0.000 years
- 6/30/2019	-	2,147,528	(1,073,763)	-	1,073,765	1.000 years
- 6/30/2020	315,864	-	105,288	210,576	-	2.000 years
- 6/30/2021	-	24,182,972	(6,045,743)	-	18,137,229	3.000 years
- 6/30/2022	21,550,035	-	4,310,007	17,240,028	-	4.000 years
subtotal	21,865,899	26,815,994	(3,189,705)	17,450,604	19,210,994	
Total	\$ 21,882,520	\$ 34,037,282	\$ (7,591,387)	\$ 17,465,683	\$ 22,029,058	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactive (0 years of future service is assumed for inactive for this calculation).

Kentucky Judicial Retirement Plan

July 1, 2022

OPEB Expense & Deferred Outflows/Inflows of Resources (continued)

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

Year ended June 30:	
2024	(5,520,735)
2025	(1,628,906)
2026	(1,734,194)
2027	4,311,549
2028	1,542
Thereafter	7,369

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 75 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	\$ -
Change of Assumptions Losses (gains)	-
<u>Asset Losses (gains)</u>	<u>21,550,035</u>
Total	\$ 21,550,035

Actuarial Asset Value

Determination of Actuarial Asset Value

	2021-22 Plan Year	2020-21 Plan Year	2019-20 Plan Year	2018-19 Plan Year
Interest Return Assumption	6.50%	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)
Market Value at Beginning of Year				
Amount	\$ 582,355,568	\$ 440,345,549	\$ 431,034,410	\$ 397,381,006
Interest to End of Year	37,853,112	28,576,747	27,984,359	25,808,153
Employer Contributions				
Amount	7,147,500	6,770,812	8,732,300	8,732,300
Interest to End of Year	232,294	217,514	282,615	282,615
Member Contributions				
Amount	2,458,886	1,995,925	1,799,040	1,592,479
Interest to End of Year	79,914	60,941	55,048	48,561
Transfers from KERS				
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Benefits Paid				
Amount	26,890,013	26,215,094	26,389,189	26,229,715
Interest to End of Year	873,925	851,924	857,649	852,406
Expected End of Year Assets	602,363,336	450,900,470	442,640,934	406,762,993
Market Value at End of Year	510,224,891	582,355,568	440,345,549	431,034,410
Investment Gain (Loss)	(92,138,445)	131,455,098	(2,295,385)	24,271,417
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	73,710,756	(78,873,059)	918,154	(4,854,283)
Actuarial Asset Value (Market Value plus Adjustment)	\$ 501,126,459			

	Retirement	Medical Supplement
Market Value at Beginning of Year	\$448,440,179	\$133,915,389
State Contributions	7,063,402	84,098
Member Contributions	2,395,236	63,650
Transfers In Payments	-	-
Distributions	24,990,167	1,899,846
Allocated Investment Return	(42,019,008)	(12,828,042)
Market Value at End of Year	\$390,889,642	\$119,335,249
Allocation of Actuarial Asset Value	\$383,919,220	\$117,207,239

Risk Assessment

Risk Factor	Initial Risk Assessment Language
Investment	Due to the plan's substantial equity exposure, investment returns will likely be much more volatile than the measurements of plan liabilities. Therefore, there is a risk that the funded status of the plan, as well as required plan contributions, could be volatile.
Assumed Rate of Return	Due to the plan's estimated duration of 9 to 11, a 1% decrease in the assumed rate of investment return would increase the measurement of the liability by 9% to 11%.
Longevity	Since nearly all of the plan liability is projected to be paid as annuities, the plan is sensitive to changes in overall population longevity. As a result, the liabilities will fluctuate with changes in longevity. The ratio of retired life liability to total liability is 68%, suggesting there is less sensitivity to long-term changes in overall mortality improvement than a less mature plan.
Other demographic factors	Due to the eligibility for unreduced and subsidized retirement benefits, employees continuing in service for longer than expected will accrue additional benefits which may or may not result in larger liabilities. Conversely, employees retiring sooner than anticipated will accrue smaller benefits which may or may not result in smaller liabilities.
Lump sums	No significant known risks. However, as the Hybrid Tier becomes a larger percentage of the total liability, this risk will become more significant. Since lump sum benefits are equal to the cash balance for the Hybrid Tier, lump sum payments have a comparable effect on both assets and liabilities.
Inflation	Inflation is a component of future interest rates and investment returns over a long period. As a result, changes to inflation can affect funded percentages.
Other Factors	Due to recent and ongoing attempts to pass pension reform legislation at a state level, the plan could be modified in the future. Future legislation may affect benefit levels or future contribution levels and could result in increases or decreases in the plan liabilities or funding status.

USI Consulting Group can perform more detailed assessments of these risks as desired by the plan sponsor to provide a better understanding of the risks.

GASB Notes

Notes to GASB 67, 68, 74, and 75 Disclosures

1. Actuarial accrued liability is based on the entry age normal funding method.
2. Market value of assets as of July 1, 2007 was allocated between pension and OPEB obligations based on proportionate share of accrued liability on that date. Allocations in subsequent years are based on prior year allocated value adjusted for contributions and benefits paid during the year, with investment return (net of expenses) allocated proportionately between retirement and OPEB obligations. Actuarial value of assets is then allocated based on the market value of retirement and OPEB assets.
3. Actuarial value of assets uses a 5-year asset smoothing method.
4. Information used in preparing these exhibits has been extracted from past valuation reports.

Note: Above statements are partially based on information furnished by the prior actuary.

5. Covered payroll reflects payroll for all current plan members.
6. ADC based on full actuarial report (odd numbered years) immediately prior to each biennium. ADC amount shown is for basic valuation, without any future COLA reflected but with interest adjustment as appropriate.
7. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
8. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).
9. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 74.
10. It is assumed the measurement date for GASB 75 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).

Glossary of Terms

Amortization – The process of systematically recognizing prior gains and losses as a component of the Pension Expense.

Fiduciary Net Position – The market value of assets as of a specified measurement date.

Funded Status – The difference between the Fiduciary Net Position and the Total Pension Liability as of the measurement date.

Gain/Loss – A change in the value of either the Total Pension Liability or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption.

Interest Cost – The amount recognized in a period determined as the increase in the Total Pension Liability due to the passage of time.

Pension Expense – The sum of Service Cost, Interest Cost, Expected Return on Assets and amortizations of Actuarial Gain/Loss over the average remaining service period (or the life expectancy) of plan participants expected to receive plan benefits plus a 5-year amortization of Asset Gain/Loss.

Service Cost – is the actuarial present value of benefits attributed to services rendered by employees during the measurement.

Total Pension Liability – The Entry Age Normal Accrued Liability.



Kentucky Legislators Retirement Plan

GASB Disclosure Report as of July 1, 2022

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Introduction

An actuarial valuation of the Kentucky Legislators Retirement Plan (“KLRP”) was last performed as of July 1, 2021. The results shown in this report as of July 1, 2022 were developed using a “roll-forward” method that employs generally accepted actuarial techniques. The results in this report have been developed with full reliance on the July 1, 2021 Actuarial Valuation Report.

Actuarial valuations are based on the integrity of employee data, plan asset data, plan provisions and an extensive set of assumptions regarding future events. There is necessary uncertainty with any actuarial calculation based on the accuracy of the data provided, the correct interpretation of plan provisions and the realization of the assumptions made. These results were based on participant data and asset information provided by the Kentucky Judicial Form Retirement System. This information was not audited but was reviewed for reasonableness.

Detailed explanations of the actuarial assumptions and methods used in the report are contained in later sections of this report. Also included in this report is a summary of provisions of the plan as we understand them.

Governmental Accounting Standards Board Statement 67 (“GASB 67”) and Statement 74 (“GASB 74”) establish financial reporting standards for defined benefit pension plans and other postemployment benefit (OPEB) plans sponsored by employers that are subject to governmental accounting standards. Governmental Accounting Standards Board Statement 68 (“GASB 68”) and Statement 75 (“GASB 75”) provide standards for reporting pension and OPEB expenditures and expense, and related liabilities and assets for such plans. The purpose of this report is to provide pertinent financial statement disclosure information for the fiscal year ending in 2022. Actuarial computations under Statements 67, 68, 74, and 75 are for purposes of fulfilling plan and employer governmental accounting requirements and may not be appropriate for other purposes. This report has been prepared on a basis consistent with our understanding of the statements and does not constitute legal, accounting, tax or investment advice.

Statements 68 and 75 set forth a methodology for the calculation of the annual Pension Expense for the upcoming fiscal year. GASB 68 and GASB 75 provide a method for reflecting prior gains and losses from asset and plan experience, as well as other areas including plan amendments. Amounts not reflected previously or in the upcoming year are reflected in the Deferred Outflows and Inflows of Resources shown.

USI Consulting Group does not have access to and is not providing information concerning liabilities other than benefits, such as for legal or accounting fees.

USI Consulting Group is not aware of any significant events subsequent to the current year’s measurement date that could materially affect the information contained in this report.

We are not aware of any relationship between the plan or plan sponsor and USI Consulting Group which would impair or appear to impair our objectivity.

To the best of our knowledge, all information provided in this report is complete and accurate and disclosures for GASB purposes have been determined in accordance with generally accepted accounting principles.

Consolidation of Traditional and Hybrid Tier Reports

Beginning with the July 1, 2021 valuation report, the traditional and hybrid tiers of KLRP have been treated as one plan for all calculations. All results prior to July 1, 2021 contained in this report have been combined from the results reported in the separate traditional and hybrid tier reports prepared in prior years. Effective July 1, 2021, separate valuation reports will not be prepared and all results contained will be calculated based on the full plan containing both tiers of benefits.

Legislative and Regulatory Background

As stated previously, state statutes were amended in 2013 such that all participants entering KLRP on or after January 1, 2014 will be covered under a hybrid cash balance/OPEB tier; those entering before that date will continue to be covered under the traditional defined benefit/OPEB tier. The legislation making this change also restricted the availability of future cost-of-living adjustments (COLA's) to plan benefits.

Actuarial Standard of Practice No. 51 (ASOP 51) is effective for actuarial valuations on or after November 1, 2018. This standard calls for explicit disclosure of risks associated with the pension plan and any recommended actions for better understanding the nature and impact of those risks. We have provided this information on page 32 of this report. Please let us know if any additional analysis or information is desired.

Reliance on Outside Software

The actuarial liabilities shown in this report are determined using software purchased from an outside vendor which was developed for this purpose. Certain information is entered into this model in order to generate the liabilities. These inputs include economic and non-economic assumptions, plan provisions, and census information. We rely on the coding within the software to value the liabilities using the actuarial methods and assumptions selected. Both the input to and the output from the model is checked for accuracy and reviewed for reasonableness.

Programming Update Note

In a review of our valuation programming, we determined that a portion of the liability, currently being calculated using Pre-Commencement mortality, would be more accurately valued using Post-Commencement mortality. This change is related to the update in the mortality assumption effective in the July 1, 2021 valuation and results in a decrease in liability that offsets a portion of the increase due to the assumption change, as stated in the prior valuation.

Actuarial Soundness

A plan that has adopted a reasonable funding method, that adopts reasonable assumptions and which contributes at a rate at or above the recommended contribution rate (based on these reasonable methods and assumptions), could be considered to be actuarially sound.

In order to ensure KLRP is funded in an “actuarially sound manner”, we would recommend the following:

1. Reflect a 1.5% future COLA assumption when calculating the funding requirement for KLRP, to the extent future cost-of-living increases are expected to occur, or intended to be provided.
2. Revise the actuarial funding method to amortize all past unfunded as well as new liabilities over a period not more than 30 years (we suggest shorter periods for various sources of new liability) and amortize future gains and losses over a period not more than 15 years. (Note that GASB 68 may require the expensing of liabilities at a faster pace than these amortization periods.)
3. Contribute at least the recommended contribution each year.

Deviations from these recommendations may result in an “actuarially unsound” approach to funding KLRP and may eventually result in KLRP becoming insolvent – that is, exhausting assets at which time all future benefits would be provided on a pay as you go basis.

Although the Actuarial Standards of Practice 4 “Measuring Pension Obligations” allows for plan liabilities to be calculated under a legally prescribed method, the statement goes on to say,

“If, in the actuary’s professional judgment, such an actuarial cost method or amortization method is significantly inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming that all actuarial assumptions will be realized and that the plan sponsor or other contributing entity will make contributions when due, the actuary should disclose this.”

It is our professional actuarial opinion that the current legally prescribed method, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability (per KRS 21.525) and which (per KRS 21.405) does not recognize cost of living increases effective after the most recent valuation (assuming future increases are expected), is inconsistent with the plan accumulating adequate assets to make benefit payments when due, assuming all actuarial assumptions are realized. The current method of amortizing unfunded liabilities will not result in the full amortization of those liabilities.

Senate Bill 32 was recently passed and made updates to the amortization period under KRS 21.525. This update establishes the use of a close amortization period effective July 1, 2023.

Summary of Benefits (Pension - Traditional Tier)

This summary is not a Summary Plan Description or a plan document. You should not rely solely on this summary in making a determination of eligibility of benefits. Liabilities and plan provisions are based on the plan data and provisions as of July 1, 2021.

Source

Sections 6.500-6.577 of the Kentucky Revised Statutes, and those statutes in KRS Chapter 21, specifically adopted by KRS 6.525.

Eligibility for Membership

Members of the General Assembly may elect to make monthly contributions within 30 days after taking office, and thereby become eligible for membership in the KLRP plan. Individuals commencing participation on or after January 1, 2014 will participate in the hybrid plan.

Employee Contributions

Members entering the plan on or after September 1, 2008 must contribute 6% of their “creditable compensation”. Members entering the plan prior to September 1, 2008 must contribute 5% of their “creditable compensation”. Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, then employee contributions shall cease.

Creditable Compensation

Creditable compensation is based on actual compensation received during each year.

Normal Retirement

Condition

Members who have attained age 65 and completed at least 5 years of legislative service, or have additional service credit under other authorized state systems so that when added to legislative service credit equals at least 8 years of credit. However, the age 65 requirement shall be reduced by one year for each five years of service, and one year for each year served beyond the years of service needed to accrue a benefit of 100% of final average compensation, but with total reduction not to reduce the age requirement below 60. The full accrued benefit will also be payable upon completion of 27 years of service credit.

Benefit

A member will receive a retirement income at normal retirement date payable monthly for life equal to a percentage of final average compensation multiplied by years of service. In no event shall retirement income exceed 100% of final average compensation. (Beginning January 1, 2003, the final average compensation means the average monthly compensation of the member for his or her highest 36 months of State salary. Prior to 2003, final compensation was the average of the 60 months of legislative salary preceding retirement).

The benefit rates vary according to date of legislative service begins, as follows:

1. If a legislator was a member of the plan on July 1, 1982, and entered legislative service prior to July 1, 1978, the benefit rate is 5.00% for all KLRP service.
2. If a legislator was a member of the plan on July 1, 1982 and entered legislative service between July 1, 1978 and June 30, 1980, the benefit rate is 4.15% for all KLRP service.
3. If a legislator was a member of the plan on July 1, 1982 and entered legislative service between July 1, 1980 and June 30, 1982, the benefit rate is 3.50% for all KLRP service.
4. For legislators entering KLRP service after June 30, 1982, the benefit rate is 2.75%.

Early Retirement

A member who retires prior to normal retirement date and has met the service requirement for normal retirement has two alternatives with regard to receiving retirement income as follows:

1. Upon reaching normal retirement age, the member may be vested with the right to receive a monthly service retirement allowance computed and payable on the basis of years of service and applicable average salary, or
2. A member may elect to be paid, commencing as of the date of the election, a monthly service retirement allowance equivalent to the amount of monthly allowance that would have been paid had the member waited until reaching normal retirement age, but reduced in accordance with age at the time of election for each year under normal retirement age at the rate of 5% per year.

If the member has 27 or more years of service credit, there shall be no reduction for benefit commencement prior to normal retirement age. If the difference between the number of years of total governmental service and 27 is less than the difference between actual age and normal retirement age, the reduction shall be 5% for each year of service under 27.

Late Retirement

A legislator may continue service past normal retirement age and will continue to accrue service credits, but cannot receive a benefit in excess of 100% of final average compensation.

Disability Benefit

Condition

No service requirement.

Benefit

Upon determination of disability, a member will be eligible to receive $\frac{1}{2}$ of the monthly retirement income that would have been payable commencing at normal retirement date if this member had continued service until that date and then retired. In calculating the retirement income, average salary for the 3 years preceding disability will be used. When a disabled member reaches normal retirement date, the member may apply and start receiving the full amount of retirement income that would have been payable based upon the actual number of years of service and compensation, in lieu of the disability benefit.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income (other than an actuarially reduced income), or was receiving a disability income, the surviving spouse (if married to the member at the time of retirement) is entitled to receive a monthly allowance equal to $\frac{1}{2}$ of what the member was receiving for his/her lifetime.

If a member dies after retirement, and was at the time receiving an actuarially reduced allowance, or was not receiving an allowance, but had acquired a vested right to have received an allowance upon reaching normal retirement date, the surviving spouse (if married to the member at the time of retirement) is entitled to receive $\frac{1}{2}$ of the monthly allowance the member would have received at normal retirement date for his/her lifetime.

If an active member dies before retirement and before reaching normal retirement age, without regard to length of service, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to $\frac{1}{2}$ of the monthly retirement income the member would have received commencing at the member's normal retirement date as if the member had continued in service until that date and then retired, computed on the basis of final compensation at the time of death.

If a member dies before retirement and after reaching normal retirement date, the surviving spouse is entitled to receive a monthly allowance payable for his/her lifetime equal to $\frac{1}{2}$ of the monthly allowance the member would have been entitled to on the basis of years of service, had the member retired on his date of death, computed on the basis of final compensation at the time of death.

If a member is not married at the time of death, any death benefits described above to which a surviving spouse would have been entitled will be payable to the children of the deceased member until such time as the youngest child attains age 21, or for the life of a disabled child. Also, a member may designate that survivor benefits shall go in part or in total to minor children instead of the spouse.

If cumulative payments to the member and/or beneficiary do not exceed the member's total contributions to this plan, then the excess of such contributions over cumulative plan benefits paid shall be paid as an additional death benefit.

Termination Benefit

If a legislator ceases to be a member of the plan other than by death or disability prior to meeting the eligibility requirements for normal retirement, the amount of the member's accumulated contributions shall be returned to the member. If, thereafter, this individual again becomes a holder of an office qualifying for membership in this plan, this person shall not be entitled to credit for the prior period of service unless, at the time he again participates in the plan, the amount previously refunded is repaid, with interest.

Prior Service Credit

Credit in KERS or TRS, for legislative service prior to the creation of this plan on July 1, 1980, can be (and in many instances was) transferred to and become credit in this plan, upon transfer to this plan of the accumulated contributions plus interest (member's and state's) that were made to acquire the credit.

Cost-of-Living Adjustment

Ad hoc cost-of-living adjustments (COLA's) have been granted as noted below:

<u>Effective Date of Increase</u>	<u>Percentage Increase</u>	<u>Increase Applies To Benefits Based on Service Prior To</u>
7/1/1990	5%	6/30/1990
7/1/1991	5%	6/30/1991
7/1/1992	1%	6/30/1992
7/1/1993	1%	6/30/1993
7/1/1994	5%	6/30/1994
7/1/1995	5%	6/30/1995
7/1/1996	None	N/A
7/1/1997	None	N/A
8/1/1998	2.3%	N/A
7/1/1999	1.6%	N/A
7/1/2000	2.2%	N/A
7/1/2001	3.4%	N/A
7/1/2002	2.85%	N/A
7/1/2003	1.6%	N/A
7/1/2004	2.3%	N/A
7/1/2005	2.7%	N/A
7/1/2006	3.4%	N/A
7/1/2007	3.2%	N/A
7/1/2008	2.8%	N/A
7/1/2009 and later*	1.5%	N/A

*COLA's were suspended for fiscal years beginning in 2012 and later; COLA's after 7/1/2013 are not reflected in this valuation. No further COLA's will be granted until the plan is 100% funded, unless a one-time COLA is 100% prefunded.

In addition, a provision for an on-going cost-of-living adjustment is made by statute. Effective August 1, 1998 and each July 1 thereafter, a recipient of a monthly pension shall receive a cost-of-living adjustment keyed to the Consumer Price Index. This COLA is excluded from the inviolable contract and can be repealed by the General Assembly at any time. Beginning July 1, 2009, if granted, this cost-of-living adjustment will be 1.50% for all retirees who have been retired in excess of one year and prorated for those retired less than one year.

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted, except for any anticipated COLA adjustments under the provision as in effect prior to August 1, 1998.

Summary of Benefits (Pension - Hybrid Tier)

Source

Sections 6.500-6.577 of the Kentucky Revised Statutes, and those statutes in KRS Chapter 21, specifically adopted by KRS 6.525. {See 2013 Senate Bill 2}.

Eligibility for Membership

Members of the General Assembly may elect to make monthly contributions within 30 days after taking office, and thereby become eligible for membership in the KLRP-HT plan. Individuals commencing participation before January 1, 2014 became participants in the KLRP.

Hypothetical Member Account

The Hypothetical Member Account for each member is credited monthly with 9% of “creditable compensation” (including a 5% employee credit and a 4% state credit), as well as interest as described below. The Hypothetical Member Account balance on June 30 each year is equal to the sum of all prior contribution credits and all prior interest credits.

Employee Contributions

All members contribute 5% of their “creditable compensation” to help fund their pension benefit. Additionally, all members contribute 1% of their “creditable compensation” towards the retiree medical benefit.

State Contributions

The state contributes actuarially determined amounts to finance benefits.

Creditable Compensation

Creditable compensation is based on actual compensation received during each year.

Interest on Hypothetical Member Account

The Hypothetical Member Account will be credited with 4% annually. The credit will be applied on each June 30 based upon the Hypothetical Member Account balance from the preceding June 30. No interest credit is provided for contribution credits made in the current year.

Additionally, if the geometric average net investment return for the prior five years (or years since the effective date of the hybrid plan, if less) exceed 4%, members who were active and participating in the prior year will have their hypothetical accounts credited with 75% of the amount of the return over 4%. This additional interest credit is applied in the same method as the interest credit in the prior paragraph.

Normal Retirement

Condition

Members who have attained age 65 and completed at least 5 years of legislative service. However, for members who are at least age 57, members may retire if age plus service equals 87 years.

Benefit

A member will receive their accumulated Hypothetical Account as either a lump sum or as one of a variety of annuity options, calculated by dividing their accumulated Hypothetical Account by an actuarial factor.

Early Retirement

A member who retires prior to normal retirement date with at least 5 years of service is eligible for a full refund of their accumulated Hypothetical Account as a lump sum.

Termination Benefit

If a legislator ceases to be a member of the plan prior to having 5 years of service, the amount of the member's accumulated contributions shall be returned to the member, including the member contributions and the interest applicable to this portion of the account. A member terminating with less than 5 years of service does not receive a refund of state contributions nor the interest applicable to this portion of the account.

Death Benefit

Upon the death of a member who at the time of death was receiving a retirement income, the named beneficiary shall receive survivor benefits based upon the form of retirement benefits being received.

If a member with at least 5 years of service dies before retirement, the named beneficiary is entitled to receive a full refund of the accumulated Hypothetical Member Account. If a member with less than 5 years of service dies before retirement, the named beneficiary is entitled to receive a refund of the member's accumulated contributions, including the member contributions and the interest applicable to this portion of the account.

Summary of Benefits (OPEB Plan)

Eligibility

For those hired prior to January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KLRP Traditional Tier. For those hired on or after January 1, 2014, participants and their covered dependents are eligible under the same requirements as in the KLRP Hybrid Tier.

Benefits

Retirees and their covered spouses are provided access to the State of KY group medical plan. Benefits for eligible retirees and their covered spouses are provided for life.

Contributions

Traditional Tier

Retirees and their covered spouses are required to pay a portion of the medical insurance premiums to receive coverage under the group medical plan. The percentage will vary based on the number of years of service credit as follows:

<u>Years of Service Credit at Retirement</u>	<u>Percentage of Medical Insurance Premium Paid by the Plan</u>
20 or more	100%
19, but less than 20	95%
18, but less than 19	90%
17, but less than 18	85%
16, but less than 17	80%
15, but less than 16	75%
14, but less than 15	70%
13, but less than 14	65%
12, but less than 13	60%
11, but less than 12	55%
10, but less than 11	50%
4, but less than 10	25%
Less than 4	0%

Hybrid Tier

Retired members with at least 15 years of service, in addition to actual retirement benefits, will receive a monthly medical insurance benefit of ten dollars per year of service. All members contribute 1% of creditable compensation during active service. In addition, during retirement members must contribute the difference between the premium rates in effect that year and their monthly medical insurance stipend.

Actuarial Assumptions

Interest

6.5% per annum – this rate was selected by the KLRP Investment Committee and USI Consulting Group and the Fund Investment Manager believe this to be a reasonable long-term rate of return assumption.

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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.5% was used for the discount rate/long-term rate of return assumption for GASB calculations.

Mortality

PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcounted weighted version of this table was used. No pre-retirement mortality is assumed for the Hybrid Plan.

Terminations

2003 SOA Turnover Basic Age Table

Salary Increases

1% for the next three years and 3.5% thereafter;

Liabilities have been adjusted to reflect the potential impact of non-legislative salaries on future pension benefits in the traditional tier. The liabilities for members (including terminated members) who could be impacted by non-legislative salaries have been increased by 40% to recognize the potential increase in plan liability.

Disability

None

Retirement Age

Retirements were assumed to occur as follow:

<u>Retirement Age</u>	<u>Percentage of Active Members Retiring</u>
NRA-5	15.00%
NRA-4	7.50%
NRA-3	7.50%
NRA-2	15.00%
NRA-1	20.00%
NRA	20.00%
Above NRA	33.33%*
Age 70	100.00%

NRA = Normal Retirement Age

In addition to these rates, for members of the traditional tier only, an extra 20% rate is assumed at the age a member reaches 27 years of service credit.

Post-Retirement Death Benefit

Assumption is that 70% of the legislators would be married at retirement and the husband would be 3 years older than the wife on average.

Pre-Retirement Death Benefit

Assumption is that 70% of the legislators would be survived by a spouse upon death prior to retirement and that the husband would be 3 years older than the wife on average.

Benefit Commencement Age

Terminated participants who have not yet begun receiving their benefits are assumed to retirement at their Normal Retirement Date.

Cost-of-Living Adjustment

Pursuant to statutory requirements, COLA increases are not reflected in plan liabilities until actually granted.

Expenses

Estimated administrative expenses (assumed to be \$259,500 effective for the 2021-22 plan year).

Medical Insurance Premium Supplement

Plan Participation

100% of future eligible retirees are assumed to elect coverage at retirement.

Marital Status

Current elections are assumed to persist each year in the future. For pre-Medicare 2021 data, we expect approximately 41% of those covered also cover a spouse. For post-Medicare participants, we expect 70% will cover a spouse.

Medical Claims Cost

The per contract medical claims cost for 2021-2022 is determined based on the group premium rates, weighted by tier of coverage, and applied on a per contract basis based on the member's life. Weighted premiums are aged from the average age of the covered group. The premiums for 2021-22 and the current tier elections are shown in the table below:

	Monthly Premium Rates	Current Tier Elections
Pre-Medicare Coverage		
Family	\$1,841.08	27.59%
Single	\$753.76	51.72%
Parent Plus	\$1,075.44	6.90%
Member and Spouse	\$1,653.10	13.79%
Medicare Coverage		
Medicare Advantage PPO	\$274.91	100.00%

Based on these weightings, the assumed claims cost for 2021-22 per contract for a male, age 65 are:

<u>Pre-65 Cost</u>	<u>Post-65 Cost</u>
\$ 17,594	\$ 5,608

Age Variance

Claims were adjusted downward using the aging factors in the Dale Yamamoto study released by the Society of Actuaries in June 2013 for attained ages 55 to 65. No aging was applied to the Medicare Advantage premium rates.

Health Care Cost Trend Rate

6.25% grading to 5.75% over 2 years and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075

Administrative Expenses

Administrative expenses are assumed to be included in the per capita claims cost.

Retiree Contributions

Traditional Tier:

Retirees are required to pay a percentage of the premium rate in effect at retirement based on years of service, as described in the plan provisions section of the report.

Hybrid Tier:

Retirees are required to contribute 1% of creditable compensation during active service. Upon retirement, retirees must contribution the difference between the premium rates in effect each year and their monthly stipend. Monthly stipends are \$10 per year of service.

Coordination with Medicare

Benefits for retirees are deemed to be similar to those benefits provided for actives. The retiree medical plan is assumed to be the primary plan of benefits prior to age 65. It is assumed to pay benefits secondary to Medicare after attaining age 65.

Non-members

Legislators electing not to participate are assumed to continue as non-members in the future.

Actuarial Methods

Funding Method

Accrued liability and normal cost calculated based on Entry Age Normal funding method. The required contribution is calculated based on KRS 21.525, which requires contributions of normal cost plus interest on the unfunded liability plus 1% of the unfunded liability.

Asset Valuation Method

The determination of the actuarial value of assets is as follows:

1. Investment gains/losses are determined for each year by comparing the expected value of assets based on the assumed interest assumption to actual market value. Expected value of assets in each year shall be determined by projecting the market value of assets from the prior year using the assumed interest rate, plus contributions less benefit payments and plan expenses (adjusted with interest at the assumed rate). If the expected value of plan assets is different than the actual market value of plan assets then the difference is treated as a gain or loss for that year.
2. The amount of any gain or loss as determined above shall be recognized evenly over the subsequent five years.
3. The actuarial value of assets on any valuation date shall be equal to the market value of assets on that date adjusted as follows:
 - Reduced by 80% of a gain or increased by 80% of a loss from the preceding year
 - Reduced by 60% of a gain or increased by 60% of a loss from the 2nd preceding year
 - Reduced by 40% of a gain or increased by 40% of a loss from the 3rd preceding year
 - Reduced by 20% of a gain or increased by 20% of a loss from the 4th preceding year
4. In no event will the actuarial value of assets be less than 80% or greater than 120% of the current market value of assets

This asset valuation method is used in the determination of funding levels. The fair market value of assets is used for disclosure purposes under GASB Statement Nos. 67, 68, 74, and 75.

For purposes of GASB Statement Nos. 67, 68, 74, and 75, the market value of assets has been allocated between retirement related and medical premium supplement liabilities. This market value allocation is carried forward each year based on the following:

1. State and member contributions, as well as transfers for purchase of additional service, are allocated pro-rata reflecting the Annual Required Contribution for that year.
2. Benefits paid reflect actual benefits paid relative to retirement related benefits separately from medical premium supplements.
3. Preliminary assets are determined by adjusting beginning value for allocated State and member contributions and actual benefits paid.
4. Net investment return is allocated pro-rata based on the preliminary assets developed in the previous step.
5. Allocated assets as of the valuation date equal the preliminary balance plus the allocated share of investment income.

Actuarial value of assets is developed initially in total and then allocated between retirement related benefits and medical premium supplement benefits on a pro-rata basis reflecting allocated share of market value as of the valuation date.

Actuarial Certification

The information contained in this document (including any attachments) is not intended by USI Consulting Group to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer. The information and valuation results shown in this report are, to the best of our knowledge, complete and accurate and are based upon the following:

1. The liabilities used in this report are based on a roll forward of liabilities from the July 1, 2021 Actuarial Valuation Report.
2. Financial data as of June 30, 2022, submitted by the Kentucky Judicial Form Retirement System. This data was not audited by us but appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions and methods are established either by statute or the Board. The actuarial assumptions currently adopted by the Board appear to be reasonable, both individually and in aggregate. However, exclusion of retiree cost-of-living adjustments that can be reasonably anticipated to occur in future years (or for which there is an intent to provide in future years) does not reflect our best estimate of expected experience under the plan. As such, the valuation results presented in this report do not fully reflect the potential liability for future retiree cost-of-living adjustments. For purposes of the calculation of the Recommended Contribution, full future retiree cost-of-living adjustments have been reflected.
4. For purposes of GASB 67, 68, 74, and 75 disclosures, assets were split between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2008 and have been brought forward each year from that date based on actual cash flows and a prorata allocation of investment return. This methodology, initiated by the prior actuary, was based on guidance from the plan's auditor.

We believe the information is sufficiently complete and reliable. This report provides actuarial advice and does not constitute legal, accounting, tax or investment advice.

The actuarial valuation summarized in this report has been performed utilizing generally accepted actuarial principles. The actuarial valuation is based on actuarial assumptions used in the July 1, 2021 report. It is our opinion that the results fully and fairly disclose the actuarial position of the plan on the valuation date. I am a consulting actuary for USI Consulting Group, member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Certified by:



Mathew Widick, F.S.A., E.A., C.E.R.A., M.A.A.A.
Senior Actuarial Consultant

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(615) 665-1640

October 7, 2022

Date

GASB Statement No. 67

Statement of Changes in Fiduciary Net Position

	<u>June 30, 2022</u>
Additions	
Contributions:	
Employer	\$0
Employee	<u>231,281</u>
Total Contributions	231,281
Transfer In Payments	0
Investment Income	(8,683,097)
Other	<u>0</u>
Total Additions	(8,451,816)
Deductions	
Benefit Payments / Refunds	5,235,439
Administrative Expenses	0
Other	<u>0</u>
Total Deductions	<u>5,235,439</u>
Net Increase in Net Position	(13,687,255)
Net Position Restricted for Pensions	
Beginning of Year Market Value of Assets	<u>98,291,597</u>
End of Year Market Value of Assets	<u>\$84,604,342</u>

Kentucky Legislators Retirement Plan
July 1, 2022

Net Pension Liability

Determination of Net Pension Liability

	<u>June 30, 2022</u>
Total Pension Liability (6.5%)	71,119,553
Plan Fiduciary Net Position (Market Value of Assets)	<u>(84,604,342)</u>
Net Pension Liability	<u><u>(\$13,484,789)</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	118.96%

Sensitivity of Net Pension Liability to Changes in the Discount Rate

	1% Decrease (5.5%)	Current Rate (6.5%)	1% Increase (7.5%)
Net Pension Liability	(\$6,926,479)	(\$13,484,789)	(\$19,082,130)

Kentucky Legislators Retirement Plan
July 1, 2022

Schedule of Changes in the Net Pension Liability and Related Ratios (Dollar amounts in millions)

	fiscal year ending June 30									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Pension Liability										
Service cost	\$1.0	\$1.0	\$0.9	\$0.7	\$0.7	\$0.7	\$0.6	\$0.5	\$0.6	
Interest	4.9	5.1	5.2	5.3	4.6	4.6	4.5	4.6	4.5	
Changes of benefit terms	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Differences between expected and actual	0.0	(3.4)	0.0	(6.4)	0.0	(2.8)	0.0	(2.0)	0.0	
Changes of assumptions	3.7	(1.5)	0.0	(0.2)	0.0	(0.3)	0.0	2.6	(1.3)	
Benefit Payments / Refunds	(3.5)	(3.7)	(4.0)	(4.2)	(4.5)	(4.7)	(5.0)	(5.1)	(5.2)	
Net Change in Total Pension Liability	\$6.1	(\$2.5)	2.1	(\$4.7)	\$0.8	(\$2.5)	\$0.1	\$0.6	(\$1.4)	
Total Pension Liability - beginning	72.6	78.7	76.2	78.4	73.6	74.4	71.9	72.0	72.6	
Total Pension Liability - ending (a)	\$78.7	\$76.2	78.4	\$73.6	\$74.4	\$71.9	\$72.0	\$72.6	\$71.1	
Plan Fiduciary Net Position (Market Value of Assets)										
Contributions - employer	\$1.8	\$3.4	\$3.4	\$2.4	\$2.4	\$0.0	\$0.0	\$0.0	\$0.0	
Contributions - employee	0.2	0.2	0.3	0.3	0.2	0.2	0.2	0.3	0.2	
Transfer In Payments	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	
Net investment income	7.9	5.6	2.0	7.9	6.2	8.6	4.3	26.7	(8.7)	
Benefit Payments / Refunds	(3.5)	(3.7)	(4.0)	(4.2)	(4.5)	(4.7)	(5.0)	(5.1)	(5.2)	
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Net Change in Plan Fiduciary Net Position	\$6.4	\$5.5	\$1.7	\$6.6	\$4.4	\$4.1	(\$0.5)	\$21.9	(\$13.7)	
Plan Fiduciary Net Position - beginning	48.2	54.6	60.1	61.9	68.4	72.8	76.9	76.4	98.3	
Plan Fiduciary Net Position - ending (b)	\$54.6	\$60.1	\$61.9	\$68.4	\$72.8	\$76.9	\$76.4	\$98.3	\$84.6	
Net Pension Liability - ending (a) - (b)	\$24.1	\$16.1	\$16.5	\$5.2	\$1.6	(\$5.0)	(\$4.4)	(\$25.7)	(\$13.5)	
Plan Fiduciary Net Position as a % of the Total Pension Liability	69.4%	78.9%	79.0%	92.9%	97.8%	107.0%	106.1%	135.4%	119.0%	
Covered-employee payroll	\$5.0	\$4.9	\$4.9	\$4.4	\$4.4	\$4.3	\$4.3	\$4.2	\$4.2	
Net Pension Liability as a % of covered-employee payroll	483.2%	328.6%	336.7%	118.2%	36.4%	(116.3%)	(102.3%)	(611.9%)	(321.4%)	
Discount Rate (traditional)	6.50%	6.85%	6.85%	6.45%	6.45%	6.50%	6.50%	6.50%	6.50%	
Discount Rate (hybrid)	n/a	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%	

Schedule of Contributions

(Dollar amounts in millions)

	fiscal year ending June 30									
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Actuarially determined contribution ¹	\$3.2	\$3.4	\$3.4	\$2.4	\$2.4	\$1.1	\$1.2	\$0.4	\$0.6	
Contributions in relation to the actuarially determined contribution	1.8	3.4	3.4	2.4	2.4	0.0	0.0	0.0	0.0	
Contribution deficiency (excess)	\$1.4	\$0.0	\$0.0	\$0.0	\$0.0	\$1.1	\$1.2	\$0.4	\$0.6	
Covered-employee payroll	\$5.0	\$4.9	\$4.9	\$4.4	\$4.4	\$4.3	\$4.3	\$4.2	\$4.2	
Contributions as a percentage of covered-employee payroll	36.1%	69.3%	69.4%	54.9%	54.8%	0.0%	0.0%	0.0%	0.0%	

¹ Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption.

Additional Requirements Under GASB Statement No. 67

GASB Statement No. 67 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 67, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. USI Consulting Group is prepared to assist the system as needed.

GASB Statement No. 68

Schedule of Changes in NPL, Deferrals, & Pension Expense

	Increase (Decrease)			Deferred Pension Outflows of Resources	Deferred Pension Inflows of Resources	Pension Expense
	Total Pension Liability (a)	Plan Net Position (Assets) (b)	Net Pension Liability (a) - (b)			
Balances—at 06/30/21	<u>\$ 72,568,155</u>	<u>\$ 98,291,597</u>	<u>\$(25,723,442)</u>	<u>\$ 2,307,629</u>	<u>\$ 20,854,299</u>	
Changes for the Year:						
Service cost	557,752		557,752			557,752
Interest expense	4,500,397		4,500,397			4,500,397
Benefit changes						
Experience losses (gains)	-		-	-	-	(761,224)
Changes of assumptions	(1,271,312)		(1,271,312)	-	466,175	209,901
Contributions—State		-	-			
Contributions—Members		231,281	(231,281)			(231,281)
Transfer In Payments		-	-			
Net investment income		(8,683,097)	8,683,097			
Expected return on plan investments						(6,172,754)
Current expense of asset gain/loss						(2,546,347)
Non expensed asset gain/loss				11,884,681	-	
Benefits paid	(5,235,439)	(5,235,439)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(380,676)		
Post-measurement Contribution				28,764		
Other changes						
Amortization of or change in beginning balances				(1,115,405)	(6,379,108)	
Net Changes	<u>(1,448,602)</u>	<u>(13,687,255)</u>	<u>12,238,653</u>	<u>10,417,364</u>	<u>(5,912,933)</u>	<u>(4,443,557)</u>
Balances—at 06/30/22	<u>\$ 71,119,553</u>	<u>\$ 84,604,342</u>	<u>\$(13,484,789)</u>	<u>\$ 12,724,993</u>	<u>\$ 14,941,366</u>	<u>\$ (4,443,557)</u>

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Pension Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized pension expense/(income) will be (\$4,443,557). At June 30, 2023, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to pensions from the following sources:

	As of June 30, 2022			As of June 30, 2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognized in Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)						
- 6/30/2019	10,429	-	1,497	8,932	-	5.970 years
- 6/30/2020	26,731	-	3,056	23,675	-	7.747 years
- 6/30/2021	-	1,209,163	(765,777)	-	443,386	0.579 years
subtotal	<u>37,160</u>	<u>1,209,163</u>	<u>(761,224)</u>	<u>32,607</u>	<u>443,386</u>	
Change of assumptions						
- 6/30/2019	-	1,942	(279)	-	1,663	5.970 years
- 6/30/2021	1,603,186	-	1,015,317	587,869	-	0.579 years
- 6/30/2022	-	1,271,312	(805,137)	-	466,175	0.579 years
subtotal	<u>1,603,186</u>	<u>1,273,254</u>	<u>209,901</u>	<u>587,869</u>	<u>467,838</u>	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	380,363	(380,363)	-	-	0.000 year
- 6/30/2019	-	1,667,928	(833,963)	-	833,965	1.000 years
- 6/30/2020	286,607	-	95,535	191,072	-	2.000 years
- 6/30/2021	-	17,594,903	(4,398,726)	-	13,196,177	3.000 years
- 6/30/2022	14,855,851	-	2,971,170	11,884,681	-	4.000 years
subtotal	<u>15,142,458</u>	<u>19,643,194</u>	<u>(2,546,347)</u>	<u>12,075,753</u>	<u>14,030,142</u>	
Total	<u>\$ 16,782,804</u>	<u>\$ 22,125,611</u>	<u>\$ (3,097,670)</u>	<u>\$ 12,696,229</u>	<u>\$ 14,941,366</u>	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactive (0 years of future service is assumed for inactive for this calculation).

Pension Expense & Deferred Outflows/Inflows of Resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	(2,483,404)
2025	(1,327,745)
2026	(1,423,281)
2027	2,975,445
2028	4,274
Thereafter	9,574

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 68 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	\$ -
Change of Assumptions Losses (gains)*	(1,271,312)
<u>Asset Losses (gains)</u>	<u>14,855,851</u>
Total	\$ 13,584,539

* This new base is due to the issue discussed in the "Programming Update Note" on page 2.

GASB Statement No. 74

Statement of Changes in Fiduciary Net Position

	<u>June 30, 2022</u>
Additions	
Contributions	
Employer	0
Employee	<u>23,940</u>
Total Contributions	23,940
Transfer In Payments	0
Investment Income	(6,496,715)
Other	<u>0</u>
Total Additions	<u>(6,472,775)</u>
Deductions	
Benefit Payments / Refunds	886,786
Administrative Expenses	0
Other	<u>0</u>
Total Deductions	<u>886,786</u>
Net Increase in Net Position	<u>(7,359,561)</u>
Net Position Restricted for OPEB	
Beginning of Year Market Value of Assets	<u>70,660,745</u>
End of Year Market Value of Assets	<u><u>\$63,301,184</u></u>

Net OPEB Position

Determination of Net OPEB Liability

Total OPEB Liability	15,858,518
Plan Fiduciary Net Position (Market Value of Assets)	<u>(63,301,184)</u>
Net OPEB Liability	<u><u>(\$47,442,666)</u></u>

Plan Fiduciary Net Position as a Percentage of Total OPEB Liability 399.16%

Sensitivity of Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

	1% Decrease on Trend	Current Rate	1% Increase on Trend
Net OPEB Liability	(\$49,043,254)	(\$47,442,666)	(\$45,543,734)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

	1% Decrease 5.50%	Current Rate 6.50%	1% Increase 7.50%
Net OPEB Liability	(\$45,637,968)	(\$47,442,666)	(\$48,949,204)

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Schedule of Changes in the Net OPEB Liability and Related Ratios (Dollar amounts in millions)

	fiscal year ending June 30						2023	2024	2025	2026
	2017	2018	2019	2020	2021	2022				
Total OPEB Liability										
Service cost	\$0.4	\$0.3	\$0.3	\$0.1	\$0.2	\$0.1				
Interest	2.0	1.4	1.5	1.2	1.3	1.0				
Changes of benefit terms	0.0	0.0	0.0	0.0	0.0	0.0				
Differences between expected and actual experience	(10.6)	0.0	(4.4)	0.0	(4.8)	0.0				
Changes of assumptions	2.3	0.0	0.0	0.0	(0.4)	0.0				
Benefit Payments / Refunds	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)				
Net Change in Total OPEB Liability	(\$6.6)	\$0.9	(\$3.4)	\$0.5	(\$4.5)	\$0.2				
Total OPEB Liability - beginning	28.6	22.0	23.1	19.7	20.2	15.7				
Total OPEB Liability - ending (a)	\$22.0	\$23.1	\$19.7	\$20.2	\$15.7	\$15.9				
Plan Fiduciary Net Position (Assets)										
Contributions - employer	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0				
Contributions - employee	0.0	0.0	0.0	0.0	0.0	0.0				
Transfer In Payments	0.0	0.0	0.0	0.0	0.0	0.0				
Net investment income	4.9	3.9	5.7	2.9	19.2	(6.5)				
Benefit Payments / Refunds	(0.7)	(0.8)	(0.8)	(0.8)	(0.8)	(0.9)				
Administrative expenses	0.0	0.0	0.0	0.0	0.0	0.0				
Other	0.0	0.0	0.0	0.0	0.0	0.0				
Net Change in Plan Fiduciary Net Position	\$4.2	\$3.1	\$4.9	\$2.1	\$18.4	(\$7.4)				
Plan Fiduciary Net Position - beginning	37.8	42.0	45.1	50.1	52.2	70.7				
Plan Fiduciary Net Position - ending (b)	\$42.0	\$45.1	\$50.1	\$52.2	\$70.7	\$63.3				
Net OPEB Liability - ending (a) - (b)	(\$20.0)	(\$22.1)	(\$30.4)	(\$32.1)	(\$55.0)	(\$47.4)				
Plan Fiduciary Net Position as a % of the Total OPEB Liability	190.9%	195.2%	254.3%	258.9%	450.3%	398.1%				
Covered-employee payroll	\$4.4	\$4.4	\$4.3	\$4.3	\$4.2	\$4.2				
Net OPEB Liability as a % of covered-employee payroll	(454.5%)	(502.3%)	(707.0%)	(746.5%)	(1,309.5%)	(1,128.6%)				
Discount Rate (traditional)	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%				
Discount Rate (hybrid)	4.00%	4.00%	4.00%	4.00%	6.50%	6.50%				

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Schedule of Contributions

(Dollar amounts in millions)

	fiscal year ending June 30									
	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Actuarially determined contribution ¹	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0				
Contributions in relation to the actuarially determined contribution	0.0	0.0	0.0	0.0	0.0	0.0				
Contribution deficiency (excess)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0				
Covered-employee payroll	\$4.4	\$4.4	\$4.3	\$4.3	\$4.2	\$4.2				
Contributions as a percentage of covered-employee payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%				

¹ Starting with the Fiscal Year Ending June 30, 2019, due to the lag period between the calculated date and the actual contributions, the Actuarially Determined Contribution has been adjusted with interest at the funding interest rate assumption.

Additional Requirements Under GASB Statement No. 74

GASB Statement No. 74 also requires a Statement of Fiduciary Net Position (which includes a breakdown of current assets by type) and additional investment information, including the annual money-weighted rate of return. In order to satisfy GASB Statement No. 74, these required pieces will need to be provided by the Kentucky Judicial Form Retirement System. USI Consulting Group is prepared to assist the system as needed.

GASB Statement No. 75

Schedule of Changes in NOL, Deferrals, & OPEB Expense

	Increase (Decrease)			Deferred OPEB Outflows of Resources	Deferred OPEB Inflows of Resources	OPEB Expense
	Total OPEB Liability (a)	Plan Net Position (Assets) (b)	Net OPEB Liability (a) - (b)			
Balances--at 06/30/21	<u>\$ 15,667,998</u>	<u>\$ 70,660,745</u>	<u>\$(54,992,747)</u>	<u>\$ 240,685</u>	<u>\$ 17,156,426</u>	
Changes for the Year:						
Service cost	109,415		109,415			109,415
Interest expense	967,891		967,891			967,891
Benefit changes						
Experience losses (gains)	-		-	-	-	(1,859,625)
Changes of assumptions	-		-	-	-	(155,670)
Contributions--State		-	-			
Contributions--Members		23,940	(23,940)			(23,940)
Transfer In Payments		-	-			
Net investment income		(6,496,715)	6,496,715			
Expected return on plan investments						(4,618,471)
Current expense of asset gain/loss						(1,651,366)
Non expensed asset gain/loss				8,892,149	-	
Benefits paid	(886,786)	(886,786)	-			
Plan administrative expenses						
Recognition of Prior Post-measurement Contribution				(25,907)		
Post-measurement Contribution				-		
Other changes						
Amortization of or change in beginning balances				(68,876)	(5,958,574)	
Net Changes	<u>190,520</u>	<u>(7,359,561)</u>	<u>7,550,081</u>	<u>8,797,366</u>	<u>(5,958,574)</u>	<u>(7,231,766)</u>
Balances--at 06/30/22	<u>\$ 15,858,518</u>	<u>\$ 63,301,184</u>	<u>\$(47,442,666)</u>	<u>\$ 9,038,051</u>	<u>\$ 11,197,852</u>	<u>\$ (7,231,766)</u>

Kentucky Legislators Retirement Plan
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OPEB Expense & Deferred Outflows/Inflows of Resources

For the year ended June 30, 2023, the recognized OPEB expense/(income) will be (\$7,231,766). At June 30, 2023, the Kentucky Judicial Form Retirement System reported deferred outflows of resources and deferred inflows of resources in relation to OPEBs from the following sources:

	As of June 30, 2022			As of June 30, 2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Recognized in Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Remaining Amort. Period
Experience losses (gains)						
- 6/30/2017	4,201	-	603	3,598	-	5.970 years
- 6/30/2019	7,255	-	830	6,425	-	7.847 years
- 6/30/2021	-	2,938,611	(1,861,058)	-	1,077,553	0.579 years
subtotal	11,456	2,938,611	(1,859,625)	10,023	1,077,553	
Change of assumptions						
- 6/30/2019	1,513	-	173	1,340	-	7.847 years
- 6/30/2021	-	246,075	(155,843)	-	90,232	0.579 years
subtotal	1,513	246,075	(155,670)	1,340	90,232	
Net difference between projected and actual earnings on investments						
- 6/30/2018	-	235,998	(235,998)	-	-	0.000 year
- 6/30/2019	-	1,086,960	(543,480)	-	543,480	1.000 years
- 6/30/2020	201,809	-	67,270	134,539	-	2.000 years
- 6/30/2021	-	12,648,782	(3,162,195)	-	9,486,587	3.000 years
- 6/30/2022	11,115,186	-	2,223,037	8,892,149	-	4.000 years
subtotal	11,316,995	13,971,740	(1,651,366)	9,026,688	10,030,067	
Total	\$ 11,329,964	\$ 17,156,426	\$ (3,666,661)	\$ 9,038,051	\$ 11,197,852	

Actual investment earnings above (or below) projected earnings are amortized over 5 years. Plan experience and changes of assumptions are amortized over the average remaining service period of actives and inactive (0 years of future service is assumed for inactive for this calculation).

Kentucky Legislators Retirement Plan
July 1, 2022

OPEB Expense & Deferred Outflows/Inflows of Resources (Continued)

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

Year ended June 30:	
2024	(2,581,547)
2025	(870,283)
2026	(937,554)
2027	2,224,644
2028	1,606
Thereafter	3,333

In addition, Governmental Accounting Standards Board Statement 71 ("GASB 71") requires contributions between the measurement date (July 1, 2022) and the disclosure date (June 30, 2023) for GASB 75 be reported as a deferred outflow of resources.

Sources of Gains and Losses

Experience Losses (gains)	\$ -
Change of Assumptions Losses (gains)	-
<u>Asset Losses (gains)</u>	<u>11,115,186</u>
Total	\$ 11,115,186

Actuarial Asset Value

Determination of Actuarial Asset Value

	2021-22 Plan Year	2020-21 Plan Year	2019-20 Plan Year	2018-19 Plan Year
Interest Return Assumption	6.50%	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)	6.5% (4.0% hybrid)
Market Value at Beginning of Year				
Amount	\$ 168,952,342	\$ 128,659,045	\$ 127,018,375	\$ 117,928,814
Interest to End of Year	10,981,902	8,350,561	8,247,663	7,659,394
Employer Contributions				
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Member Contributions				
Amount	255,221	287,931	234,509	211,105
Interest to End of Year	8,295	7,815	6,235	5,903
Transfers from KERS	.			
Amount	-	-	-	-
Interest to End of Year	-	-	-	-
Benefits Paid				
Amount	6,122,225	5,963,934	5,843,788	5,495,456
Interest to End of Year	198,972	193,682	189,923	178,602
Expected End of Year Assets	173,876,563	131,147,736	129,473,071	120,131,158
Market Value at End of Year	147,905,526	168,952,342	128,659,045	127,018,375
Investment Gain (Loss)	(25,971,037)	37,804,606	(814,026)	6,887,217
Adjustment Percentage	80%	60%	40%	20%
Actuarial Asset Value Adjustment	20,776,830	(22,682,764)	325,611	(1,377,443)
Actuarial Asset Value (Market Value plus Adjustment)	\$ 144,947,760			

	Retirement	Medical Supplement
Market Value at Beginning of Year	\$98,291,597	\$70,660,745
State Contributions	-	-
Member Contributions	231,281	23,940
Transfers In Payments	-	-
Distributions	5,235,439	886,786
Allocated Investment Return	(8,683,097)	(6,496,715)
Market Value at End of Year	\$84,604,342	\$63,301,184
Allocation of Actuarial Asset Value	\$82,912,452	\$62,035,308

Risk Assessment

Risk Factor	Initial Risk Assessment Language
Investment	Due to the plan's substantial equity exposure, investment returns will likely be much more volatile than the measurements of plan liabilities. Therefore, there is a risk that the funded status of the plan, as well as required plan contributions, could be volatile.
Assumed Rate of Return	Due to the plan's estimated duration of 8 to 10, a 1% decrease in the assumed rate of investment return would increase the measurement of the liability by 8% to 10%.
Longevity	Since nearly all of the plan liability is projected to be paid as annuities, the plan is sensitive to changes in overall population longevity. As a result, the liabilities will fluctuate with changes in longevity. The ratio of retired life liability to total liability is 72%, suggesting there is less sensitivity to long-term changes in overall mortality improvement than a less mature plan.
Other demographic factors	Due to the eligibility for unreduced and subsidized retirement benefits, employees continuing in service for longer than expected will accrue additional benefits which may or may not result in larger liabilities. Conversely, employees retiring sooner than anticipated will accrue smaller benefits which may or may not result in smaller liabilities.
Lump sums	No significant known risks. However, as the Hybrid Tier becomes a larger percentage of the total liability, this risk will become more significant. Since lump sum benefits are equal to the cash balance for the Hybrid Tier, lump sum payments have a comparable effect on both assets and liabilities.
Inflation	Inflation is a component of future interest rates and investment returns over a long period. As a result, changes to inflation can affect funded percentages.
Non-Legislative Salaries	Pension benefits can be increased by future non-legislative salaries and the liability for active and deferred vested participants has been increased by 40% to reflect his possibility. The effect of non-legislative salaries may have a larger or smaller impact than is reflected by the 40% load factor. Additionally, future legislation may eliminate or reduce the effect of this provision.
Other Factors	Due to recent and ongoing attempts to pass pension reform legislation at a state level, the plan could be modified in the future. Future legislation may affect benefit levels or future contribution levels and could result in increases or decreases in the plan liabilities or funding status.

USI Consulting Group can perform more detailed assessments of these risks as desired by the plan sponsor to provide a better understanding of the risks.

GASB Notes

Notes to GASB 67, 68, 74, and 75 Disclosures

1. Actuarial accrued liability is based on the entry age normal funding method.
2. Market value of assets as of July 1, 2007 was allocated between pension and OPEB obligations based on proportionate share of accrued liability on that date. Allocations in subsequent years are based on prior year allocated value adjusted for contributions and benefits paid during the year, with investment return (net of expenses) allocated proportionately between retirement and OPEB obligations. Actuarial value of assets is then allocated based on the market value share of retirement and OPEB obligations.
3. Actuarial value of assets uses a 5-year asset smoothing method.
4. Information used in preparing these exhibits has been extracted from past valuation reports.

Note: Above statements are based on information furnished by the prior actuary.

5. Covered payroll reflects payroll for all current plan members.
6. ADC based on full actuarial report (odd numbered years) immediately prior to each biennium. ADC amount shown is for basic valuation, without any future COLA reflected but with interest adjustment as appropriate.
7. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 67.
8. It is assumed the measurement date for GASB 68 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).
9. The valuation date, disclosure date, and measurement date all fall on the same date for purposes of GASB 74.
10. It is assumed the measurement date for GASB 75 will be 12 months before the disclosure date. For the year ending June 30, 2023, the measurement date is July 1, 2022 (the valuation date).

Glossary of Terms

Amortization – The process of systematically recognizing prior gains and losses as a component of the Pension Expense.

Fiduciary Net Position – The market value of assets as of a specified measurement date.

Funded Status – The difference between the Fiduciary Net Position and the Total Pension Liability as of the measurement date.

Gain/Loss – A change in the value of either the Total Pension Liability or the plan assets resulting from experience different from that assumed or from a change in an actuarial assumption.

Interest Cost – The amount recognized in a period determined as the increase in the Total Pension Liability due to the passage of time.

Pension Expense – The sum of Service Cost, Interest Cost, Expected Return on Assets and amortizations of Actuarial Gain/Loss over the average remaining service period (or the life expectancy) of plan participants expected to receive plan benefits plus a 5-year amortization of Asset Gain/Loss.

Service Cost – is the actuarial present value of benefits attributed to services rendered by employees during the measurement.

Total Pension Liability – The Entry Age Normal Accrued Liability.



JUDICIAL FORM RETIREMENT SYSTEM

JUDICIAL RETIREMENT PLAN | LEGISLATORS RETIREMENT PLAN

John R. Grise, Chairman
Board of Trustees

Bo Cracraft
Executive Director

Memo

TO: Members of the Judicial Form Retirement System Board of Trustees

FROM: Bo Cracraft, Executive Director

DATE: October 21, 2022

SUBJECT: 2023 Regular Session – Proposed Legislative Plan

The 2023 Regular Session of the General Assembly is scheduled to begin on Tuesday, January 3, 2023. The shorter, 30-day session is expected to close on Thursday, March 30, 2023.

The session is going to welcome several new faces to both the House and Senate and several significant committees, including State and Local Government, will have new leadership as a result of retirements and turnover within the General Assembly. Staff does have a short list of legislative discussion topics, but none are urgent or items they believe need to be aggressively pursued.

Legislation Discussion Points:

JFRS most recently pursued housekeeping legislation during the 2022 Regular Session, when Senate Bill 32, sponsored by Senator Higdon successfully passed both chambers. The legislation included several long-term goals, including the modernization of the JFRS amortization policy and cleanup of existing language that had been voided.

Moving into 2023, there are a couple of legislative items that have been discussed or are being tracked by staff.

- **Reciprocity for Annual Interest Credits:** This relates to cash balance members and the annual interest credits those members received. By statute, only JRP or LRP members who contributed during the fiscal year are eligible to receive any upside sharing. If a member has not contributed during the fiscal year, they are inactive or deferred and only receive the base 4% annual credit, regardless if they accrued service or contributed at another state-administered plan, including one administered by JFRS.

Kentucky Public Pensions Authority (KPPA) statutes do include some reciprocity, at least with the other plans administered by KPPA. A member of KERS does not have reciprocity with LRP or JRP, but if they contribute to any underlying plan administered by KPPA (KERS, CERS, SPRS), all of their cash balance portfolios receive the full upside sharing.

In addition, in the past, there have been attempts by the General Assembly to create more reciprocity across the state administered plans for cash balance members. During the 2019 regular session, the General Assembly passed language that amended KRS 21.402 (the JFRS cash balance statutes) and would have created reciprocity across “all state administered retirement plans.” However, this language was voided by Supreme Court ruling.

While limited in number and impact, this discussion has become most evident when counseling a newly appointed or elected judge (or legislator), who is also a Tier 3 member of KERS or CERS. These members have the option to join JRP for their future service, but face a situation where their KPPA account balance will no longer receive upside sharing. In this scenario, the new judge or legislator does have the option of staying at

KERS and contributing to their existing CB account, but in several cases, they have expressed frustration that both accounts cannot receive upside sharing or that their KPPA account could not be rolled over.

Historically speaking, members of all state administered plans have enjoyed reciprocity “for the purpose of determining eligibility and amount of benefits.” Member’s service can be combined for eligibility purposes and in some cases salary from one plan may be used to calculate benefits at another plan, so there does seem to be some inconsistency here for cash balance members. In addition, one of the selling points of new tier of benefits was “portability,” but practically speaking this is an example where the plans lack flexibility and members with multiple accounts have limited options at times.

Staff does not believe there is much desire within the General Assembly to consider benefit increases and while very marginal, creating full reciprocity across all the plans would serve as a small increase for member accounts. But staff does believe it is worth a discussion and an item the Board of Trustees might want to pursue given the impact it could have on current members. At a minimum, JFRS could seek language similar to KPPA or it could seek language that would be similar to what SB 151 had initially incorporated.

- **Insurance Funding & Benefits:** State administered Retiree Health Care funds have continued to experience strong positive gains in funding levels over the past several years. Both the LRP and JRP plans were above 200% as of the 2021 funding valuations and projected for future improvement. Several KPPA plans have reached 80% or higher and the Teachers Retirement System (TRS) retiree health plans has improved dramatically over the past 10 years. Much of the improvement is due to significant benefit changes that have occurred for new members and moved insurance benefits from a percent of premium model to a fixed dollar subsidy based on service. Given the consistent improvement in health, legislative discussions have been occurring more frequently and during the 2022 Regular Session, we saw the General Assembly passed some initial benefit increases.

With regards to JRP and LRP, both funds are projected for future improvement and the system’s actuary, USI, Inc., has indicated that at the current level of benefits the cash balance tier is currently being slightly overfunded just on the employee contribution (1%). As a result, staff felt it was prudent for the board to have a general discussion regarding the plans and any legislative paths the trustees believed staff should pursue. A couple potential paths could include:

- **Increase to Fixed Dollar Subsidy:** During the 2022 session, the General Assembly passed a benefit increases for Non Hazardous KPPA members who are eligible to receive a fixed dollar subsidy for insurance purpose. In summary, a fixed \$10 a month per year of service benefit was increased to \$15 for career retirees under the age of 65 given the KPPA health insurance funds were 90% funded or more.
- **Redirect or Reduce Insurance Contribution:** Another option to consider could be redirecting or reducing the 1% non-refundable insurance member contribution. This change is likely a more difficult lift and would be administratively more difficult to manage, but given the funding levels and strategic overfunding currently occurring, redirecting the contributions to a members pension balance could be an short term alternative.

Staff is not currently planning to pursue a Housekeeping bill during the short, 30-day session, unless otherwise directed by the Board of Trustees. Instead, staff plans to utilize the 2023 session to form new relationships and have legislative discussions regarding the JRP and LRP plans, with hopes that any future housekeeping legislation would have better opportunity for success.



JUDICIAL FORM RETIREMENT SYSTEM

JUDICIAL RETIREMENT PLAN | LEGISLATORS RETIREMENT PLAN

John R. Grise, Chairman
Board of Trustees

Bo Cracraft
Executive Director

Memo

TO: Members of the Judicial Form Retirement System Board of Trustees

FROM: Bo Cracraft, Executive Director

DATE: October 21, 2022

SUBJECT: Open Records Policy

During the 2021 Regular Session, the General Assembly passed House Bill 312, which amended KRS 61.872 and provided that all public agencies of the Commonwealth shall not only adopt Open Records Request Rules and regulation, but also display the policy and procedures in a prominent location accessible to the public, including it's website.

Staff has revised the JFRS Open Records Policy for adoption. In addition, a new page on the website is in development, which will meet the revised requirements.

Requirement. KRS 61.876(2) was amended by House Bill 312 to require all public agencies display on their website the following:

- A copy of its policy, rules and regulations pertaining to public records;
- The mailing address, e-mail address, and phone number of the official custodian of the records or his or her designee to which all requests for public records shall be made; and
- The form developed by the Attorney General that may be used to request public records.

Implementation. Staff has is working on new page of website that will meet requirements of HB 312. Staff expects website to be updated by end of October.

OPEN RECORDS POLICY

Effective October 21, 2022

PURPOSE

Public policy requires “free and open examination of public records.” KRS 61.871. Accordingly, the Agency must respond effectively and efficiently to records requests in a consistent and coordinated manner. Therefore, this Open Records Policy (“Policy”) sets forth the standards for all Agency employees when a records request is received and ensures compliance with all applicable open records laws.

APPLICABILITY

This Policy supersedes any relevant policy that previously existed. All employees shall read this policy and complete the Policy Acknowledge Form to indicate that they have read, understand, and will comply with this Policy.

POLICY

A. Records Custodian

The Agency shall designate an employee as its Records Custodian. The Records Custodian shall review the Kentucky Open Records Act, 200 KAR 1:020, and “The Kentucky Open Records & Open Meetings Acts: A guide for the public and public agencies” published by the Office of the Attorney General. The Records Custodian shall ensure compliance with the Kentucky Open Records Act, 200 KAR 1:020, this Policy, and all relevant requests.

The Office designates the following Records Custodian:

Bo Cracraft
305 Ann Street, Suite 302
Frankfort, KY 40601
<https://kjfrs.ky.gov/Contact>
502.564.5310

B. Responding to Records Requests

All requests for copies or review of public records in the custody of the Agency must be made in writing. A request may be sent electronically to the Record Custodian utilizing the contact link provided above. Requests may also be mailed to the Agency or hand delivered to the Agency’s mailing address identified above.

The Records Custodian shall provide a response to the records request that is postmarked or electronically transmitted within five business days of the date the request is received. Notice promptly shall be sent to the requesting party if additional time is needed under KRS Chapter 61. When a response is delayed, the notice shall specifically indicate that additional time is required to process the request and explain the circumstances justifying additional processing time.

The Records Custodian shall determine whether the requester has reasonably described records within the possession of the Agency. If no such records are identified, the request may be denied on those grounds. However, if it is reasonably believed that another public agency is in possession of the records described in the request, the Records Custodian shall refer the requester to the appropriate records custodian, providing both their name and contact information. If it is determined that the records are within the Agency's possession, the Records Custodian shall gather them for processing. Records that are responsive shall be segregated from nonresponsive records (i.e., records that were not requested). The Records Custodian shall then examine responsive records to determine which records, if any, are exempt from disclosure and make appropriate redactions.

If the Records Custodian determines that the records request should be denied in whole or in part, the Records Custodian shall notify the requester with an explanation for the decision to withhold any responsive records, citing the specific exemption in statute as the basis for withholding. If any part of a request for records is denied, the Records Custodian shall confer with legal counsel to ensure accuracy in applying the law.

If the request places an unreasonable burden for producing public records, or if the Records Custodian has reason to believe that repeated requests are intended to disrupt other essential functions of the Agency, the Records Custodian may refuse to produce the records upon conferring with legal counsel prior to denying the request.

C. Record Production and Fees

When responsive records are to be transmitted electronically to the requester, there is no charge to the requester. However, if the responsive material is more than 20 megabytes ("MB"), the documents will automatically be printed and mailed to the requester.

Prior to mailing, the Records Custodian shall provide an invoice to the requester for the production and postage. Printing costs are \$0.10 per page with any additional fees justified on the invoice. Copies of photographs, maps, and other such records shall be furnished to any person requesting them on payment of a fee equal to the Agency's actual cost to produce the copies. Estimated costs shall be communicated to the requestor before costs are incurred. After the invoice is paid, the Records Custodian shall produce the responsive records to the requester.

If the requester wishes to personally inspect responsive records at the Agency's headquarters, or the location where the records are maintained, the Records Custodian shall facilitate with the requester the scheduling of a convenient time and place for inspection between 8:00 a.m. and 4:30 p.m., Monday through Friday. The Records Custodian, or an employee of the Agency, shall be present and personally monitor the inspection.

Judge John R. Grise, Chairman
Judicial Form Retirement System

Request to Inspect Public Records

Pursuant to the Kentucky Open Records Act (“the Act”), KRS 61.870 *et seq.*, the undersigned requests to inspect the public records which are described below.

Requester’s contact information.

Name: [REDACTED]

Mailing Address: [REDACTED]

E-mail Address (if applicable): [REDACTED]

Records to be inspected:

[REDACTED]

Statement regarding the use of public records. KRS 61.870(4) defines “commercial purpose” as “the direct or indirect use of any part of a public record or records, in any form, for sale, resale, solicitation, rent, or lease of a service, or any use by which the user expects a profit either through commission, salary, or fee.” However, “commercial purpose” does not include the publication or related use of the public record by a newspaper or periodical, by a radio or television station in its news or informational program, or by use in the prosecution or defense of litigation by the parties to such an action or their attorney.

This request is (choose one):

- NOT for a commercial purpose; or
- FOR a commercial purpose.

Statement regarding residency. I further state that I am a resident of Kentucky because I am (please check one):

- An individual residing in the Commonwealth; or
- A domestic business entity with a location in the Commonwealth; or
- A foreign business entity registered with the Kentucky Secretary of State; or
- An individual that is employed and works at a location within the Commonwealth; or
- An individual or business entity that owns real property within the Commonwealth; or
- An individual or business entity that has been authorized to act on behalf of an individual or business entity listed above; or
- A news-gathering organization as defined in KRS 189.635(8)(b)1a. to e.

Signature: [REDACTED] Date: [REDACTED]

Pursuant to KRS 61.876(4), the Office of Attorney General has promulgated by administrative regulation this form. *See* 40 KAR 1:040.

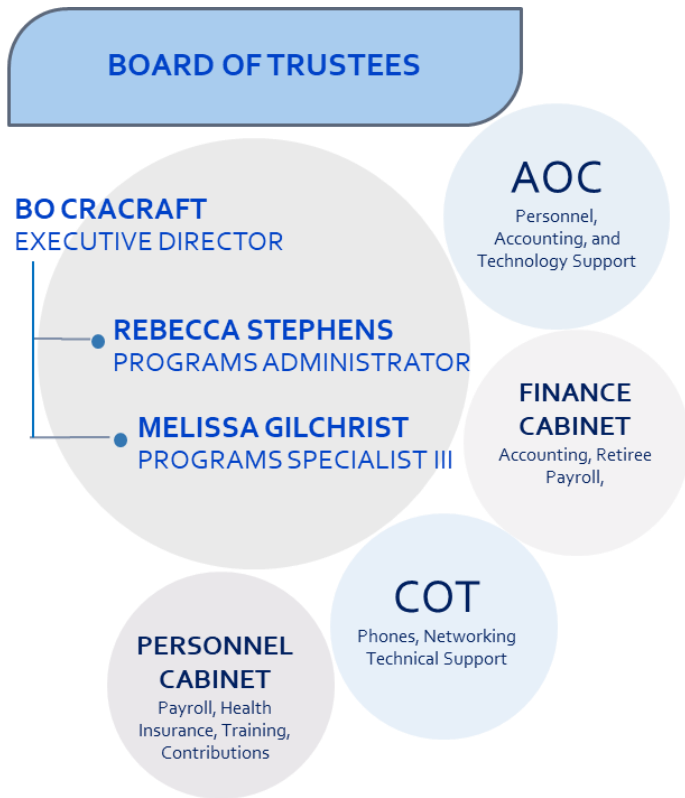
Appendix –

- Organization Chart & Service Providers



JUDICIAL FORM RETIREMENT SYSTEM

Organizational Structure



Service Providers

