



JUDICIAL FORM RETIREMENT SYSTEM

BOARD OF TRUSTEE MEETING – JULY 14, 2023



AGENDA



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

July 14, 2023 – 10:00 a.m. EST

**Baird Trust Company, Meeting Room 29th Floor
500 West Jefferson Street, Louisville, Kentucky 40202**

- I. Call to Order.
- II. Adoption of the *Minutes* of the April 21, 2023 Meeting.
- III. Investment Related Matters.
 - A. Presentation by Lexington Investment Company.
 - B. Presentation by Baird Trust Company.
- IV. Reports by Executive Director.
 - A. Public Pension Oversight Board – *update only*
 - B. Proxy Voting Policy - *Actionable Item*
 - C. Actuarial Related Items/Valuations – *update only*
 - i. Economic Assumption (HB76) Review – *Actionable Item*
 - ii. PPOB Audit Recommendation Review – *Actionable Item*
 - D. 2024 Retiree Health Insurance – *Actionable Item*
 - E. EOY Processing/Annual Financial Audit – *update only*
 - F. Pension Administration System Update – *update only*
- V. October 20, 2023 Meeting

ITEM II- **Adoption of Minutes**

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

April 21, 2023

The Board of Trustees of the Kentucky Judicial Form Retirement System (JFRS), the Investment Committee for the Kentucky Judicial Retirement Plan (JRP), and the Investment Committee for the Kentucky Legislators Retirement Plan (LRP), convened at the Administrative Office of the Courts, 1001 Vandalay Drive, Frankfort, Kentucky 40601 on Friday, April 21, 2023, at 10:00 a.m. All Board members, with the exception of Representative Brad Montell, were present.

JFRS staff present included Bo Cracraft, Executive Director, and Rebecca Stephens, Retirement Programs Administrator. Guests attending the meeting included Stan Kerrick of Lexington Investments, Inc. and Don Asfahl and John Watkins of Baird Trust Company. Guests attending the meeting virtually via Microsoft Teams video-conferencing included Andy Means of Baird Trust Company and Alan Pauw of McBrayer, PLLC.

Chairman Venters called the meeting to order at 10:02 a.m.

The trustees considered the adoption of the previously distributed *Minutes* from the January 20, 2022 meeting. Upon motion by Representative Scott Brinkman, seconded by Mr. Ben Allison, the Board unanimously approved the *Minutes* of the January 20, 2022 meeting.

The next order of business was the report of Lexington Investments LLC. Chairman Venters recognized Mr. Stan Kerrick. Mr. Kerrick distributed to the trustees Lexington Investments' *Report of the Kentucky Judicial & Legislators Retirement Funds* as of March 31, 2022, dated April 21, 2022.

Mr. Kerrick began with a compliance statement, which noted both plans were within their prescribed asset allocation guidelines. He also highlighted that neither plan currently had any individual equity positions that exceeded the 8% maximum weighting as of December 31, 2022. Mr. Kerrick also pointed recent activity in the portfolios. Mr. Kerrick also reviewed the dividend yield of the equity portfolio and duration of fixed income allocation and stated both complied with the investment policy. Lastly, Mr. Kerrick discussed recent transactions, which only included a few equity transactions, and projected cash flow in the portfolios.

Chairman Venters welcomed Baird Trust Company, who arrived and joined the meeting at 10:50 a.m. Mr. Cracraft had previously distributed copies of Baird's *Investment Review for Kentucky Judicial Retirement Fund and Kentucky Legislators Retirement Fund* dated April 21, 2023. In accordance with Board policy, the System maintains a copy of the Investment Review. Mr. Kerrick departed the meeting.

Mr. John Watkins began the quarterly review with a few comments regarding Baird's most recent quarterly market commentary, titled "Expecting the Unexpected," which highlighted the recent failure of Silicon Valley Bank in March of 2023. Mr. Watkins began with a quick review of what happened, pointing out a few key factors that led to the bank's failure. First, the bank had a very high concentration of deposits, both geographically and in type of customers (local, tech-based startups), which resulted in many large business accounts. Secondly, much blame rested with the bank's leadership team, who bought long-term government bonds during a very low interest rate period. While these bonds had little or no credit risk, they were exposed to interest rate risk, and in the current rising rate environment, the bank saw the value of these bonds decline and their balance sheet deteriorate. In response, many depositors lost faith in the bank and tried to exit and withdraw funds at the same time, leaving the bank unable to meet the demand.

Mr. Watkins noted that many in the industry had immediately tried to compare the Silicon Valley Bank failure back to 2008 and the Global Financial Crisis. However, in reality, the two are very much different. Banks today do not have large portfolios of toxic loans or exotic financial instruments hidden within their balance sheets. In addition, most banks have a very different depositor base than Silicon Valley, which makes its failure more of an outlier than norm. There is a question of how the financial sector will respond to these failures, but Mr. Watkins pointed how strong the U.S. banking industry is and how banks are in a much better position than during the years prior to 2008.

Mr. Asfahl reviewed several economic statistics and highlighted recent consumer activity. The Fed continues to try and slow inflation, but not at the expense of jobs. He noted that the CPI index had come down and inflation seems to have peaked, but likely still above the target of 3%. He pointed to growing consumer demand, which represents about seventy percent of GDP. While not back to pre-2020 levels, consumer confidence is up and more money has been spent by consumers on non-core goods, travel, and entertainment. Mr. Asfahl continued with a review of current asset allocations, annual estimated income, and the current yield on the portfolios. He discussed the fixed income portfolio and schedule of upcoming maturities.

Next, Mr. Watkins reviewed a snapshot of the portfolio, which included relative sector weightings, attribution, top performers and largest holdings. He emphasized sector weightings were not the result of any macro or top-down decisions, but rather completely driven by the underlying stocks. He pointed out the portfolio's highest overweight was still in the financial sector, driven primarily by four companies (Berkshire, JP Morgan, Progressive, and Schwab) that all provide different exposure to the sector. He referenced a recent reclassification by Standard and Poor's regarding how VISA, MasterCard, and PayPal are categorized, which has resulted in the portfolios overweight actually coming down relative to prior quarters. In addition, he highlighted the overweight to technology, for which Apple and Microsoft accounted for the majority of that overweight.

Next, Mr. John Watkins highlighted top performers and pointed out that General Electric had been the portfolios top performer over the past twelve months. Mr. Means commented on the company's recent success and the impact a new CEO can have on a business. In addition, he cited it as an example of where Baird's long-term approach and patience proved to bear fruit. Next, Mr. Watkins discussed sector attribution along with top and bottom contributions over the past five years. In the short term, the financial and consumer discretionary sectors were the

biggest detractors. Schwab, which the portfolio holds, was down quite a bit in response to the bank failures and some decline in deposits with the banking side of Schwab. Baird does not have concern here, largely due to nature of deposits, which are very different from Silicon Valley bank. On the discretionary side, Mr. Watkins noted that not holding Tesla and Amazon, which were two very strong performers, resulted in some negative relative performance. Looking out over the longer, 5-year period, Mr. Watkins pointed out the portfolio had added over two percent of excess return and that performance was very balanced with almost every sector adding value during that period.

In response to a question from Mr. Cracraft regarding Disney and the team's decision to add more exposure during the quarter, Mr. Watkins stated that decision reflected the team's confidence with Bob Iger and his return as CEO. He admitted the prior CEO had made some real missteps, but since Mr. Iger's return, they had seen a return to the company's roots. The streaming side is still a huge drag, but a recommitment to the company's creative assets and parks, along with a belief that a bruised political relationship can be healed were reasons for the further investment.

In response to a follow up question from Judge Grise regarding Disney and concern over companies that get tangled up in political controversies, Mr. Means stated the preference would be that companies never get involved. However, he did point out that Disney's success historically had fallen with its creative side and that side of the business is largely dependent on those employees and people creating content. Many of those individuals fall within the LBGTQ+ community and so as their employer, Disney would have some incentive to support and show alignment of interest. Otherwise they run the risk of alienating a group of employees who have been large piece of the company's success.

Lastly, in response to a question from Judge Grise regarding Pfizer and its recent underperformance, Mr. Watkins stated the company was feeling the effects of the COVID vaccine cliff. The company definitely benefited with the vaccine, but now there is some cloudiness as to whether it's an annual process or less periodic. However, Mr. Watkins noted that the recent cash flow has allowed the company to invest in several new developments and have positioned them for good long term success. But a current head wind exists in the short term.

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 are well-positioned, continue to produce strong risk adjusted results, and have outperformed the blended index over each measured period.

Lastly, Mr. Asfahl quickly reviewed allocation, returns, and holdings for the LRP legacy portfolio and two smaller Cash Balance portfolios. He referenced the Board's recent decision to diversify the portfolios and pointed to the most recent quarterly performance as evidence of how performance of the two portfolios had tightened.

Lastly, at the request of Mr. Cracraft, Mr. Watkins and Mr. Asfahl discussed the equity portfolio proxy voting policy and stance on Environmental, Social, and Governance (ESG) investing. Mr. Cracraft highlighted a recent piece of legislation that passed during the 2023 Regular Session and addressed fiduciary duty and how the plan votes proxies. Mr. Watkins

reviewed the team's proxy voting process. He stated the team was using Glass Lewis, which is a third party provider, for research purposes, but that he personally reviewed all proxies and specifically where Baird's policy might differ from Glass Lewis. He noted a few minor situations, one involving Warren Buffett and Berkshires Board of Directors, when the team voted differently than the research provided by Glass Lewis.

Mr. Asfahl discussed ESG and acknowledged that more and more conversations are occurring concerning the topic. He emphasized that the team did not use any ESG related factors to screen potential investments nor did they know what a specific company's ESG score is at any given time. He stated that the team reviewed the legislation and did not believe it would require any change in how the portfolios are managed. He also stated the team had prepared reports to begin disclosing quarter proxy voting.

The meeting recessed for lunch at 12:05. Mr. Asfahl, Mr. Watkins, and Mr. Mean's all left the meeting at 11:58 a.m. and the meeting recessed for lunch.

The meeting reconvened at 12:25 p.m. Mr. Asfahl and Mr. Watkins left the meeting. Chairman Venters recognized Mr. Cracraft, who reported on several administrative matters. The trustees discussed the items and took action when noted.

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

January 30, 2023 – JFRS was not on the agenda. A handful of proposed legislative changes were discussed.

February 27, 2023 – Milliman presented the results of the recent actuarial audit commissioned by the PPOB. JFRS did have the opportunity to respond.

March 2023 – The Oversight Board did not meet in March.

The **April Meeting** is set to meet on Monday, April 24th. JFRS is on the agenda and has been asked to provide an update on investments and cash flow.

(B) 2023 General Session. Mr. Cracraft referenced the *2023 Regular Session – Legislative Update* memo from staff included in the Board materials. He discussed the recently adjourned regular session, which only included one piece of legislation that directly impacted JFRS.

Mr. Cracraft indicated House Bill 236, sponsored by Representative Sharp, was really the only bill that will require some action in the near term. The bill was titled as "an ACT related to fiduciary duties," but it specifically focused on ESG investing and proxy voting. First, the bill added language to further defined fiduciary duty, requiring fiduciary to rely on pecuniary factors solely, while not considering non-pecuniary interests, which broadly represented ESG factors. Secondly, the legislation add some requirements regarding the proxy voting process, required the Board adopt a policy, and included additional reporting on the systems website. Mr. Cracraft indicated the topic would be revisited during the July 2023 meeting and staff would make a recommendation concerning a proxy voting policy.

(C) Deferred Retiree Benefit Accrual Discussion. Mr. Cracraft referenced a memo titled *Deferred Vested Retiree Benefit Accruals* that was included in the Board materials. He noted this as a topic staff had become aware of while working with a few deferred retirees and on the new pension administrative software project. After a review of current statutory language and member cases, staff found the agency's interpretation and administration of benefits were consistent. However, given a lack of clarity found statutorily, staff requested Alan Pauw, the systems third-party legal and fiduciary counsel, review to provide an opinion to better direct staff going forward and . Mr. Pauw had provided a memo, which was included in the meeting materials.

Mr. Cracraft introduced Mr. Alan Pauw of McBrayer, who joined the meeting virtually via Microsoft Teams at 12:40 p.m. Mr. Pauw summarized his memo, which reviewed various sections of statutes governing LRP, JRP, and other state administered pension plans. Mr. Pauw agreed that statutes could be clearer, but he did believe JFRS's interpretation was within reason. He noted the terms "deferred vested" and "recipient" were not defined, which left interpretation up to administration. In addition, there are a few unique aspects of JRP and LRP, including that vested members did not have a provision to receive a refund. Unlike other plans, once vested, members of JRP and LRP receive the right to receive benefits at early or normal retirement. He suggested the Board may want to seek additional statutory language or adopt administrative regulations to clarify, but apart from a legislative change, he did not recommend staff change the way they were administering benefits.

There was a hearty discussion amongst the trustees and with Mr. Pauw regarding his memo and potential action. After the discussion, Judge John Grise made a motion, which was seconded by Judge Douglas George, to confirm the agency's current interpretation and application of benefits for deferred vested members who joined LRP or JRP prior to January 14. The motion served to provide staff with Board action and record, while giving them direction to continue administering benefits prospectively apart from future statutory change. The motion passed unanimously.

(D) Custody/Asset Consolidation Discussion. Mr. Cracraft provided a verbal update concerning the agency's custody arrangement. He noted the system was currently utilizing the services of two different custodians for legacy and cash balance assets. He acknowledged the Board discussed the topic in the past and that staff intended to move to a single custodian in the future. He stated the Commonwealth's Master Agreement with State Street was currently set to expire June 30, so he was awaiting the results of a request for proposal. While moving to State Street would likely be the simplest solution, Mr. Cracraft expressed some frustration with the level of service staff receives from State Street and multiple errors that occurred recently. He indicated that staff considered issuing a request for proposal and contracting with a custodian directly, but that would involve some additional due diligence.

Mr. Cracraft indicated that staff was awaiting results from the Commonwealth's RFP, but depending on those results, a next step might include asking the Board to authorize staff to seek proposals for a custodian directly.

Somewhat related to this discussion, Mr. Cracraft also suggested the Board consider whether the legacy assets and cash balance assets needed to continue being invested separately.

He acknowledged there were specific reasons in 2014 to separate the assets, but several of those reasons were no longer material or needed. The CB assets had reached 5-years of history and were invested with the same target return and asset allocation standpoint, so moving to a single custodial relationship would serve as an ideal time to also consider consolidating all the assets. He mentioned staff had begun a discussion with Alan Pauw to discuss any fiduciary concerns and that staff would likely bring this topic back before the Board at a later date and once the custodial arrangement had more clarity.

(E) Medicare PPO Update. Mr. Cracraft provided a verbal update and informed the Board that Humana and Vanderbilt had settled their dispute and came to an agreement. He indicated that no JFRS retirees experienced any break in service and all participants would have the same level of coverage as prior to the disagreement.

Mr. Cracraft also acknowledged that the Board might want to look at issuing a request for information or proposals at some point in the next couple of years. He stated that JFRS has utilized Humana for Medicare participants since 2014 and how it makes good sense to periodically bid this type of service for competition. However, Mr. Cracraft admitted he had very little knowledge and no real experience that gave him confidence in facilitating such a request. He noted that JFRS had contracted with a health care consultant in the past to assist and that staff would be happy to do the same. One hurdle would be identifying such an individual and Mr. Cracraft said staff would look to reach out to KPPA, TRS, and any other potential resource that might be suggested.

(F) Pension Admin Software Update. Mr. Cracraft provided a verbal update on the Pension Administration Software project. He was excited to inform the Board that staff was very close to going live with the new system. The project was in the final testing phase and staff expected to start using in June.

(G) Administrative, Budget, & Personnel. Mr. Cracraft referenced the *Administrative & Personnel Update – FY24 Budget Salary Increases* memo that was included in the Board materials. He noted the General Assembly had passed HB 444 and appropriated approximately \$89 million dollars that had been set aside to address raises for state workers for the 2023-2024 fiscal year. He quickly reviewed the memo, how the budget increases applied to JFRS and asked the board to provide more feedback on how he should implement.

Upon motion by Judge John Grise, seconded by Chairman Venters, the Board unanimously agreed to go into Executive Session for the purpose of discussing personnel and confidential member information of employees. The motion passed unanimously.

Upon motion by Judge Douglas George, seconded by Justice Daniel Venters, the Board unanimously agreed to come out of Executive Session. No action was taken in Executive Session.

Upon motion by Judge Douglas George, seconded by Mr. Ben Allison, the Board unanimously authorized providing staff raises, which included a \$2,000 increase to the base salaries of both full time employees, plus a 6% increase in salary or hourly rate of all three current JFRS staff members effective July 1, 2023. The motion passed unanimously.

There being no further business, the meeting adjourned at 2:12 p.m.

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

Stephen F. LeLaurin, Chairman
Judicial Retirement Fund Investment Committee

Brad Montell, Chairman
Legislators Retirement Fund Investment Committee

Bo Cracraft, Executive Director

DRAFT

ITEM III-

Investment Related Matters

- A. **Lexington Investment Company**
Quarterly Compliance & Cash Flow Report

- B. **Baird Trust Company**
Quarterly Investment/Performance Review

LEXINGTON INVESTMENTS LLC

Kentucky Judicial and Legislators Retirement Funds

INVESTMENT POLICY STATEMENT COMPLIANCE

April 1, 2023 – June 30, 2023

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 allocations on June 30 were Judicial 73.3%, and Legislators 73.8%.
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 30 were Judicial 25.8%, and Legislators 25.6%. 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 June 30th these positions represent 20.99% of the total equity portfolio in the Judicial Fund and 20.96% 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 quarter two equity purchases were \$7,720,240 in the Judicial Fund and two purchases were \$2,166,168 in the Legislators Fund. The purchases in each fund did not exceed 5% of the fund's equity values, the total of each purchase were 1.89% and 1.83% of equity totals.
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 June 30th, the Judicial Fund's 8% limit was \$32,614,240, and the Legislators Fund's 8% limit was \$9,463,840. None of the equity positions in either Fund exceeded those market values as of June 30.
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 June 30 the modified duration of the Judicial Fund was 3.30 years, and Legislators 3.30 years, each fund less than 1 year of the duration of the benchmark which was 3.30 years.
7. During the quarter there were no bond maturities, sales or early redemptions in either account. On April 24 the following corporate bonds were purchased for Judicial:

1MM O'Reilly 4.70% due 06/15/2032 @ 99.40 (\$994,000.00 + accr int \$17,102.78) and duration of 7.15 years.
1MM Federal Farm Credit Bank 4.95% 04/27/2033 @ 100.025 (\$1,000,250.00) and duration of 7.76 years.

Neither purchase had a duration exceeding 15 years, or cost which exceeded 5% of the Judicial fixed-income market value.

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Lexington Investments LLC is a branch office of and securities are offered through Sunbelt Securities, Inc. Member FINRA & SIPC. Advisory services are offered through Sunbelt Securities, Inc., an SEC Registered Investment Adviser. Lexington Investments LLC and Sunbelt Securities, Inc. are unaffiliated companies.

Cash Reconciliation Report

From 04/01/2023 to 06/30/2023

KENTUCKY JUDICIAL

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Trade Description</u>	<u>Net Amount</u>	<u>Daily Balance</u>
04/01/2023		CASH Beginning Balance		1,891,340.49
04/01/2023		Interest PFIZER INC	59,062.50	1,950,402.99
04/01/2023		Interest CUMMINS INC	63,875.00	2,014,277.99
04/01/2023		Interest SYSCO CORP	65,625.00	2,079,902.99
04/01/2023		Interest JPMORGAN CHASE & CO	66,375.00	2,146,277.99
04/03/2023		Interest CASH	1,178.45	2,147,456.44
04/03/2023		Interest CASH	4,138.84	2,151,595.28
04/04/2023	04/04/2023	Sell U.S.TREASURY BILL -10000000.00	10,000,000.00	12,151,595.28
04/06/2023		Dividend OMNICOM GROUP	91,210.00	12,242,805.28
04/07/2023		Dividend iShares 1-3 YR TSY ETF	281.07	12,243,086.35
04/10/2023		Withdrawal CASH	(8,000,000.00)	4,243,086.35
04/12/2023		Interest FEDERAL FARM CR BKS	83,250.00	4,326,336.35
04/14/2023		Dividend PROGRESSIVE CORP-OHIO	19,980.00	4,346,316.35
04/15/2023		Interest OMNICOM GROUP INC	54,000.00	4,400,316.35
04/15/2023		Interest EXXON MOBIL CORP	58,725.00	4,459,041.35
04/17/2023		Dividend U S BANCORP	92,976.00	4,552,017.35
04/21/2023		Interest BANK AMER CORP	81,200.00	4,633,217.35
04/23/2023		Interest WELLS FARGO CO NEW	67,500.00	4,700,717.35
04/24/2023	04/26/2023	Buy OREILLY AUTOMOTIVE INC 1000000.00	(1,011,102.78)	3,689,614.57
04/24/2023	04/27/2023	Buy FEDERAL FARM CREDIT BANK 1000000.00	(1,000,250.00)	2,689,364.57
04/25/2023		Dividend GENERAL ELECTRIC NEW	12,064.80	2,701,429.37
04/26/2023		Dividend CISCO SYSTEMS INC	41,340.00	2,742,769.37
04/27/2023	05/01/2023	Sell MICROSOFT CORP -12600.00	3,818,330.15	6,561,099.52
04/27/2023	05/01/2023	Sell APPLE INC. -24000.00	3,999,647.19	10,560,746.71
04/27/2023	05/01/2023	Buy SCHWAB (CHAS) 80000.00	(4,115,296.00)	6,445,450.71
04/27/2023	05/01/2023	Buy PARKER-HANNIFIN CORP 11500.00	(3,604,944.10)	2,840,506.61
04/28/2023		Interest CASH	1,203.23	2,841,709.84
04/30/2023		Interest BLACKROCK INC	73,125.00	2,914,834.84
04/30/2023		Interest NORTHERN TR CORP	88,875.00	3,003,709.84
04/30/2023		Dividend JP MORGAN	156,750.00	3,160,459.84
05/01/2023		Interest CASH	17,369.22	3,177,829.06
05/05/2023		Dividend iShares 1-3 YR TSY ETF	298.23	3,178,127.29
05/06/2023		Interest APPLE INC NOTE	60,375.00	3,238,502.29
05/14/2023		Interest ABBVIE INC	72,000.00	3,310,502.29
05/15/2023		Interest UNITED STATES TREAS NT	31,250.00	3,341,752.29
05/18/2023		Dividend APPLE INC.	35,232.00	3,376,984.29
05/25/2023		Dividend FASTENAL CO.	88,760.00	3,465,744.29
05/26/2023		Dividend SCHWAB (CHAS)	83,300.00	3,549,044.29
06/01/2023		Interest CASH	1,209.59	3,550,253.88
06/01/2023		Interest CASH	9,231.54	3,559,485.42
06/01/2023		Interest SCHLUMBERGER INVT SA	63,875.00	3,623,360.42
06/01/2023		Dividend WELLS FARGO	46,500.00	3,669,860.42
06/01/2023		Dividend TJX COS INC NEW	49,442.75	3,719,303.17
06/02/2023		Dividend PARKER-HANNIFIN CORP	54,464.00	3,773,767.17
06/02/2023		Dividend TE CONNECTIVITY LTD	67,982.75	3,841,749.92
06/06/2023		Dividend JOHNSON & JOHNSON	144,347.00	3,986,096.92
06/07/2023		Dividend iShares 1-3 YR TSY ETF	307.30	3,986,404.22
06/08/2023		Dividend MICROSOFT CORP	57,800.00	4,044,204.22
06/09/2023		Dividend PFIZER INC	95,448.00	4,139,652.22
06/15/2023		Interest MICROSOFT CORP	54,375.00	4,194,027.22
06/15/2023		Interest OREILLY AUTOMOTIVE INC	105,750.00	4,299,777.22
06/15/2023		Dividend EXPEDITORS INTERNATIONAL	60,237.00	4,360,014.22
06/15/2023		Dividend HOME DEPOT	164,483.00	4,524,497.22
06/30/2023		Dividend BANKAMERICA CORP.	41,096.00	4,565,593.22
06/30/2023		Dividend UNION PACIFIC	60,710.00	4,626,303.22
06/30/2023		CASH Ending Balance		4,626,303.22

Cash Reconciliation Report

From 04/01/2023 to 06/30/2023

KENTUCKY LEGISLATORS

<u>Trade Date</u>	<u>Settlement Date</u>	<u>Trade Description</u>	<u>Net Amount</u>	<u>Daily Balance</u>
04/01/2023		CASH Beginning Balance		1,574,277.52
04/01/2023		Interest PFIZER INC	16,406.25	1,590,683.77
04/01/2023		Interest CUMMINS INC	18,250.00	1,608,933.77
04/01/2023		Interest JPMORGAN CHASE & CO	18,437.50	1,627,371.27
04/01/2023		Interest SYSCO CORP	18,750.00	1,646,121.27
04/03/2023		Interest CASH	1,178.45	1,647,299.72
04/03/2023		Interest CASH	1,668.68	1,648,968.40
04/06/2023		Dividend OMNICOM GROUP	26,477.50	1,675,445.90
04/07/2023		Dividend iShares 1-3 YR TSY ETF	317.10	1,675,763.00
04/12/2023		Interest FEDERAL FARM CR BKS	20,812.50	1,696,575.50
04/14/2023		Dividend PROGRESSIVE CORP-OHIO	5,715.00	1,702,290.50
04/15/2023		Interest EXXON MOBIL CORP	16,312.50	1,718,603.00
04/15/2023		Interest OMNICOM GROUP INC	22,500.00	1,741,103.00
04/17/2023		Dividend U S BANCORP	26,064.00	1,767,167.00
04/21/2023		Interest BANK AMER CORP	20,300.00	1,787,467.00
04/23/2023		Interest WELLS FARGO CO NEW	18,750.00	1,806,217.00
04/25/2023		Dividend GENERAL ELECTRIC NEW	3,541.60	1,809,758.60
04/26/2023		Dividend CISCO SYSTEMS INC	12,070.50	1,821,829.10
04/27/2023	05/01/2023	Sell MICROSOFT CORP -3500.00	1,060,647.26	2,882,476.36
04/27/2023	05/01/2023	Sell APPLE INC. -6500.00	1,083,237.78	3,965,714.14
04/27/2023	05/01/2023	Buy SCHWAB (CHAS) 22000.00	(1,131,706.40)	2,834,007.74
04/27/2023	05/01/2023	Buy PARKER-HANNIFIN CORP 3300.00	(1,034,462.22)	1,799,545.52
04/30/2023		Interest BLACKROCK INC	20,312.50	1,819,858.02
04/30/2023		Interest NORTHERN TR CORP	24,687.50	1,844,545.52
04/30/2023		Dividend JP MORGAN	45,100.00	1,889,645.52
05/01/2023		Interest CASH	1,201.52	1,890,847.04
05/01/2023		Interest CASH	2,797.71	1,893,644.75
05/05/2023		Dividend iShares 1-3 YR TSY ETF	336.46	1,893,981.21
05/06/2023		Interest APPLE INC NOTE	16,387.50	1,910,368.71
05/14/2023		Interest ABBVIE INC	26,562.50	1,936,931.21
05/15/2023		Interest UNITED STATES TREAS NT	15,625.00	1,952,556.21
05/18/2023		Dividend APPLE INC.	10,320.00	1,962,876.21
05/25/2023		Dividend FASTENAL CO.	25,725.00	1,988,601.21
05/26/2023		Dividend SCHWAB (CHAS)	23,775.00	2,012,376.21
05/31/2023		Interest CASH	1,289.69	2,013,665.90
06/01/2023		Interest CASH	3,964.03	2,017,629.93
06/01/2023		Interest SCHLUMBERGER INVT SA	18,250.00	2,035,879.93
06/01/2023		Dividend WELLS FARGO	13,350.00	2,049,229.93
06/01/2023		Dividend TJX COS INC NEW	14,330.75	2,063,560.68
06/02/2023		Dividend PARKER-HANNIFIN CORP	15,688.00	2,079,248.68
06/02/2023		Dividend TE CONNECTIVITY LTD	20,237.00	2,099,485.68
06/06/2023		Dividend JOHNSON & JOHNSON	41,650.00	2,141,135.68
06/07/2023		Dividend iShares 1-3 YR TSY ETF	346.81	2,141,482.49
06/08/2023		Dividend MICROSOFT CORP	16,711.00	2,158,193.49
06/09/2023		Dividend PFIZER INC	27,470.00	2,185,663.49
06/09/2023		Withdrawal CASH	(1,500,000.00)	685,663.49
06/15/2023		Interest MICROSOFT CORP	18,125.00	703,788.49
06/15/2023		Interest OREILLY AUTOMOTIVE INC	23,500.00	727,288.49
06/15/2023		Dividend EXPEDITORS INTERNATIONAL	17,319.00	744,607.49
06/15/2023		Dividend HOME DEPOT	47,390.75	791,998.24
06/30/2023		Interest CASH	961.47	792,959.71
06/30/2023		Dividend BANKAMERICA CORP.	11,957.00	804,916.71
06/30/2023		Dividend UNION PACIFIC	17,550.00	822,466.71
06/30/2023		CASH Ending Balance		822,466.71



Investment Review
KY Judicial Retirement Fund
KY Legislator Retirement Fund
July 14, 2023

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The Dawn Of Artificial Intelligence

“AI will change the way people work, learn, travel, get health care, and communicate with each other.” – Bill Gates

One constant throughout history has been technological innovation that changes the way humans live, work, and interact. In the past 50 years, the personal computer (PC), the internet, and the smart phone all ushered in dramatic changes to our lives. Today, the development of artificial intelligence (AI) is seen as the next potentially life-changing innovation for business and society at large. In fact, many of today’s smartest technologists (Bill Gates, Satya Nadella, Sundar Pichai, among others) believe the impact of AI will be as transformational over the next few decades as that of the internet over the past 25 years.

Investment in AI technology is nothing new; some tech companies have been pursuing it behind the scenes for many years. Discussions about its implications had been mostly limited to computer scientists and other leading technology thinkers. However, the recent release of OpenAI’s ChatGPT large language model (LLM) was the critical turning point that brought AI into the mainstream, reaching over 100 million monthly active users just two months after its launch. Most people can all of a sudden use AI directly and imagine the positive and negative impacts it could have on society.

According to OpenAI, ChatGPT is an AI-powered chatbot that uses deep learning techniques to generate human-like responses to text inputs in a conversational manner. Since its release, AI has become part of popular culture, and the potential use cases employing AI are expanding rapidly. While there has been a rush to accelerate the development and release of any and all AI technology, important discussions are beginning on how to properly regulate this powerful new technology.

AI's Definition and Business Implications

We asked OpenAI's ChatGPT to define AI for us, and here is part of the answer:

Artificial Intelligence (AI) refers to the field of computer science and technology that focuses on creating intelligent machines that can perform tasks that typically require human intelligence. It involves developing algorithms and systems capable of simulating human cognitive abilities, such as learning, reasoning, problem-solving, perception, and language understanding.

Thinking back over the last 25 years, it is hard to overstate the impact the internet has had on both businesses and society. And if the prognostications and hype about AI are correct, the next several decades could see additional profound disruption.

The rise of the internet impacted virtually every industry. It proved to be a destructive force to the newspaper business as well as brick-and-mortar retailing. On the other hand, it enabled massive worldwide growth opportunities for businesses that effectively harnessed the power of the internet. Businesses that utilized the advantages of the internet have grown faster and larger than anything comparable in history. Looking back on these dynamics raises a key question: What industries of today could be destroyed by AI, and where might investors find enormous opportunities for growth?

It is easy to come up with dozens of exciting use cases for AI. Some examples might be reducing language barriers, performing faster and more accurate fraud detection, increasing worker productivity by more quickly synthesizing large amounts of information, expediting pharmaceutical drug discovery, and a more personalized user experience through AI assistants. In addition to these use cases we are able to conceive of, there will likely be many implications or outcomes that our brains simply cannot even come up with today. These are likely to be the true game changers.

Our Approach to AI

We often make the point that the future is highly uncertain and unpredictable. It is important to keep this in mind when thinking about the long-term implications of AI – both good and bad. The hard reality is that we simply have no idea exactly how the future will play out. It is possible that AI today may be badly overhyped, or it may turn out to be more impactful than we ever thought possible.

From our standpoint as investors with a long-term business-owner mindset, we approach AI the same way we approach all future uncertainty. In fact, our thinking about AI is similar to the way we grappled with the dawn of the internet era 25 years ago.

If AI is as transformative over the next decade as is currently predicted, it will have profound implications for many businesses, including our portfolio companies. The most successful businesses will likely figure out ways to integrate AI into their operations and use it to enhance their core competitive advantages. The best management teams will do everything in their power to harness this new technology. However, the businesses that are slow to adapt to a changing world or even ignore AI risk falling behind and seeing their businesses erode.

Our research process is driven by continuous learning, diligent research, and insatiable curiosity. We will continue to spend countless hours learning everything we can about AI and its implications for different businesses across all industries. Just as the internet created massive headwinds for industries like newspapers and tailwinds for other industries, we must strive to find the winners and avoid the losers from this AI revolution.

Additionally, we must keep an open mind about the future possibilities of AI while retaining a healthy amount of skepticism. New technologies can generate enormous hype that eventually leads to disappointment. The technology bubble of the late 1990s is a great example of a speculative period that ended with painful losses for many investors who got caught up with the unbounded optimism and hype. Even though the internet did transform nearly every aspect of our lives, it took decades to play out. When it comes to a new, potentially world-changing technology, it is especially important to remain open-minded given the unpredictability of the future. That said, we will be vigilant to deal in facts and avoid unfounded hype.

Remaining Disciplined on Valuation

While keeping an open mind, we must not abandon our valuation discipline when making investment decisions. New technologies early in their growth curve have the potential to lure undisciplined investors into taking excessive risk by paying extraordinarily high prices for unproven businesses. We see this as incredibly risky given our belief that predicting the ultimate winners in a new industry is extremely difficult. Even a terrific, growing business with superb management can be a terrible investment if the price paid for it is too high.

Our valuation discipline aims to create a margin of safety for our clients, and we think it has helped us minimize large, permanent losses over the last 30 years. One of our most important pillars is to try to avoid any kind of speculative risks that could lead to the destruction of capital. While this risk posture may feel uncomfortable in the short-term during periods of exciting new technological innovation, we are unwavering in our valuation discipline.

Over the past decade, it has been difficult to keep up with the major stock market indices without owning some of the leading technology companies that have benefitted mightily with the growth of the internet. While we don't know whether the promise of AI will create a similar dynamic over the coming decade, we are open to that possibility. Many of our portfolio companies are already using AI or are experimenting with its capabilities. Going forward, we will be working hard to identify businesses that will benefit greatly from AI while also meeting our time-tested investment criteria – business, management, and price.

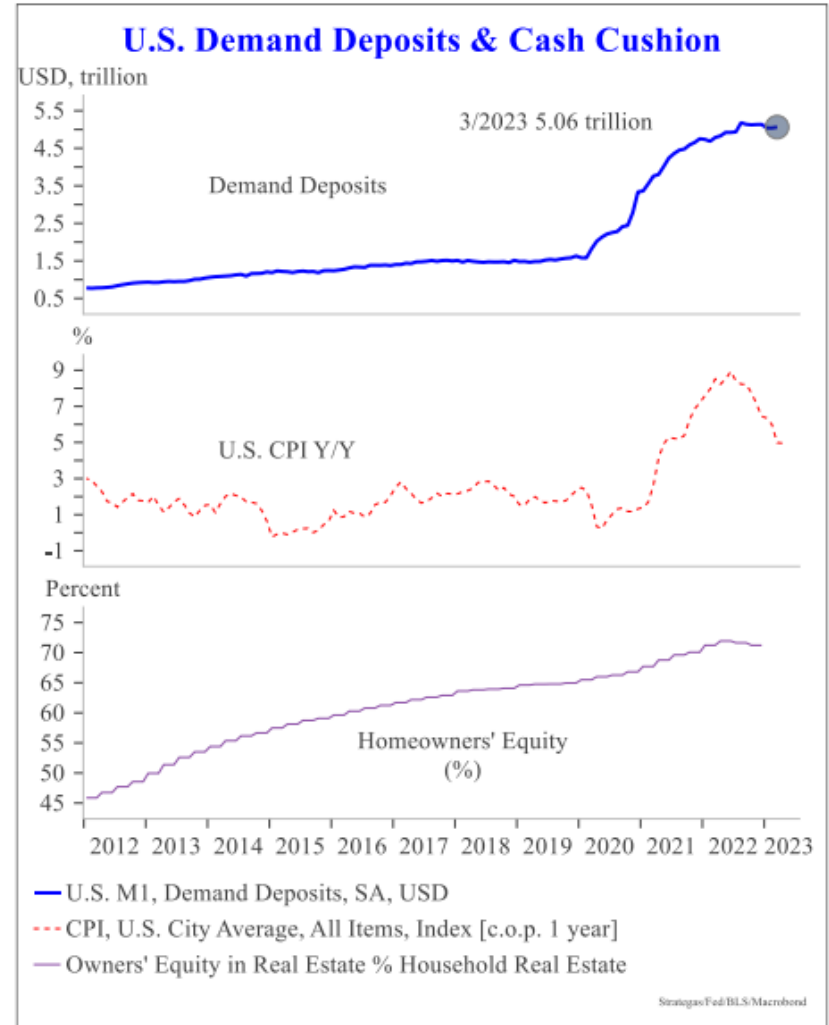
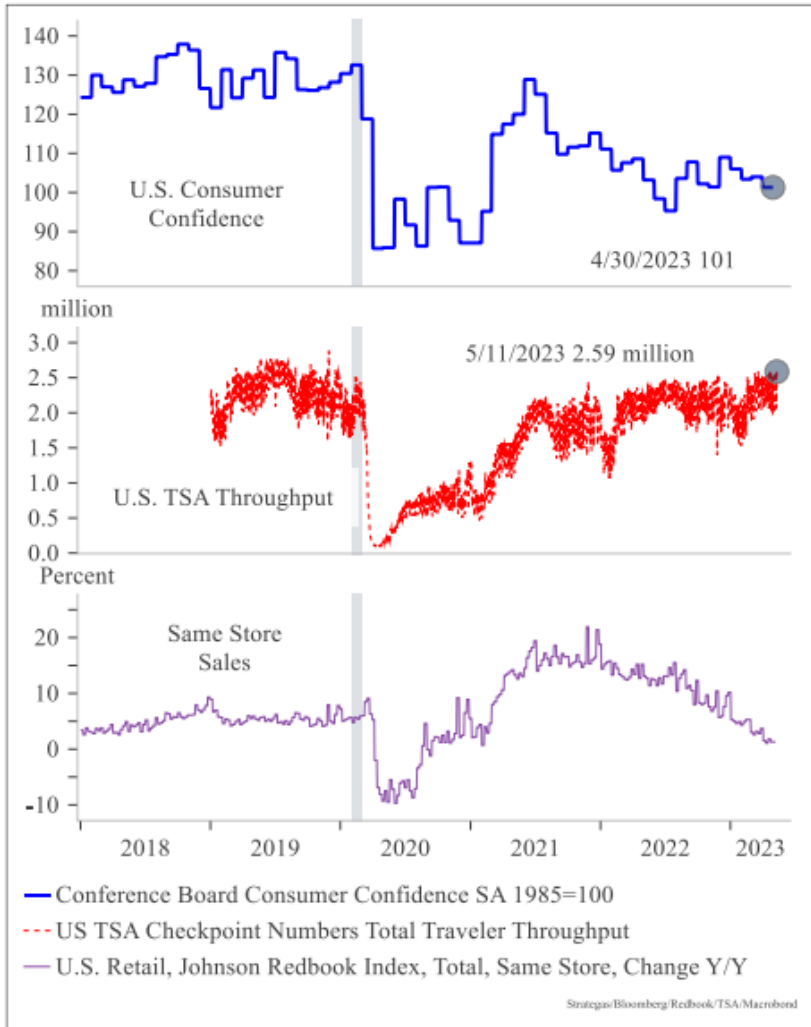
Today is an exciting time to be an investor. AI has the potential to bring about extraordinary developments over the coming years and decades. We don't know exactly how it will play out, but, as always, we are dedicated to our goal of compounding your wealth at an attractive rate for many years into the future. We at Baird Trust are humbled and thankful for the unwavering support from you, our valued clients.

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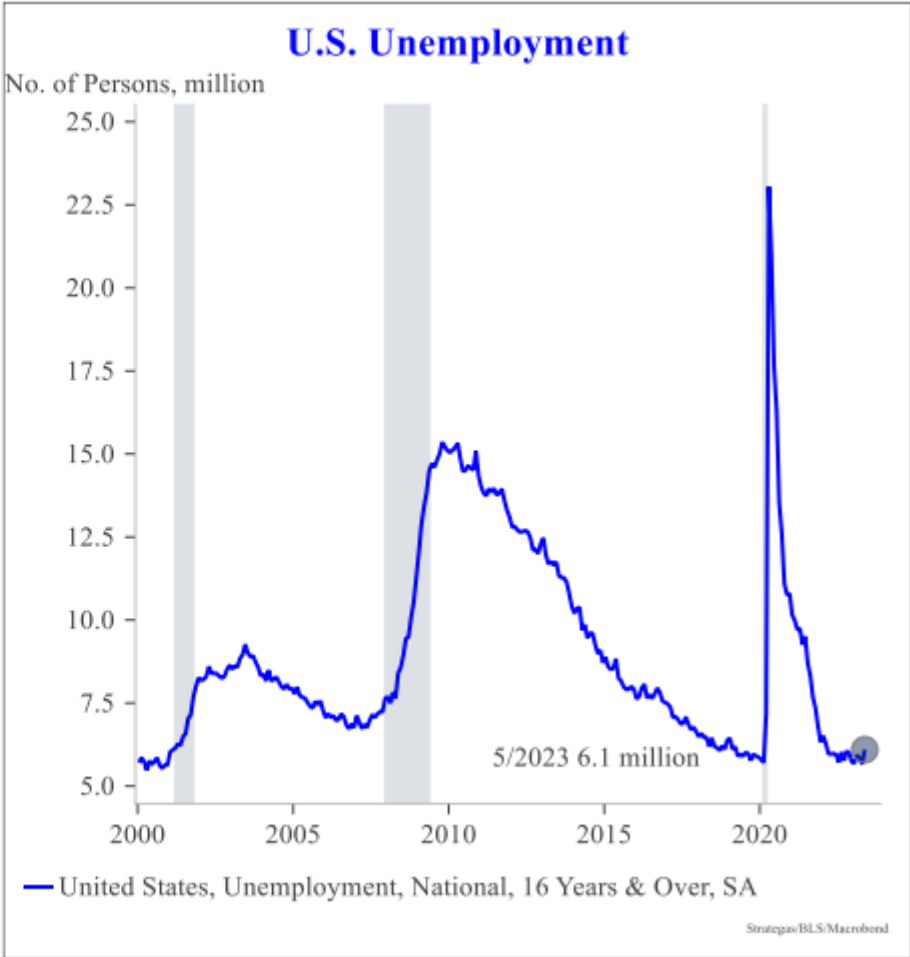
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- The U.S. added 339,000 jobs in May. The unemployment rate rose to 3.7%. Wages grew 0.3%. Hourly earnings have risen 4.3% year-over-year.
- The CPI rose 0.1% in May, down from 0.4% in April. The core rose 0.4%. Gas prices fell 5.6%. Food prices rose 0.5%. Year-over-year the CPI rose 4.0%. The core rose 5.3%.
- Q1 GDP grew 1.3% compared to the previous quarter's 2.6%. Corporate profits fell 6.8% to the lowest level since Q2 of 2021.
- Retail sales rose 0.4% in April. Bar and restaurant sales increased 0.6%. Department store sales rose 0.9%. Furniture store sales fell 0.7%.
- The Consumer Confidence Index fell to 102.3 in May from a revised 103.7 in April.
- Personal income increased 0.4% in April. Consumer spending increased 0.8%. The saving rate fell to 4.1% in April from 4.5% in March.

US Consumer Snapshot – Still Fairly Healthy

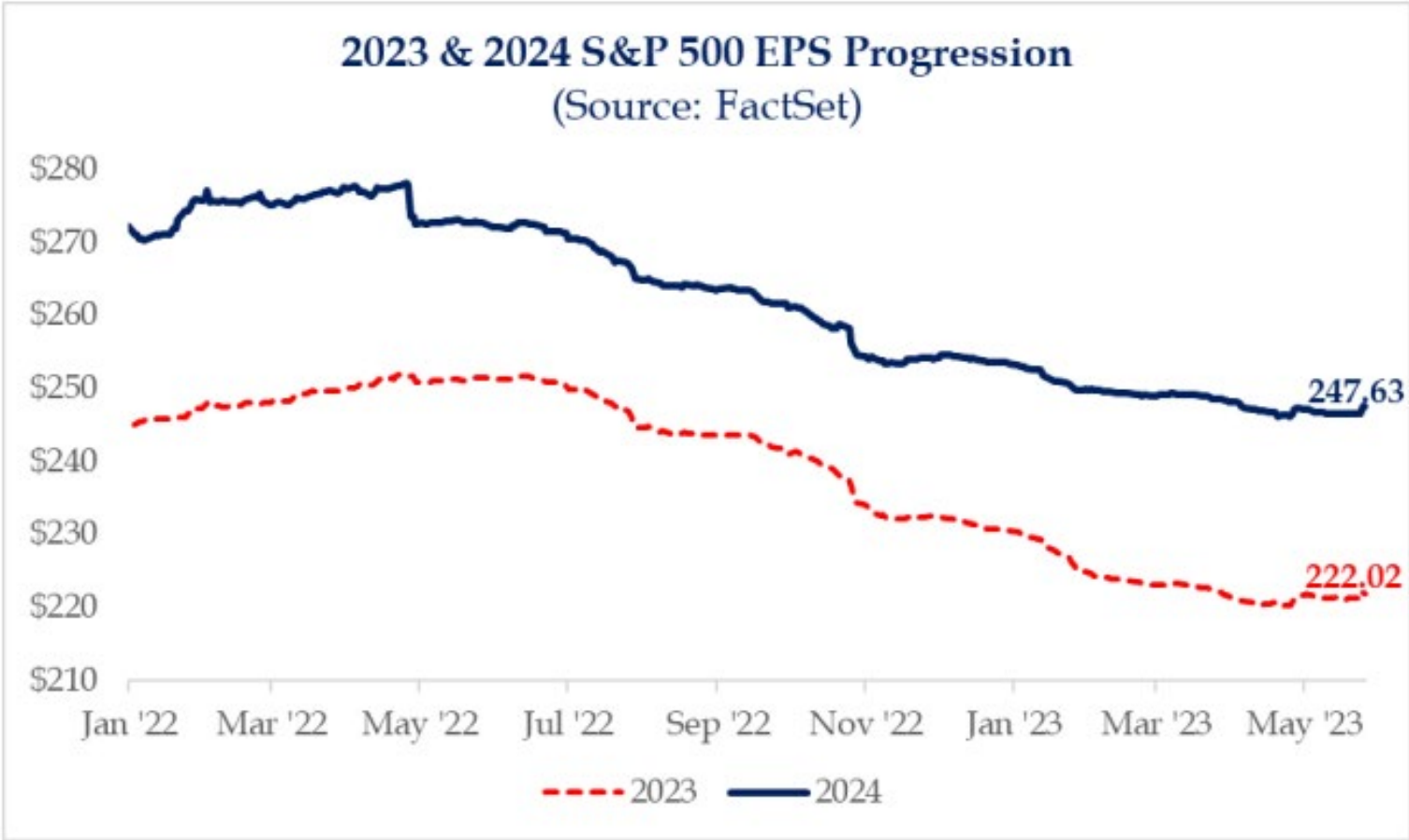


US Labor Market Remains Tight (Unemployment Rate 3.7%)



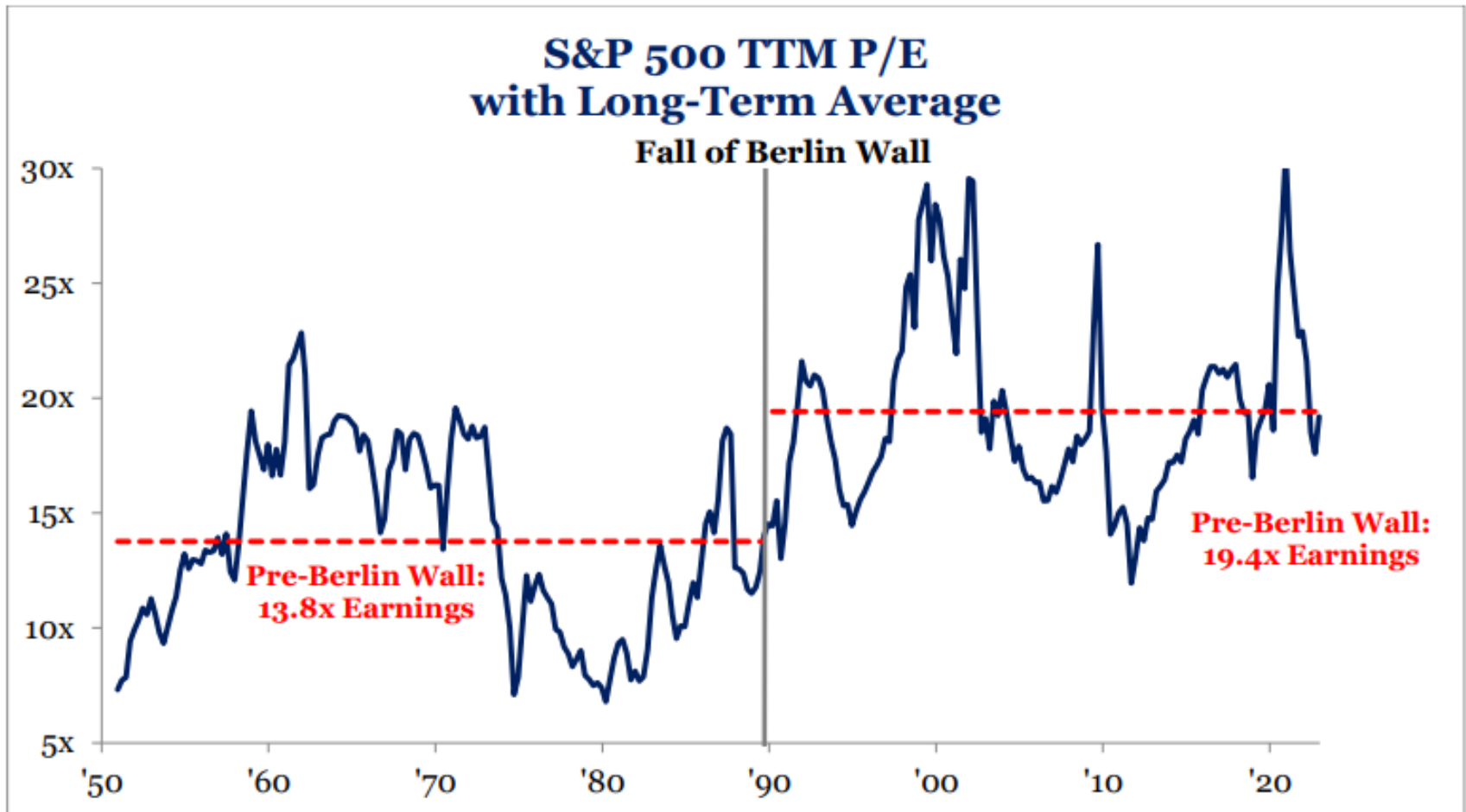
Source: Strategas Research Partners

Earnings Growth – 2023 Estimates Flat YOY, +12% in 2024



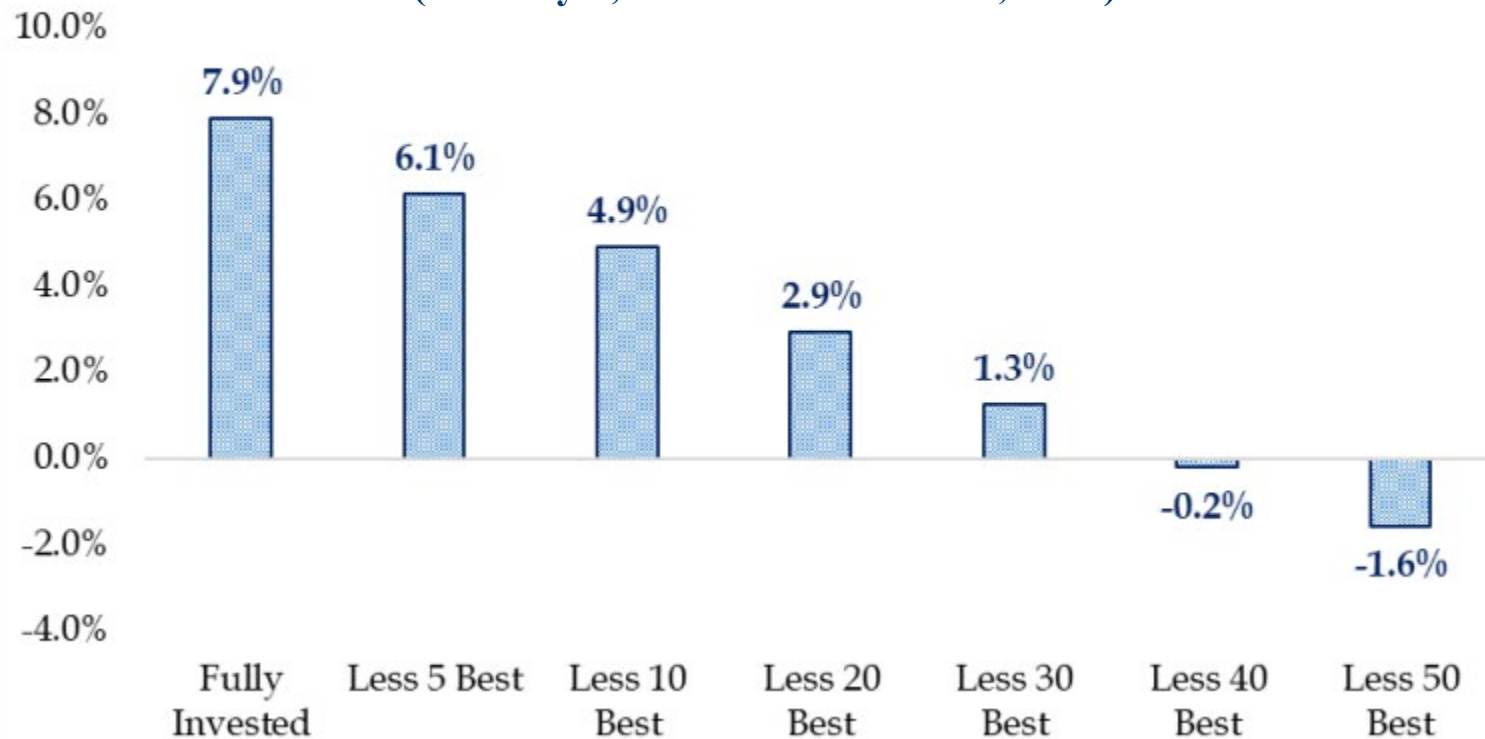
Source: Strategas Research Partners

Trend Change: Globalization to De-Globalization



Source: Strategas Research Partners

S&P 500 Compound Annual Growth Rate (January 1, 1995 – December 31, 2022)



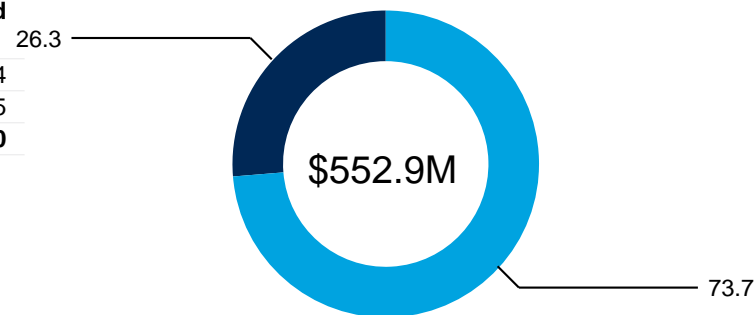
Source: Strategas Research Partners

Client Investment Review

Investment activity through 06/30/2023

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	407,735,547	73.7	5,736,019.20	1.4
Total Fixed Income	145,178,670	26.3	5,055,271.88	3.5
Total	552,914,217	100.0	10,791,291.08	2.0

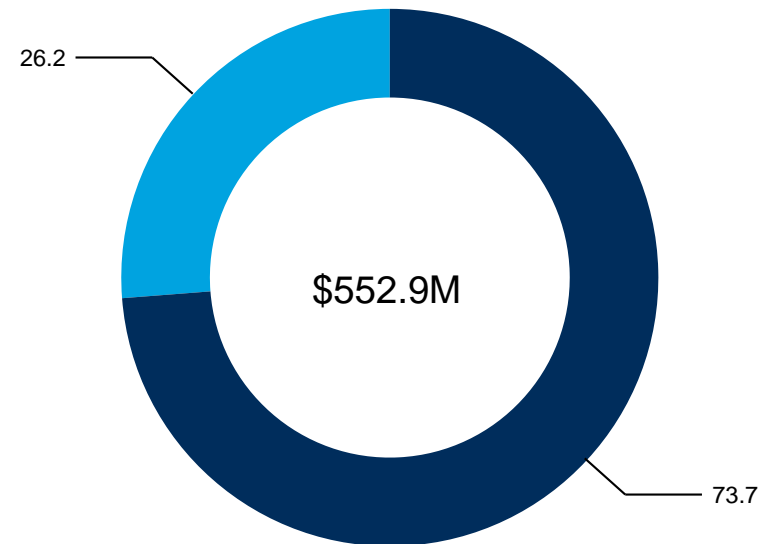


Investment Summary

	Fiscal Year to Date (1 Year)
Beginning Account Value	501,625,281.77
Net Contributions/Withdrawals	-23,233,555.47
Income Earned	10,639,758.31
Market Appreciation	63,882,732.30
Ending Account Value	552,914,216.91

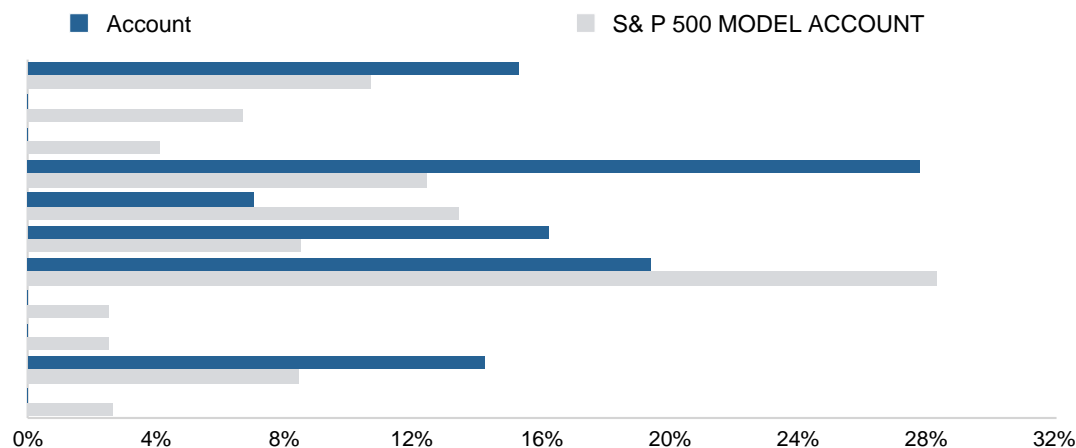
Total market value may differ slightly from your custodian statement due to processing lag of accruals in non-custody accounts.

	Market Value	% of Mkt Val
● Core Equity	407,735,547	73.7
● Taxable Fixed Income	145,052,185	26.2
● Taxable Bond Funds	126,485	.0
Total	552,914,217	100.0



Core Equity Allocation vs S & P 500 Model

	Account	Model
Consumer Disc	15.3	10.7
Consumer Staples	.0	6.7
Energy	.0	4.1
Financials	27.8	12.4
Health Care	7.0	13.4
Industrials	16.2	8.5
Information Tech	19.4	28.3
Materials	.0	2.5
Real Estate	.0	2.5
Communication Serv	14.2	8.4
Utilities	.0	2.6



Top 10 Performers

	Market Value	% of Mkt Val	Return
GENERAL ELECTRIC CO COM N	16,566,479	3.0	119.82
META PLATFORM, INC.	10,037,126	1.8	78.03
OMNICOM GROUP INC COM	12,489,255	2.3	54.70
TJX COS INC NEW COM	12,608,273	2.3	54.36
O REILLY AUTOMOTIVE INC N	17,386,460	3.1	51.25
APPLE INC COM	28,474,796	5.2	43.03
PARKER HANNIFIN CORP COM	14,353,472	2.6	40.75
MICROSOFT CORP COM	28,945,900	5.2	34.43
JPMORGAN CHASE & CO COM	22,797,720	4.1	33.23
TE CONNECTIVITY LTD REG S	16,149,936	2.9	26.13

Largest 10 Holdings by Market Value

	Market Value	% of Mkt Val	Return
MICROSOFT CORP COM	28,945,900	5.2	34.43
APPLE INC COM	28,474,796	5.2	43.03
BERKSHIRE HATHAWAY INC DE	26,853,750	4.9	24.91
PROGRESSIVE CORP OH COM	26,447,526	4.8	14.39
HOME DEPOT INC COM	24,447,368	4.4	16.37
JPMORGAN CHASE & CO COM	22,797,720	4.1	33.23
ALPHABET INC CAP STK CL C	22,754,457	4.1	10.59
JOHNSON & JOHNSON COM	20,077,576	3.6	-4.11
SCHWAB CHARLES CORP NEW C	18,885,776	3.4	-9.42
O REILLY AUTOMOTIVE INC N	17,386,460	3.1	51.25

Large Cap Equity Attribution

June 30, 2023

Sector	Qtr
Industrials	0.68
Consumer Staples	0.60
Energy	0.45
Health Care	0.36
Utilities	0.32
Real Estate	0.18
Materials	0.15
Consumer Disc	-0.25
Communication Services	-0.39
Financials	-0.71
Information Tech	-1.30
Total	0.10

Sector	1 Year
Industrials	2.02
Consumer Staples	0.98
Utilities	0.76
Real Estate	0.70
Consumer Disc	0.69
Communication Services	0.46
Materials	0.14
Energy	0.05
Health Care	-0.62
Financials	-0.77
Information Tech	-2.67
Total	1.75

Sector	5 Years
Consumer Disc	0.68
Industrials	0.56
Energy	0.38
Information Tech	0.38
Real Estate	0.15
Utilities	0.12
Financials	0.10
Consumer Staples	0.08
Materials	0.04
Communication Services	-0.15
Health Care	-0.22
Total	2.12

Ky Judicial Retirement DB Top & Bottom Contributors

June 30, 2023

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
MSFT	Microsoft	7.10	18.82	1.25
AAPL	Apple	6.98	18.04	1.16
GOOG	Alphabet	5.58	16.32	0.85
META	Meta	2.46	35.41	0.70
BRK B	Berkshire Hathaway	6.59	10.44	0.68

1 Year

Ticker	Company	Ending Allocation	Total Return	Contribution
GE	General Electric	4.06	119.82	2.80
AAPL	Apple	6.98	43.03	2.72
MSFT	Microsoft	7.10	34.43	2.32
ORLY	O'Reilly	4.26	51.25	2.00
JPM	JP Morgan	5.59	33.23	1.72

5 Years

Ticker	Company	Ending Allocation	Total Return	Contribution
AAPL	Apple	6.98	34.58	2.49
MSFT	Microsoft	7.10	29.48	2.10
PGR	Progressive	6.49	20.96	1.25
ORLY	O'Reilly	4.26	28.33	1.03
GOOG	Alphabet	5.58	16.74	0.86

Bottom Contributors

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
PGR	Progressive	6.49	-7.40	-0.56
DIS	Walt Disney	3.14	-10.84	-0.41
PFE	Pfizer	2.09	-9.15	-0.23
USB	US Bank	1.59	-7.00	-0.13
CSCO	Cisco	1.35	-0.19	0.00

1 Year

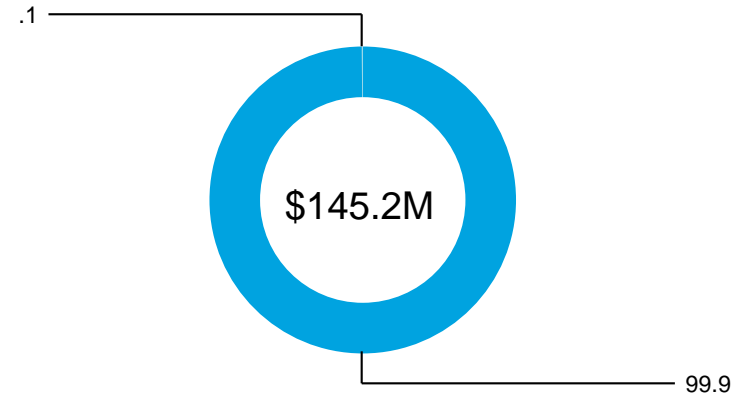
Ticker	Company	Ending Allocation	Total Return	Contribution
PFE	Pfizer	2.09	-27.40	-0.96
USB	US Bank	1.59	-24.57	-0.63
JNJ	Johnson & Johnson	4.92	-4.11	-0.26
DIS	Walt Disney	3.14	-5.43	-0.25
SCHW	Charles Schwab	4.63	-9.42	-0.25

5 Years

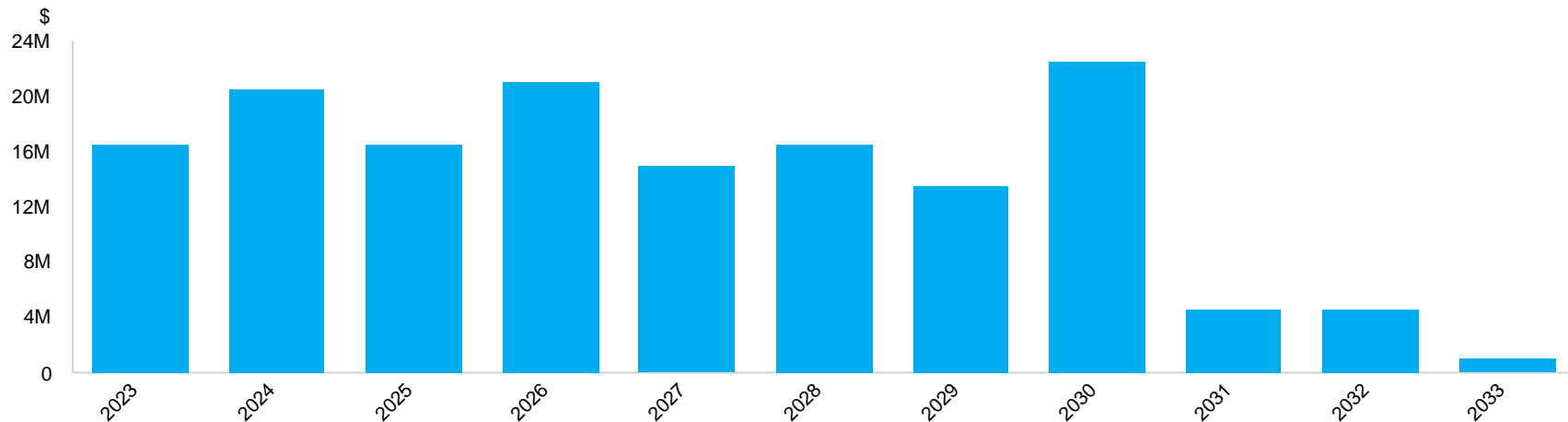
Ticker	Company	Ending Allocation	Total Return	Contribution
WFC	Wells Fargo	1.62	-2.27	-0.09
USB	US Bank	1.59	-4.52	-0.08
DIS	Walt Disney	3.14	-2.81	-0.05
BAC	Bank of America	1.31	4.20	0.08
CSCO	Cisco	1.35	6.93	0.12

Fixed Income Allocation

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
● Taxable Fixed Income	145,052,185	99.9	5,052,350.00	3.5
● Taxable Bond Funds	126,485	.1	2,921.88	2.3
Total	145,178,670	100.0	5,055,271.88	3.5



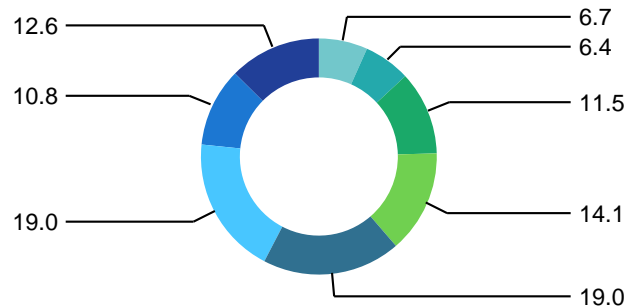
Fixed Income Maturity Schedule



Fixed Income Analysis

	06/30/2023	Bloomberg Gov't/Credit Interm Bond Index
Coupon	3.34	2.61
Current Yield	3.52	2.82
Yield to Maturity	5.11	4.81
Maturity	3.72	4.30
Duration	3.43	3.81
Face Amount	152,000,000	
Market Value	143,596,310	
Total Accrual	1,455,875	
Cost	160,205,656	

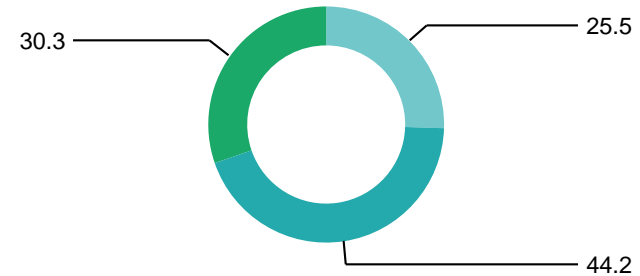
Quality Allocation by Market Value



■ 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	Yield to Maturity
Matures 2033										
FEDERAL FARM CR BKS CONS SYSTEMWIDE 4.950%04/27/2033	04/27/2033	1,000,000.000	100.030	97.217	980,970.00	AA+	04/27/2026		49,500.00	5.316
Total Matures 2033					980,970.00				49,500.00	
Matures 2032										
OREILLY AUTOMOTIVE INC SR GLBL 4.700%06/15/2032	06/15/2032	4,500,000.000	98.570	96.318	4,343,710.00	BBB	03/15/2032		211,500.00	5.219
Total Matures 2032					4,343,710.00				211,500.00	
Matures 2031										
DISNEY WALT CO SR GLBL NT 2.650%01/13/2031	01/13/2031	4,500,000.000	107.230	87.064	3,973,530.00	A-			119,250.00	4.709
Total Matures 2031					3,973,530.00				119,250.00	
Matures 2030										
COMCAST CORP NEW GLBL NT 2.650%02/01/2030	02/01/2030	4,500,000.000	107.850	87.471	3,985,882.50	A-	11/01/2029		119,250.00	4.898
EXXON MOBIL CORP SR GLBL COCO 2.610%10/15/2030	10/15/2030	4,500,000.000	107.950	87.794	3,975,525.00	AA-	07/15/2030		117,450.00	4.598
KIMBERLY CLARK CORP SR GLBL 3.100%03/26/2030	03/26/2030	4,500,000.000	109.260	91.235	4,142,387.50	A	12/26/2029		139,500.00	4.628
PFIZER INC GLBL NT 2.625%04/01/2030	04/01/2030	4,500,000.000	108.330	88.894	4,029,761.25	A+	01/01/2030		118,125.00	4.553
PROGRESSIVE CORP SR GLBL 3.200%03/26/2030	03/26/2030	4,500,000.000	109.830	89.610	4,070,450.00	A	12/26/2029		144,000.00	5.036
Total Matures 2030					20,204,006.25				638,325.00	
Matures 2029										
BLACKROCK INC SR GLBL NT 3.250%04/30/2029	04/30/2029	4,500,000.000	110.960	92.718	4,197,091.25	AA-	01/30/2029		146,250.00	4.690
MERCK & CO INC SR GLBL 3.400%03/07/2029	03/07/2029	4,500,000.000	111.400	93.586	4,259,820.00	A+	12/07/2028		153,000.00	4.697
TEXAS INSTRS INC SR GLBL NT 2.250%09/04/2029	09/04/2029	4,500,000.000	105.750	87.236	3,958,526.25	A+	06/04/2029		101,250.00	4.649
Total Matures 2029					12,415,437.50				400,500.00	
Matures 2028										
CHEVRON USA INC SR GLBL NT 3.850%01/15/2028	01/15/2028	5,000,000.000	100.840	97.532	4,965,363.89	AA-	10/15/2027		192,500.00	4.456
JOHNSON & JOHNSON SR GLBL 2.900%01/15/2028	01/15/2028	5,000,000.000	108.810	94.152	4,774,461.11	AAA	10/15/2027		145,000.00	4.332

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income	Yield to Maturity
SCHWAB CHARLES CORP SR GLBL 3.200%01/25/2028	01/25/2028	4,500,000.000	106.380	90.786	4,147,770.00	A-	10/25/2027		144,000.00	5.508
US TREASURY NOTE 3.125%11/15/2028	11/15/2028	2,000,000.000	108.180	95.286	1,913,702.34	AAA			62,500.00	4.110
Total Matures 2028					15,801,297.34				544,000.00	
Matures 2027										
BANK AMER CORP FR 3.248%10/21/2027	10/21/2027	5,000,000.000	108.340	93.146	4,688,877.78	A-	10/21/2026		162,400.00	5.036
FEDERAL FARM CR BKS CONS SYSTEMWIDE 3.330%04/12/2027	04/12/2027	5,000,000.000	100.000	95.318	4,802,437.50	AA+	04/12/2023		166,500.00	4.693
PEPSICO INC SR NT 2.625%03/19/2027	03/19/2027	5,000,000.000	108.550	93.168	4,695,587.50	A+	01/19/2027 100.000		131,250.00	4.644
Total Matures 2027					14,186,902.78				460,150.00	
Matures 2026										
ABBVIE INC SR GLBL 3.200%05/14/2026	05/14/2026	4,500,000.000	109.020	94.776	4,283,720.01	BBB+	02/14/2026		144,000.00	5.178
JPMORGAN CHASE & CO SR NT 2.950%10/01/2026	10/01/2026	4,500,000.000	108.980	93.729	4,250,992.50	A-	07/01/2026 100.000		132,750.00	5.063
OMNICOM GROUP INC SR GLBL 3.600%04/15/2026	04/15/2026	3,000,000.000	104.300	96.049	2,904,270.00	BBB+	01/15/2026		108,000.00	5.134
VERIZON COMMUNICATIONS INC SR GLBL 2.625%08/15/2026	08/15/2026	4,500,000.000	108.120	92.954	4,227,555.00	BBB+			118,125.00	5.091
WELLS FARGO CO NEW SR NT 3.000%10/23/2026	10/23/2026	4,500,000.000	108.470	92.826	4,202,670.00	BBB+			135,000.00	5.391
Total Matures 2026					19,869,207.51				637,875.00	
Matures 2025										
CVS HEALTH CORP SR GLBL NT 3.875%07/20/2025	07/20/2025	3,500,000.000	101.290	97.189	3,462,269.51	BBB	04/20/2025		135,625.00	5.336
INTEL CORP SR GLBL 3.700%07/29/2025	07/29/2025	5,000,000.000	103.130	97.251	4,940,661.10	A	04/29/2025		185,000.00	5.109
NORTHERN TR CORP SUB NT 3.950%10/30/2025	10/30/2025	4,500,000.000	104.400	96.356	4,366,138.76	A			177,750.00	5.635
SYSCO CORP SR NT 3.750%10/01/2025	10/01/2025	3,500,000.000	102.850	96.694	3,417,102.50	BBB	07/01/2025		131,250.00	5.323
Total Matures 2025					16,186,171.87				629,625.00	
Matures 2024										
ALTRIA GROUP INC SR GLBL NT 4.000%01/31/2024	01/31/2024	3,500,000.000	102.900	98.997	3,523,228.33	BBB			140,000.00	5.770

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income	Yield to Maturity
APPLE INC SR GLBL NT 3.450%05/06/2024	05/06/2024	3,500,000.000	102.810	98.514	3,466,437.91	AA+			120,750.00	5.248
CISCO SYS INC SR NT 3.625%03/04/2024	03/04/2024	3,500,000.000	102.240	98.778	3,498,464.37	AA-			126,875.00	5.470
HOME DEPOT INC SR NT 3.750%02/15/2024	02/15/2024	3,000,000.000	101.890	98.952	3,011,060.01	A	11/15/2023		112,500.00	5.468
INTERNATIONAL BUSINESS MACHS SR GLBL 3.625%02/12/2024	02/12/2024	3,500,000.000	102.280	98.594	3,499,777.85	A-			126,875.00	5.969
U S BANCORP MTNS BK ENT FR 3.700%01/30/2024	01/30/2024	3,500,000.000	102.460	98.732	3,509,938.05	A	12/29/2023		129,500.00	5.942
Total Matures 2024					20,508,906.52				756,500.00	
Matures 2023										
CUMMINS INC SR GLBL NT 3.650%10/01/2023	10/01/2023	3,500,000.000	101.530	99.437	3,512,232.50	A+	07/01/2023		127,750.00	5.883
MICROSOFT CORP NT 3.625%12/15/2023	12/15/2023	3,000,000.000	100.770	99.413	2,987,223.33	AAA	09/15/2023		108,750.00	4.928
ORACLE CORP SR NT 3.625%07/15/2023	07/15/2023	3,500,000.000	102.600	99.889	3,554,618.47	BBB			126,875.00	6.319
PNC BK N A PITTSBURGH PA SUB NT 3.800%07/25/2023	07/25/2023	3,000,000.000	100.280	99.870	3,045,500.00	A-	06/25/2023		114,000.00	5.682
SCHLUMBERGER INVT SA SR NT 3.650%12/01/2023	12/01/2023	3,500,000.000	102.720	99.195	3,482,470.84	A	09/01/2023		127,750.00	5.600
Total Matures 2023					16,582,045.14				605,125.00	
No Maturity										
ISHARES 1-3 YEAR TREASURY BOND ETF		1,560.000	84.580	81.080	126,484.80	NR				.000
Total No Maturity					126,484.80					
Total					145,178,669.71				5,052,350.00	

	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	188,100.000	13.34	2,509,002.95	120.97	22,754,457.00	4.1	.00	.00	.000
DISNEY WALT CO COM	143,290.000	56.79	8,137,793.52	89.28	12,792,931.20	2.3	.00	.00	.000
META PLATFORM, INC.	34,975.000	219.34	7,671,455.77	286.98	10,037,125.50	1.8	.00	.00	.000
OMNICOM GROUP INC COM	130,300.000	48.73	6,348,879.65	95.15	12,489,255.00	2.3	2.80	364,840.00	2.943
Total for Communication Services			24,667,131.89		58,073,768.70	10.5		364,840.00	.629
Consumer Disc									
CARMAX INC COM	96,600.000	59.76	5,773,139.38	83.70	8,085,420.00	1.5	.00	.00	.000
HOME DEPOT INC COM	78,700.000	29.89	2,352,460.94	310.64	24,447,368.00	4.4	8.36	657,932.00	2.691
O REILLY AUTOMOTIVE INC NEW COM	18,200.000	179.51	3,267,050.63	955.30	17,386,460.00	3.1	.00	.00	.000
TJX COS INC NEW COM	148,700.000	6.26	930,827.28	84.79	12,608,273.00	2.3	1.33	197,771.00	1.569
Total for Consumer Disc			12,323,478.23		62,527,521.00	11.3		855,703.00	1.369
Financials									
BANK OF AMERICA CORP COM	186,800.000	26.92	5,028,101.13	28.69	5,359,292.00	1.0	.88	164,384.00	3.067
BERKSHIRE HATHAWAY INC DEL CL B NEW	78,750.000	114.35	9,004,905.64	341.00	26,853,750.00	4.9	.00	.00	.000
JPMORGAN CHASE & CO COM	156,750.000	52.70	8,260,647.47	145.44	22,797,720.00	4.1	4.00	627,000.00	2.750
PROGRESSIVE CORP OH COM	199,800.000	30.80	6,154,376.98	132.37	26,447,526.00	4.8	.40	79,920.00	.302
SCHWAB CHARLES CORP NEW COM	333,200.000	39.21	13,064,776.60	56.68	18,885,776.00	3.4	1.00	333,200.00	1.764
US BANCORP DEL COM NEW	193,700.000	23.04	4,463,327.98	33.04	6,492,824.00	1.2	1.92	371,904.00	5.811
WELLS FARGO & CO NEW COM	155,000.000	27.26	4,226,050.09	42.68	6,615,400.00	1.2	1.20	186,000.00	2.812
Total for Financials			50,202,185.89		113,452,288.00	20.6		1,762,408.00	1.555
Health Care									
JOHNSON & JOHNSON COM	121,300.000	72.33	8,774,002.54	165.52	20,077,576.00	3.6	4.76	577,388.00	2.876
PFIZER INC COM	232,800.000	25.72	5,987,231.63	36.68	8,539,104.00	1.5	1.64	381,792.00	4.471
Total for Health Care			14,761,234.17		28,616,680.00	5.1		959,180.00	3.352
Industrials									
EXPEDITORS INTL WASH INC COM	87,300.000	37.98	3,315,645.49	121.13	10,574,649.00	1.9	1.38	120,474.00	1.139
FASTENAL CO COM	253,600.000	20.75	5,261,667.81	58.99	14,959,864.00	2.7	1.40	355,040.00	2.373

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
GENERAL ELECTRIC CO COM NEW	150,810.000	104.76	15,798,929.18	109.85	16,566,478.50	3.0	.32	48,259.20	.291
PARKER HANNIFIN CORP COM	36,800.000	290.56	10,692,655.61	390.04	14,353,472.00	2.6	5.92	217,856.00	1.518
UNION PAC CORP COM	46,700.000	93.91	4,385,584.19	204.62	9,555,754.00	1.7	5.20	242,840.00	2.541
Total for Industrials			39,454,482.28		66,010,217.50	11.9		984,469.20	1.491
Information Tech									
APPLE INC COM	146,800.000	21.21	3,113,809.86	193.97	28,474,796.00	5.1	.96	140,928.00	.495
CISCO SYS INC COM	106,000.000	17.31	1,834,837.05	51.74	5,484,440.00	1.0	1.56	165,360.00	3.015
MICROSOFT CORP COM	85,000.000	25.32	2,152,284.00	340.54	28,945,900.00	5.2	2.72	231,200.00	.799
TE CONNECTIVITY LTD REG SHS	115,225.000	31.43	3,621,823.22	140.16	16,149,936.00	2.9	2.36	271,931.00	1.684
Total for Information Tech			10,722,754.13		79,055,072.00	14.2		809,419.00	1.024
Total: Total Equity			152,131,266.59		407,735,547.20	73.6		5,736,019.20	1.407
Total Fixed Income									
Corporate Bonds									
ABBVIE INC SR GLBL 3.200% 05/14/2026	4,500,000.000	109.02	4,906,016.32	94.78	4,283,720.01	.8	3.20	144,000.00	3.376
ALTRIA GROUP INC SR GLBL NT 4.000% 01/31/2024	3,500,000.000	102.90	3,601,329.95	99.00	3,523,228.33	.6	4.00	140,000.00	4.041
APPLE INC SR GLBL NT 3.450% 05/06/2024	3,500,000.000	102.81	3,598,323.99	98.51	3,466,437.91	.6	3.45	120,750.00	3.502
BANK AMER CORP FR 3.248% 10/21/2027	5,000,000.000	108.34	5,417,210.81	93.15	4,688,877.78	.8	3.25	162,400.00	3.487
BLACKROCK INC SR GLBL NT 3.250% 04/30/2029	4,500,000.000	110.96	4,993,217.73	92.72	4,197,091.25	.8	3.25	146,250.00	3.505
CVS HEALTH CORP SR GLBL NT 3.875% 07/20/2025	3,500,000.000	101.29	3,545,260.35	97.19	3,462,269.51	.6	3.88	135,625.00	3.987
CHEVRON USA INC SR GLBL NT 3.850% 01/15/2028	5,000,000.000	100.84	5,042,000.00	97.53	4,965,363.89	.9	3.85	192,500.00	3.947
CISCO SYS INC SR NT 3.625% 03/04/2024	3,500,000.000	102.24	3,578,499.64	98.78	3,498,464.37	.6	3.63	126,875.00	3.670
COMCAST CORP NEW GLBL NT	4,500,000.000	107.85	4,853,306.19	87.47	3,985,882.50	.7	2.65	119,250.00	3.030

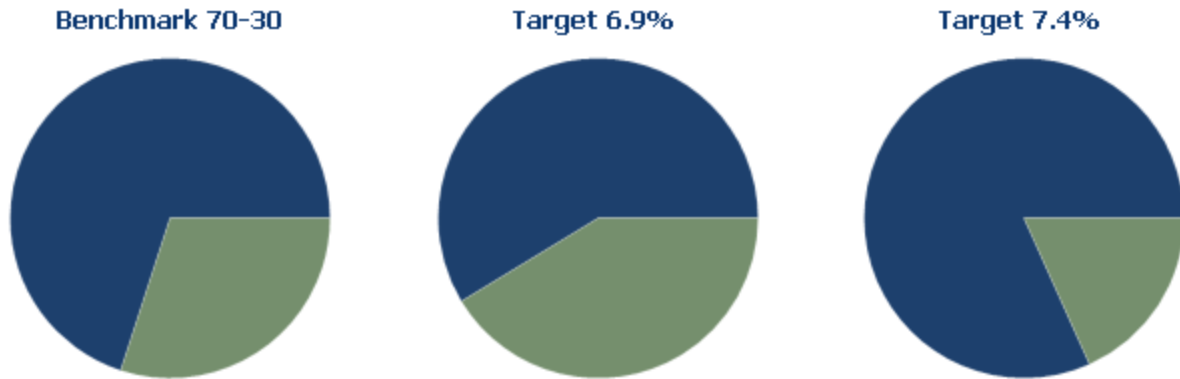
	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
2.650% 02/01/2030 CUMMINS INC SR GLBL NT	3,500,000.000	101.53	3,553,563.05	99.44	3,512,232.50	.6	3.65	127,750.00	3.671
3.650% 10/01/2023 DISNEY WALT CO SR GLBL NT	4,500,000.000	107.23	4,825,574.74	87.06	3,973,530.00	.7	2.65	119,250.00	3.044
2.650% 01/13/2031 EXXON MOBIL CORP SR GLBL COCO	4,500,000.000	107.95	4,857,881.62	87.79	3,975,525.00	.7	2.61	117,450.00	2.973
2.610% 10/15/2030 HOME DEPOT INC SR NT	3,000,000.000	101.89	3,056,795.26	98.95	3,011,060.01	.5	3.75	112,500.00	3.790
3.750% 02/15/2024 INTEL CORP SR GLBL	5,000,000.000	103.13	5,156,596.70	97.25	4,940,661.10	.9	3.70	185,000.00	3.805
3.700% 07/29/2025 INTERNATIONAL BUSINESS MACHS SR GLBL	3,500,000.000	102.28	3,579,771.22	98.59	3,499,777.85	.6	3.63	126,875.00	3.677
3.625% 02/12/2024 JPMORGAN CHASE & CO SR NT	4,500,000.000	108.98	4,903,950.28	93.73	4,250,992.50	.8	2.95	132,750.00	3.147
2.950% 10/01/2026 JOHNSON & JOHNSON SR GLBL	5,000,000.000	108.81	5,440,382.18	94.15	4,774,461.11	.9	2.90	145,000.00	3.080
2.900% 01/15/2028 KIMBERLY CLARK CORP SR GLBL	4,500,000.000	109.26	4,916,915.28	91.23	4,142,387.50	.7	3.10	139,500.00	3.398
3.100% 03/26/2030 MERCK & CO INC SR GLBL	4,500,000.000	111.40	5,012,820.28	93.59	4,259,820.00	.8	3.40	153,000.00	3.633
3.400% 03/07/2029 MICROSOFT CORP NT	3,000,000.000	100.77	3,022,956.85	99.41	2,987,223.33	.5	3.63	108,750.00	3.646
3.625% 12/15/2023 NORTHERN TR CORP SUB NT	4,500,000.000	104.40	4,698,095.06	96.36	4,366,138.76	.8	3.95	177,750.00	4.099
3.950% 10/30/2025 OREILLY AUTOMOTIVE INC SR GLBL	4,500,000.000	98.57	4,435,550.00	96.32	4,343,710.00	.8	4.70	211,500.00	4.880
4.700% 06/15/2032 OMNICOM GROUP INC SR GLBL	3,000,000.000	104.30	3,129,146.81	96.05	2,904,270.00	.5	3.60	108,000.00	3.748
3.600% 04/15/2026 ORACLE CORP SR NT	3,500,000.000	102.60	3,590,945.42	99.89	3,554,618.47	.6	3.63	126,875.00	3.629
3.625% 07/15/2023 PNC BK N A PITTSBURGH PA SUB NT	3,000,000.000	100.28	3,008,487.10	99.87	3,045,500.00	.6	3.80	114,000.00	3.805
3.800% 07/25/2023 PEPSICO INC SR NT	5,000,000.000	108.55	5,427,413.51	93.17	4,695,587.50	.8	2.63	131,250.00	2.817



	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
2.625% 03/19/2027									
PFIZER INC GLBL NT	4,500,000.000	108.33	4,874,850.53	88.89	4,029,761.25	.7	2.63	118,125.00	2.953
2.625% 04/01/2030									
PROGRESSIVE CORP SR GLBL	4,500,000.000	109.83	4,942,133.37	89.61	4,070,450.00	.7	3.20	144,000.00	3.571
3.200% 03/26/2030									
SCHLUMBERGER INVT SA SR NT	3,500,000.000	102.72	3,595,266.69	99.19	3,482,470.84	.6	3.65	127,750.00	3.680
3.650% 12/01/2023									
SCHWAB CHARLES CORP SR GLBL	4,500,000.000	106.38	4,787,060.00	90.79	4,147,770.00	.8	3.20	144,000.00	3.525
3.200% 01/25/2028									
SYSCO CORP SR NT	3,500,000.000	102.85	3,599,581.69	96.69	3,417,102.50	.6	3.75	131,250.00	3.878
3.750% 10/01/2025									
TEXAS INSTRS INC SR GLBL NT	4,500,000.000	105.75	4,758,542.97	87.24	3,958,526.25	.7	2.25	101,250.00	2.579
2.250% 09/04/2029									
U S BANCORP MTNS BK ENT FR	3,500,000.000	102.46	3,586,048.69	98.73	3,509,938.05	.6	3.70	129,500.00	3.748
3.700% 01/30/2024									
VERIZON COMMUNICATIONS INC SR GLBL	4,500,000.000	108.12	4,865,186.69	92.95	4,227,555.00	.8	2.63	118,125.00	2.824
2.625% 08/15/2026									
WELLS FARGO CO NEW SR NT	4,500,000.000	108.47	4,881,224.62	92.83	4,202,670.00	.8	3.00	135,000.00	3.232
3.000% 10/23/2026									
Total for Corporate Bonds			152,041,905.59		137,355,075.07	24.5		4,773,850.00	3.511
Governments									
FEDERAL FARM CR BKS CONS SYSTEMWIDE	5,000,000.000	100.00	5,000,000.00	95.32	4,802,437.50	.9	3.33	166,500.00	3.494
3.330% 04/12/2027									
FEDERAL FARM CR BKS CONS SYSTEMWIDE	1,000,000.000	100.03	1,000,250.00	97.22	980,970.00	.2	4.95	49,500.00	5.092
4.950% 04/27/2033									
US TREASURY NOTE	2,000,000.000	108.18	2,163,500.00	95.29	1,913,702.34	.3	3.13	62,500.00	3.280
3.125% 11/15/2028									
Total for Governments			8,163,750.00		7,697,109.84	1.4		278,500.00	3.643
Taxable Bond Funds									
ISHARES 1-3 YEAR TREASURY BOND ETF	1,560.000	84.58	131,943.81	81.08	126,484.80	.0	1.87	2,921.88	2.310
Total for Taxable Bond Funds			131,943.81		126,484.80	.0		2,921.88	2.310
Total: Total Fixed Income			160,337,599.40		145,178,669.71	25.9		5,055,271.88	3.517
Total			312,468,865.99		552,914,216.91	100.0		10,791,291.08	1.958

	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 01/01/1993
Total Portfolio - Gross	552,914,217	6.31	15.16	12.51	11.26	10.79	8.68	8.87
Total Portfolio - Net	552,914,217	6.29	15.07	12.44	11.18	10.72	8.62	8.83
70% SP500 30% Bloomberg Int Govt Cr		5.84	13.65	9.51	9.23	9.55	8.04	8.53
Total Equity	407,735,547	8.90	21.24	17.49	14.55	13.95	10.65	10.92
S P 500 Index		8.74	19.59	14.60	12.31	12.86	10.04	10.04
Total Fixed Income	145,178,670	-0.26	1.14	-2.04	1.35	1.56	2.52	4.00
Bloomberg US Government/Credit Interm Bond		-0.81	-0.10	-2.46	1.23	1.41	2.71	4.22

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	10.79	9.55
Standard Deviation	11.79	10.71
Beta	1.00	
Alpha	1.20	
R-Squared	.99	
Sharpe Ratio	9.40	10.23
Treynor Ratio	110.79	109.55
Tracking Error	3.08	
Information Ratio	.41	
Downside Deviation	7.39	6.75
Downside Standard Deviation	8.87	8.05
Sortino Ratio	1.56	1.51
Upside Capture	1.10	
Downside Capture	1.04	
Batting Average	.55	
Annualized Excess Return	1.24	
Cumulative Excess Return	29.64	
Turnover %	128.78	
M-Squared	.64	
Residual Risk	.98	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	8.68	8.04
Standard Deviation	10.59	10.47
Beta	.99	
Alpha	.70	
R-Squared	.98	
Sharpe Ratio	10.26	10.32
Treynor Ratio	109.78	108.04
Tracking Error	3.08	
Information Ratio	.20	
Downside Deviation	6.79	6.92
Downside Standard Deviation	7.98	8.00
Sortino Ratio	1.37	1.25
Upside Capture	1.00	
Downside Capture	.95	
Batting Average	.53	
Annualized Excess Return	.64	
Cumulative Excess Return	58.57	
Turnover %	191.11	
M-Squared	7.45	
Residual Risk	1.02	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

PORTFOLIO SUMMARY
ASSET ALLOCATION

Portfolio Allocations

	Benchmark 70-30	Target 6.9%	Target 7.4%
 S&P 500 (Composite)	70.00%	58.68%	81.71%
 Barclays Corporate Intermediate	30.00%	41.32%	18.29%
Total	100.00%	100.00%	100.00%
Return¹	6.87%	6.41%	7.35%
Risk²	11.68%	9.89%	13.58%
Return/Risk Ratio	0.59	0.65	0.54

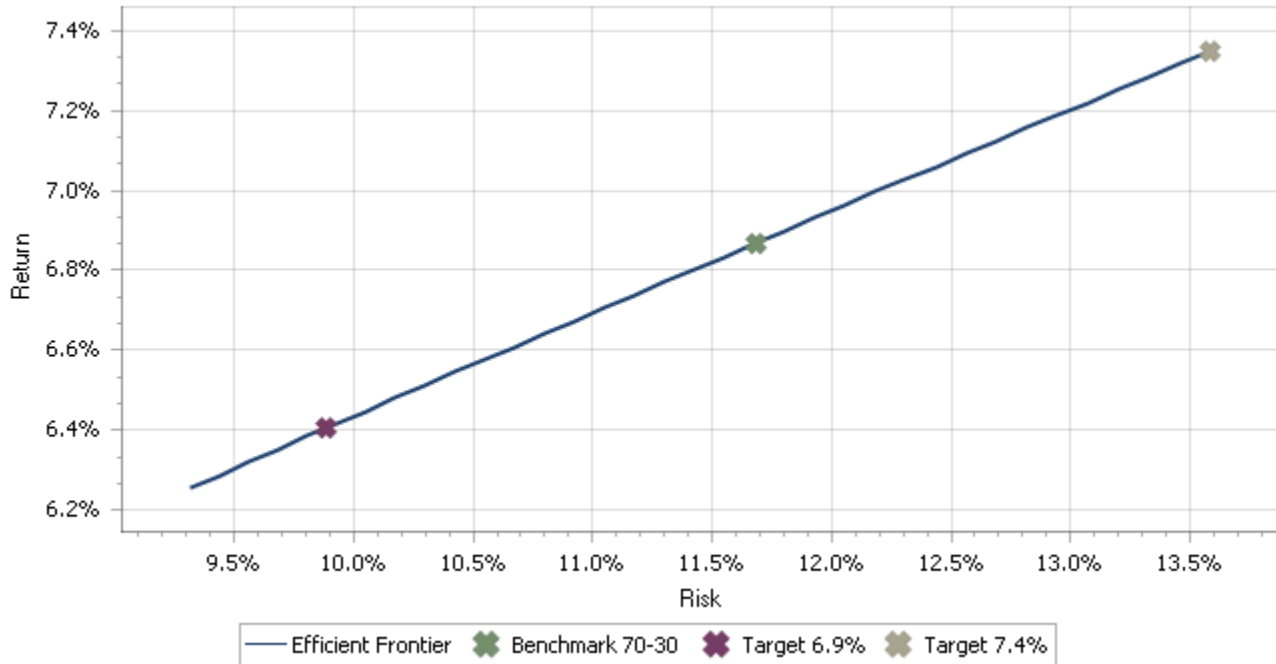
Portfolio Value = \$1,000,000

¹Expected annualized return

²Expected annualized standard deviations

PORTFOLIO SUMMARY
EFFICIENT FRONTIER

The expected return and risk of the portfolios are plotted below, along with a curve called the efficient frontier, which represents a continuum of alternative portfolios offering the highest expected return for a given level of risk.


Portfolio Return and Risk

	Benchmark 70-30	Target 6.9%	Target 7.4%
Return ¹	6.87%	6.41%	7.35%
Risk ²	11.68%	9.89%	13.58%

¹Expected annualized return

²Expected annualized standard deviations

Purchases

Date	Amount	Security	Purchase Price	Total Cost
02/22/2023	15,565.00	DISNEY WALT CO COM	102.36	1,593,157.13
02/22/2023	19,310.00	GENERAL ELECTRIC CO COM NEW	83.79	1,617,973.31
04/24/2023	1,000,000.00	FEDERAL FARM CR BKS CONS SYSTEMWIDE	100.03	1,000,250.00
04/24/2023	1,000,000.00	OREILLY AUTOMOTIVE INC SR GLBL	99.40	994,000.00
04/27/2023	11,500.00	PARKER HANNIFIN CORP COM	313.47	3,604,944.10
04/27/2023	80,000.00	SCHWAB CHARLES CORP NEW COM	51.44	4,115,296.00
04/27/2023	-80,000.00	SCHWAB CHARLES CORP NEW COM	51.44	-4,115,296.00
04/27/2023	-11,500.00	PARKER HANNIFIN CORP COM	313.47	-3,604,944.10
04/27/2023	11,500.00	PARKER HANNIFIN CORP COM	313.47	3,604,944.10
04/27/2023	80,000.00	SCHWAB CHARLES CORP NEW COM	51.44	4,115,296.00
				<u>12,925,620.54</u>

Sales

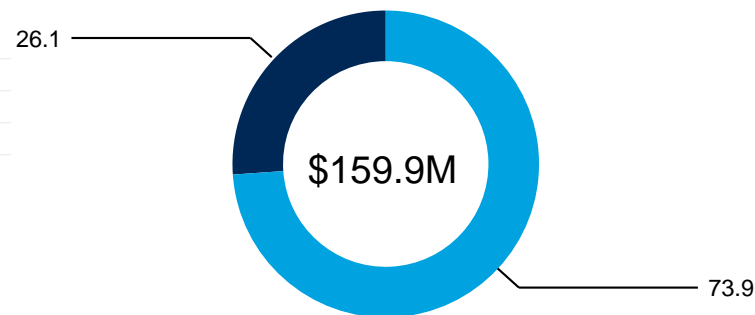
Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
01/01/2023	3,325.00	JOHNSON & JOHNSON COM	176.97	-588,409.11	11/24/2021	5.79	-19,249.60	0.00
01/25/2023	0.00	GE HEALTHCARE TECHNOLOGIES INC	0.00	22.07	01/12/2023	0.00	0.00	0.00
02/22/2023	-43,833.00	GE HEALTHCARE TECHNOLOGIES INC	71.86	3,149,894.33	01/04/2023	76.01	3,331,834.18	-181,939.85
04/04/2023	-10,000,000.00	US TREASURY BILL DUE 04/04/2023	100.00	10,000,000.00	12/19/2022	0.99	9,875,800.00	124,200.00
04/27/2023	-12,600.00	APPLE INC COM	303.04	3,818,330.15	04/25/2013	14.64	184,405.00	3,633,925.15
04/27/2023	-12,600.00	MICROSOFT CORP COM	303.04	3,818,330.15	01/05/2006	25.76	324,611.89	3,493,718.26
04/27/2023	12,600.00	MICROSOFT CORP COM	303.04	-3,818,330.15	01/05/2006	25.68	-323,568.00	0.00
04/27/2023	24,000.00	APPLE INC COM	166.65	-3,999,647.19	04/25/2013	14.64	-351,247.63	0.00
04/27/2023	-24,000.00	APPLE INC COM	166.65	3,999,647.19	04/25/2013	14.64	351,247.63	3,648,399.56
04/27/2023	-12,600.00	MICROSOFT CORP COM	303.04	3,818,330.15	01/05/2006	25.68	323,568.00	3,494,762.15
05/01/2023	-24,000.00	APPLE INC COM	166.65	3,999,647.19	04/25/2013	14.64	351,247.63	3,648,399.56
05/01/2023	12,600.00	APPLE INC COM	303.04	-3,818,330.15	04/25/2013	14.64	-184,405.00	0.00
				<u>20,379,484.63</u>			<u>13,864,244.10</u>	<u>17,861,464.83</u>

Client Investment Review

Investment activity through 06/30/2023

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	118,207,075	73.9	1,655,130.40	1.4
Total Fixed Income	41,666,844	26.1	1,464,608.98	3.6
Total	159,873,919	100.0	3,119,739.38	2.0

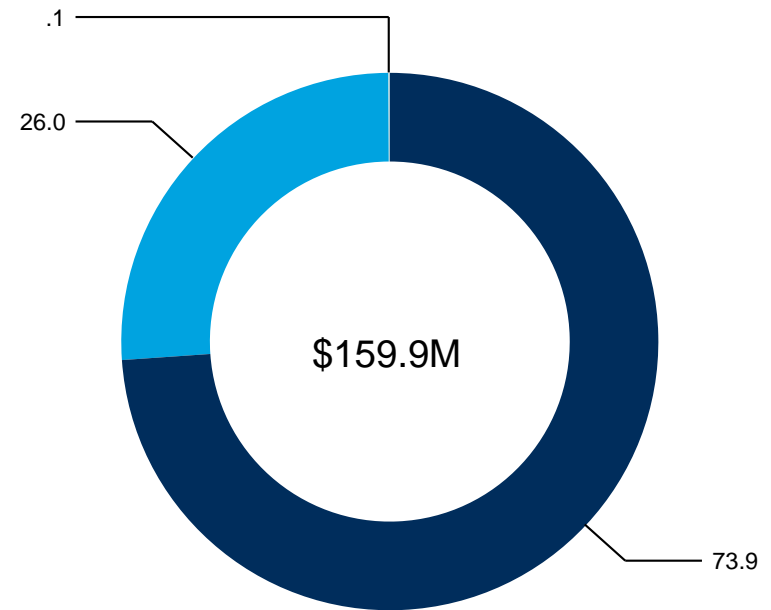


Investment Summary

	Fiscal Year to Date (1 Year)
Beginning Account Value	141,473,091.75
Net Contributions/Withdrawals	-3,046,111.26
Income Earned	3,062,845.89
Market Appreciation	18,384,092.93
Ending Account Value	159,873,919.31

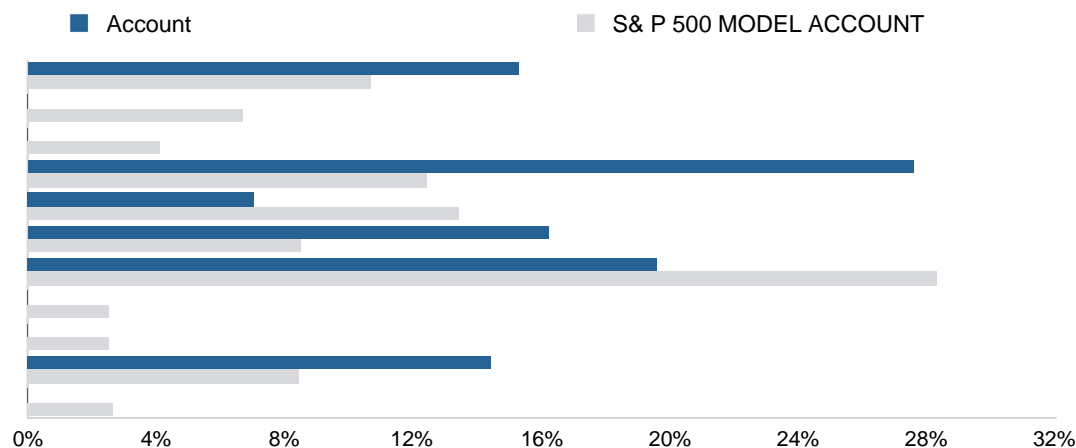
Total market value may differ slightly from your custodian statement due to processing lag of accruals in non-custody accounts.

	Market Value	% of Mkt Val
● Core Equity	118,207,075	73.9
● Taxable Fixed Income	41,524,144	26.0
● Taxable Bond Funds	142,701	.1
Total	159,873,919	100.0



Core Equity Allocation vs S & P 500 Model

	Account	Model
Consumer Disc	15.3	10.7
Consumer Staples	.0	6.7
Energy	.0	4.1
Financials	27.6	12.4
Health Care	7.0	13.4
Industrials	16.2	8.5
Information Tech	19.6	28.3
Materials	.0	2.5
Real Estate	.0	2.5
Communication Serv	14.4	8.4
Utilities	.0	2.6



Top 10 Performers

	Market Value	% of Mkt Val	Return
GENERAL ELECTRIC CO COM N	4,863,060	3.0	119.79
META PLATFORM, INC.	2,927,196	1.8	77.97
OMNICOM GROUP INC COM	3,625,526	2.3	54.68
TJX COS INC NEW COM	3,654,449	2.3	54.34
O REILLY AUTOMOTIVE INC N	5,063,090	3.2	51.24
APPLE INC COM	8,340,710	5.2	43.08
PARKER HANNIFIN CORP COM	4,134,424	2.6	40.72
MICROSOFT CORP COM	8,368,771	5.2	34.41
JPMORGAN CHASE & CO COM	6,559,344	4.1	33.20
TE CONNECTIVITY LTD REG S	4,807,488	3.0	26.11

Largest 10 Holdings by Market Value

	Market Value	% of Mkt Val	Return
MICROSOFT CORP COM	8,368,771	5.2	34.41
APPLE INC COM	8,340,710	5.2	43.08
BERKSHIRE HATHAWAY INC DE	7,825,950	4.9	24.90
PROGRESSIVE CORP OH COM	7,564,946	4.7	14.40
HOME DEPOT INC COM	7,043,762	4.4	16.36
ALPHABET INC CAP STK CL C	6,677,544	4.2	10.60
JPMORGAN CHASE & CO COM	6,559,344	4.1	33.20
JOHNSON & JOHNSON COM	5,793,200	3.6	-4.10
SCHWAB CHARLES CORP NEW C	5,390,268	3.4	-9.42
O REILLY AUTOMOTIVE INC N	5,063,090	3.2	51.24

Large Cap Equity Attribution

June 30, 2023

Sector	Qtr
Industrials	0.68
Consumer Staples	0.60
Energy	0.45
Health Care	0.36
Utilities	0.32
Real Estate	0.18
Materials	0.15
Consumer Disc	-0.25
Communication Services	-0.39
Financials	-0.71
Information Tech	-1.30
Total	0.10

Sector	1 Year
Industrials	2.02
Consumer Staples	0.98
Utilities	0.76
Real Estate	0.70
Consumer Disc	0.69
Communication Services	0.46
Materials	0.14
Energy	0.05
Health Care	-0.62
Financials	-0.77
Information Tech	-2.67
Total	1.75

Sector	5 Years
Consumer Disc	0.68
Industrials	0.56
Energy	0.38
Information Tech	0.38
Real Estate	0.15
Utilities	0.12
Financials	0.10
Consumer Staples	0.08
Materials	0.04
Communication Services	-0.15
Health Care	-0.22
Total	2.12

Ky Legislators Retirement DB Top & Bottom Contributors

June 30, 2023

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
MSFT	Microsoft	7.08	18.81	1.24
AAPL	Apple	7.06	18.11	1.17
GOOG	Alphabet	5.65	16.32	0.86
META	Meta	2.48	35.41	0.70
BRK-B	Berkshire Hathaway	6.62	10.44	0.68

1 Year

Ticker	Company	Ending Allocation	Total Return	Contribution
GE	General Electric	4.11	119.79	2.84
AAPL	Apple	7.06	43.08	2.75
MSFT	Microsoft	7.08	34.41	2.34
ORLY	O'Reilly	4.28	51.24	1.98
JPM	JP Morgan	5.55	33.20	1.69

5 Years

Ticker	Company	Ending Allocation	Total Return	Contribution
AAPL	Apple	7.06	34.60	2.50
MSFT	Microsoft	7.08	29.44	2.09
PGR	Progressive	6.40	20.96	1.24
ORLY	O'Reilly	4.28	28.35	1.02
GOOG	Alphabet	5.65	16.72	0.87

Bottom Contributors

Quarter

Ticker	Company	Ending Allocation	Total Return	Contribution
PGR	Progressive	6.40	-7.40	-0.56
DIS	Walt Disney	3.21	-10.84	-0.42
PFE	Pfizer	2.08	-9.15	-0.23
USB	US Bank	1.54	-7.00	-0.13
CSCO	Cisco	1.35	-0.19	0.00

1 Year

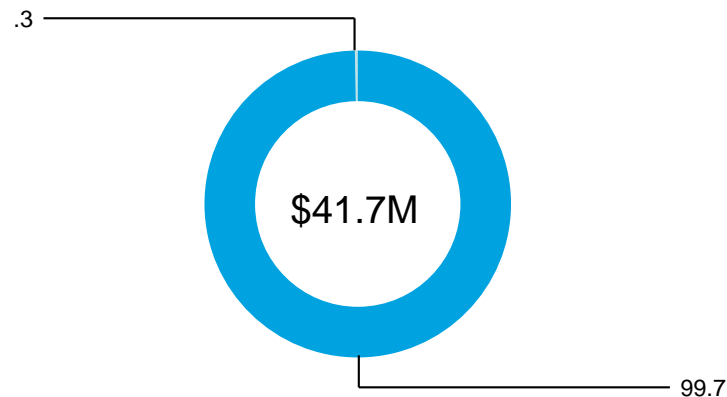
Ticker	Company	Ending Allocation	Total Return	Contribution
PFE	Pfizer	2.08	-27.41	-0.97
USB	US Bank	1.54	-24.60	-0.61
SCHW	Charles Schwab	4.56	-9.42	-0.29
JNJ	Johnson & Johnson	4.90	-4.10	-0.26
DIS	Walt Disney	3.21	-5.45	-0.26

5 Years

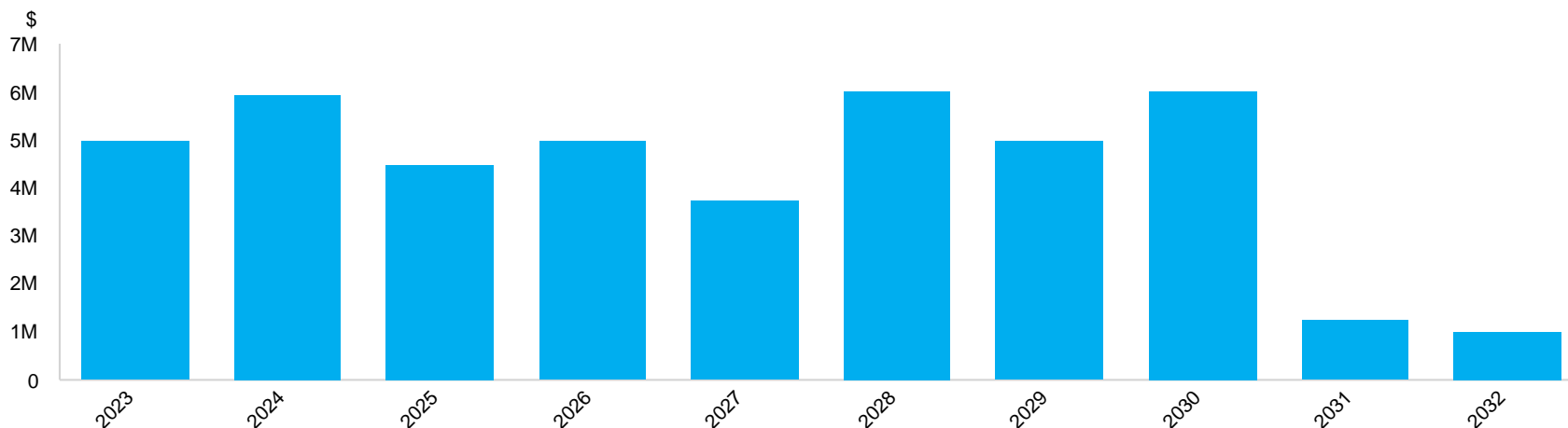
Ticker	Company	Ending Allocation	Total Return	Contribution
WFC	Wells Fargo	1.61	-2.25	-0.09
USB	US Bank	1.54	-4.52	-0.08
DIS	Walt Disney	3.21	-2.78	-0.04
BAC	Bank of America	1.32	4.21	0.08
CSCO	Cisco	1.35	6.91	0.12

Fixed Income Allocation

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
● Taxable Fixed Income	41,524,144	99.7	1,461,312.50	3.6
● Taxable Bond Funds	142,701	.3	3,296.48	2.3
Total	41,666,844	100.0	1,464,608.98	3.5



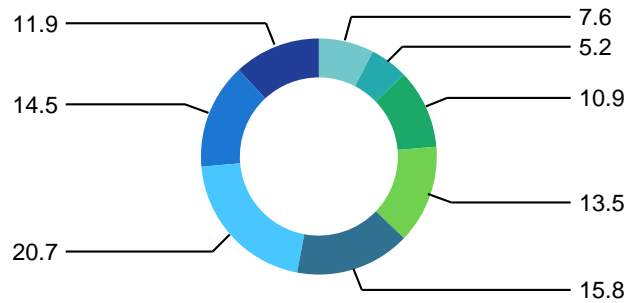
Fixed Income Maturity Schedule



Fixed Income Analysis

	06/30/2023	Bloomberg Gov't/Credit Interm Bond Index
Coupon	3.38	2.61
Current Yield	3.56	2.82
Yield to Maturity	5.11	4.81
Maturity	3.72	4.30
Duration	3.44	3.81
Face Amount	43,450,000	
Market Value	41,100,983	
Total Accrual	423,161	
Cost	45,645,010	

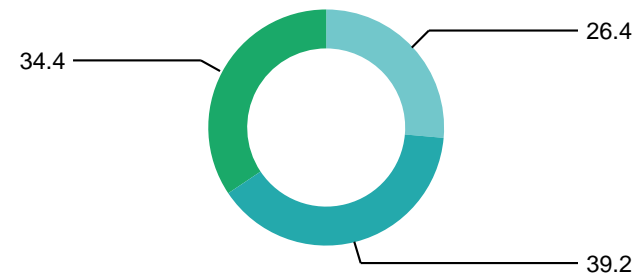
Quality Allocation by Market Value



■ 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	Yield to Maturity
Matures 2032										
OREILLY AUTOMOTIVE INC SR GLBL 4.700%06/15/2032	06/15/2032	1,000,000.000	98.330	96.318	965,268.89	BBB	03/15/2032		47,000.00	5.219
Total Matures 2032					965,268.89				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	87.064	1,103,758.34	A-			33,125.00	4.709
Total Matures 2031					1,103,758.34				33,125.00	
Matures 2030										
COMCAST CORP NEW GLBL NT 2.650%02/01/2030	02/01/2030	1,250,000.000	108.150	87.471	1,107,189.59	A-	11/01/2029		33,125.00	4.898
EXXON MOBIL CORP SR GLBL COCO 2.610%10/15/2030	10/15/2030	1,250,000.000	107.910	87.794	1,104,312.50	AA-	07/15/2030		32,625.00	4.598
PFIZER INC GLBL NT 2.625%04/01/2030	04/01/2030	1,250,000.000	108.410	88.894	1,119,378.12	A+	01/01/2030		32,812.50	4.553
PROGRESSIVE CORP SR GLBL 3.200%03/26/2030	03/26/2030	1,250,000.000	109.860	89.610	1,130,680.55	A	12/26/2029		40,000.00	5.036
UNION PAC CORP SR GLBL 2.400%02/05/2030	02/05/2030	1,000,000.000	106.970	86.906	878,793.33	A-	11/05/2029		24,000.00	4.733
Total Matures 2030					5,340,354.09				162,562.50	
Matures 2029										
BLACKROCK INC SR GLBL NT 3.250%04/30/2029	04/30/2029	1,250,000.000	110.360	92.718	1,165,858.68	AA-	01/30/2029		40,625.00	4.690
MERCK & CO INC SR GLBL 3.400%03/07/2029	03/07/2029	1,250,000.000	111.450	93.586	1,183,283.34	A+	12/07/2028		42,500.00	4.697
PARKER HANNIFIN CORP SR GLBL 4.500%09/15/2029	09/15/2029	1,250,000.000	98.540	97.172	1,231,212.50	BBB+	07/15/2029		56,250.00	5.035
TEXAS INSTRS INC SR GLBL NT 2.250%09/04/2029	09/04/2029	1,250,000.000	105.830	87.236	1,099,590.63	A+	06/04/2029		28,125.00	4.649
Total Matures 2029					4,679,945.15				167,500.00	
Matures 2028										
ABBVIE INC SR GLBL NT 4.250%11/14/2028	11/14/2028	1,250,000.000	104.360	96.996	1,219,385.76	BBB+	08/14/2028		53,125.00	4.891
CHEVRON USA INC SR GLBL NT 3.850%01/15/2028	01/15/2028	1,250,000.000	100.840	97.532	1,241,340.97	AA-	10/15/2027		48,125.00	4.456
JOHNSON & JOHNSON SR GLBL 2.900%01/15/2028	01/15/2028	1,250,000.000	109.210	94.152	1,193,615.28	AAA	10/15/2027		36,250.00	4.332
SCHWAB CHARLES CORP SR GLBL	01/25/2028	1,250,000.000	106.190	90.786	1,152,158.34	A-	10/25/2027		40,000.00	5.508

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income	Yield to Maturity
3.200%01/25/2028										
US TREASURY NOTE	11/15/2028	1,000,000.000	108.180	95.286	956,851.17	AAA			31,250.00	4.110
3.125%11/15/2028										
Total Matures 2028					5,763,351.52				208,750.00	
Matures 2027										
BANK AMER CORP FR	10/21/2027	1,250,000.000	108.960	93.146	1,172,219.45	A-	10/21/2026		40,600.00	5.036
3.248%10/21/2027										
FEDERAL FARM CR BKS CONS SYSTEMWIDE	04/12/2027	1,250,000.000	100.000	95.318	1,200,609.38	AA+	04/12/2023		41,625.00	4.693
3.330%04/12/2027										
PEPSICO INC SR NT	03/19/2027	1,250,000.000	109.150	93.168	1,173,896.87	A+	01/19/2027		32,812.50	4.644
2.625%03/19/2027							100.000			
Total Matures 2027					3,546,725.70				115,037.50	
Matures 2026										
JPMORGAN CHASE & CO SR NT	10/01/2026	1,250,000.000	108.130	93.729	1,180,831.25	A-	07/01/2026		36,875.00	5.063
2.950%10/01/2026							100.000			
OMNICOM GROUP INC SR GLOBL	04/15/2026	1,250,000.000	104.400	96.049	1,210,112.50	BBB+	01/15/2026		45,000.00	5.134
3.600%04/15/2026										
VERIZON COMMUNICATIONS INC SR GLOBL	08/15/2026	1,250,000.000	108.160	92.954	1,174,320.84	BBB+			32,812.50	5.091
2.625%08/15/2026										
WELLS FARGO CO NEW SR NT	10/23/2026	1,250,000.000	108.470	92.826	1,167,408.33	BBB+			37,500.00	5.391
3.000%10/23/2026										
Total Matures 2026					4,732,672.92				152,187.50	
Matures 2025										
CVS HEALTH CORP SR GLOBL NT	07/20/2025	1,000,000.000	101.290	97.189	989,219.86	BBB	04/20/2025		38,750.00	5.336
3.875%07/20/2025										
INTEL CORP SR GLOBL	07/29/2025	1,250,000.000	102.400	97.251	1,235,165.28	A	04/29/2025		46,250.00	5.109
3.700%07/29/2025										
NORTHERN TR CORP SUB NT	10/30/2025	1,250,000.000	104.250	96.356	1,212,816.32	A			49,375.00	5.635
3.950%10/30/2025										
SYSCO CORP SR NT	10/01/2025	1,000,000.000	102.850	96.694	976,315.00	BBB	07/01/2025		37,500.00	5.323
3.750%10/01/2025										
Total Matures 2025					4,413,516.46				171,875.00	
Matures 2024										
ALTRIA GROUP INC SR GLOBL NT	01/31/2024	1,000,000.000	102.900	98.997	1,006,636.67	BBB			40,000.00	5.770
4.000%01/31/2024										
APPLE INC SR GLOBL NT	05/06/2024	950,000.000	102.700	98.514	940,890.30	AA+			32,775.00	5.248
3.450%05/06/2024										
CISCO SYS INC SR NT	03/04/2024	1,000,000.000	102.210	98.778	999,561.25	AA-			36,250.00	5.470

	Maturity Date	Units	Unit Cost	Current Price	Market Value	SP or Moody Rating	Call Date/Price	Put Date/Price	Annual Income	Yield to Maturity
3.625%03/04/2024 HOME DEPOT INC SR NT	02/15/2024	1,000,000.000	102.920	98.952	1,003,686.66	A	11/15/2023		37,500.00	5.468
3.750%02/15/2024 INTERNATIONAL BUSINESS MACHS SR GLBL	02/12/2024	1,000,000.000	102.280	98.594	999,936.53	A-			36,250.00	5.969
3.625%02/12/2024 U S BANCORP MTNS BK ENT FR	01/30/2024	1,000,000.000	102.680	98.732	1,002,839.44	A	12/29/2023		37,000.00	5.942
3.700%01/30/2024 Total Matures 2024					5,953,550.85				219,775.00	
Matures 2023										
CUMMINS INC SR GLBL NT 3.650%10/01/2023	10/01/2023	1,000,000.000	101.440	99.437	1,003,495.00	A+	07/01/2023		36,500.00	5.883
MICROSOFT CORP NT 3.625%12/15/2023	12/15/2023	1,000,000.000	101.630	99.413	995,741.12	AAA	09/15/2023		36,250.00	4.928
ORACLE CORP SR NT 3.625%07/15/2023	07/15/2023	1,000,000.000	102.610	99.889	1,015,605.28	BBB			36,250.00	6.319
PNC BK N A PITTSBURGH PA SUB NT 3.800%07/25/2023	07/25/2023	1,000,000.000	100.310	99.870	1,015,166.67	A-	06/25/2023		38,000.00	5.682
SCHLUMBERGER INVT SA SR NT 3.650%12/01/2023	12/01/2023	1,000,000.000	102.320	99.195	994,991.67	A	09/01/2023		36,500.00	5.600
Total Matures 2023					5,024,999.74				183,500.00	
No Maturity										
ISHARES 1-3 YEAR TREASURY BOND ETF		1,760.000	84.580	81.080	142,700.80	NR				.000
Total No Maturity					142,700.80					
Total					41,666,844.46				1,461,312.50	

	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	120.97	6,677,544.00	4.2	.00	.00	.000
DISNEY WALT CO COM	42,445.000	61.73	2,620,292.75	89.28	3,789,489.60	2.4	.00	.00	.000
META PLATFORM, INC.	10,200.000	218.25	2,226,153.96	286.98	2,927,196.00	1.8	.00	.00	.000
OMNICOM GROUP INC COM	37,825.000	53.99	2,042,193.82	95.15	3,625,526.25	2.3	2.80	105,910.00	2.943
Total for Communication Services			8,402,234.55		17,019,755.85	10.7		105,910.00	.623
Consumer Disc									
CARMAX INC COM	27,500.000	59.76	1,643,492.05	83.70	2,301,750.00	1.4	.00	.00	.000
HOME DEPOT INC COM	22,675.000	56.60	1,283,410.14	310.64	7,043,762.00	4.4	8.36	189,563.00	2.691
O REILLY AUTOMOTIVE INC NEW COM	5,300.000	179.68	952,284.59	955.30	5,063,090.00	3.2	.00	.00	.000
TJX COS INC NEW COM	43,100.000	11.93	514,198.06	84.79	3,654,449.00	2.3	1.33	57,323.00	1.569
Total for Consumer Disc			4,393,384.84		18,063,051.00	11.3		246,886.00	1.367
Financials									
BANK OF AMERICA CORP COM	54,350.000	26.92	1,462,940.56	28.69	1,559,301.50	1.0	.88	47,828.00	3.067
BERKSHIRE HATHAWAY INC DEL CL B NEW	22,950.000	119.41	2,740,542.72	341.00	7,825,950.00	4.9	.00	.00	.000
JPMORGAN CHASE & CO COM	45,100.000	58.19	2,624,476.48	145.44	6,559,344.00	4.1	4.00	180,400.00	2.750
PROGRESSIVE CORP OH COM	57,150.000	31.77	1,815,709.73	132.37	7,564,945.50	4.7	.40	22,860.00	.302
SCHWAB CHARLES CORP NEW COM	95,100.000	39.07	3,715,462.45	56.68	5,390,268.00	3.4	1.00	95,100.00	1.764
US BANCORP DEL COM NEW	54,300.000	28.78	1,562,876.17	33.04	1,820,136.00	1.1	1.92	104,256.00	5.811
WELLS FARGO & CO NEW COM	44,500.000	33.33	1,483,258.95	42.68	1,899,260.00	1.2	1.20	53,400.00	2.812
Total for Financials			15,405,267.06		32,619,205.00	20.4		503,844.00	1.546
Health Care									
JOHNSON & JOHNSON COM	35,000.000	70.55	2,469,226.32	165.52	5,793,200.00	3.6	4.76	166,600.00	2.876
PFIZER INC COM	67,000.000	28.03	1,877,850.59	36.68	2,457,560.00	1.5	1.64	109,880.00	4.471
Total for Health Care			4,347,076.91		8,250,760.00	5.1		276,480.00	3.351
Industrials									
EXPEDITORS INTL WASH INC COM	25,100.000	39.94	1,002,516.05	121.13	3,040,363.00	1.9	1.38	34,638.00	1.139
FASTENAL CO COM	73,500.000	20.75	1,524,783.54	58.99	4,335,765.00	2.7	1.40	102,900.00	2.373

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
GENERAL ELECTRIC CO COM NEW	44,270.000	106.43	4,711,607.97	109.85	4,863,059.50	3.0	.32	14,166.40	.291
PARKER HANNIFIN CORP COM	10,600.000	290.52	3,079,533.13	390.04	4,134,424.00	2.6	5.92	62,752.00	1.518
UNION PAC CORP COM	13,500.000	93.91	1,267,781.30	204.62	2,762,370.00	1.7	5.20	70,200.00	2.541
Total for Industrials			11,586,221.99		19,135,981.50	11.9		284,656.40	1.488
Information Tech									
APPLE INC COM	43,000.000	25.53	1,097,668.56	193.97	8,340,710.00	5.2	.96	41,280.00	.495
CISCO SYS INC COM	30,950.000	21.91	678,121.98	51.74	1,601,353.00	1.0	1.56	48,282.00	3.015
MICROSOFT CORP COM	24,575.000	31.68	778,603.49	340.54	8,368,770.50	5.2	2.72	66,844.00	.799
TE CONNECTIVITY LTD REG SHS	34,300.000	39.88	1,367,816.10	140.16	4,807,488.00	3.0	2.36	80,948.00	1.684
Total for Information Tech			3,922,210.13		23,118,321.50	14.4		237,354.00	1.027
Total: Total Equity			48,056,395.48		118,207,074.85	73.8		1,655,130.40	1.401
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	97.00	1,219,385.76	.8	4.25	53,125.00	4.382
ALTRIA GROUP INC SR GLBL NT 4.000% 01/31/2024	1,000,000.000	102.90	1,028,953.24	99.00	1,006,636.67	.6	4.00	40,000.00	4.041
APPLE INC SR GLBL NT 3.450% 05/06/2024	950,000.000	102.70	975,692.03	98.51	940,890.30	.6	3.45	32,775.00	3.502
BANK AMER CORP FR 3.248% 10/21/2027	1,250,000.000	108.96	1,362,048.44	93.15	1,172,219.45	.7	3.25	40,600.00	3.487
BLACKROCK INC SR GLBL NT 3.250% 04/30/2029	1,250,000.000	110.36	1,379,554.43	92.72	1,165,858.68	.7	3.25	40,625.00	3.505
CVS HEALTH CORP SR GLBL NT 3.875% 07/20/2025	1,000,000.000	101.29	1,012,931.54	97.19	989,219.86	.6	3.88	38,750.00	3.987
CHEVRON USA INC SR GLBL NT 3.850% 01/15/2028	1,250,000.000	100.84	1,260,500.00	97.53	1,241,340.97	.8	3.85	48,125.00	3.947
CISCO SYS INC SR NT 3.625% 03/04/2024	1,000,000.000	102.21	1,022,129.61	98.78	999,561.25	.6	3.63	36,250.00	3.670
COMCAST CORP NEW GLBL NT	1,250,000.000	108.15	1,351,916.41	87.47	1,107,189.59	.7	2.65	33,125.00	3.030

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
2.650% 02/01/2030 CUMMINS INC SR GLBL NT	1,000,000.000	101.44	1,014,418.26	99.44	1,003,495.00	.6	3.65	36,500.00	3.671
3.650% 10/01/2023 DISNEY WALT CO SR GLBL NT	1,250,000.000	107.38	1,342,255.25	87.06	1,103,758.34	.7	2.65	33,125.00	3.044
2.650% 01/13/2031 EXXON MOBIL CORP SR GLBL COCO	1,250,000.000	107.91	1,348,900.66	87.79	1,104,312.50	.7	2.61	32,625.00	2.973
2.610% 10/15/2030 HOME DEPOT INC SR NT	1,000,000.000	102.92	1,029,237.88	98.95	1,003,686.66	.6	3.75	37,500.00	3.790
3.750% 02/15/2024 INTEL CORP SR GLBL	1,250,000.000	102.40	1,280,000.00	97.25	1,235,165.28	.8	3.70	46,250.00	3.805
3.700% 07/29/2025 INTERNATIONAL BUSINESS MACHS SR GLBL	1,000,000.000	102.28	1,022,791.79	98.59	999,936.53	.6	3.63	36,250.00	3.677
3.625% 02/12/2024 JPMORGAN CHASE & CO SR NT	1,250,000.000	108.13	1,351,599.84	93.73	1,180,831.25	.7	2.95	36,875.00	3.147
2.950% 10/01/2026 JOHNSON & JOHNSON SR GLBL	1,250,000.000	109.21	1,365,091.23	94.15	1,193,615.28	.7	2.90	36,250.00	3.080
2.900% 01/15/2028 MERCK & CO INC SR GLBL	1,250,000.000	111.45	1,393,128.69	93.59	1,183,283.34	.7	3.40	42,500.00	3.633
3.400% 03/07/2029 MICROSOFT CORP NT	1,000,000.000	101.63	1,016,308.36	99.41	995,741.12	.6	3.63	36,250.00	3.646
3.625% 12/15/2023 NORTHERN TR CORP SUB NT	1,250,000.000	104.25	1,303,135.51	96.36	1,212,816.32	.8	3.95	49,375.00	4.099
3.950% 10/30/2025 OREILLY AUTOMOTIVE INC SR GLBL	1,000,000.000	98.33	983,300.00	96.32	965,268.89	.6	4.70	47,000.00	4.880
4.700% 06/15/2032 OMNICOM GROUP INC SR GLBL	1,250,000.000	104.40	1,304,998.94	96.05	1,210,112.50	.8	3.60	45,000.00	3.748
3.600% 04/15/2026 ORACLE CORP SR NT	1,000,000.000	102.61	1,026,104.57	99.89	1,015,605.28	.6	3.63	36,250.00	3.629
3.625% 07/15/2023 PNC BK N A PITTSBURGH PA SUB NT	1,000,000.000	100.31	1,003,124.87	99.87	1,015,166.67	.6	3.80	38,000.00	3.805
3.800% 07/25/2023 PARKER HANNIFIN CORP SR GLBL	1,250,000.000	98.54	1,231,687.50	97.17	1,231,212.50	.8	4.50	56,250.00	4.631
4.500% 09/15/2029 PEPSICO INC SR NT	1,250,000.000	109.15	1,364,337.28	93.17	1,173,896.87	.7	2.63	32,812.50	2.817

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
2.625% 03/19/2027									
PFIZER INC GLBL NT	1,250,000.000	108.41	1,355,079.82	88.89	1,119,378.12	.7	2.63	32,812.50	2.953
2.625% 04/01/2030									
PROGRESSIVE CORP SR GLBL	1,250,000.000	109.86	1,373,253.13	89.61	1,130,680.55	.7	3.20	40,000.00	3.571
3.200% 03/26/2030									
SCHLUMBERGER INVT SA SR NT	1,000,000.000	102.32	1,023,166.32	99.19	994,991.67	.6	3.65	36,500.00	3.680
3.650% 12/01/2023									
SCHWAB CHARLES CORP SR GLBL	1,250,000.000	106.19	1,327,430.00	90.79	1,152,158.34	.7	3.20	40,000.00	3.525
3.200% 01/25/2028									
SYSCO CORP SR NT	1,000,000.000	102.85	1,028,451.91	96.69	976,315.00	.6	3.75	37,500.00	3.878
3.750% 10/01/2025									
TEXAS INSTRS INC SR GLBL NT	1,250,000.000	105.83	1,322,899.94	87.24	1,099,590.63	.7	2.25	28,125.00	2.579
2.250% 09/04/2029									
UNION PAC CORP SR GLBL	1,000,000.000	106.97	1,069,704.65	86.91	878,793.33	.5	2.40	24,000.00	2.762
2.400% 02/05/2030									
U S BANCORP MTNS BK ENT FR	1,000,000.000	102.68	1,026,793.56	98.73	1,002,839.44	.6	3.70	37,000.00	3.748
3.700% 01/30/2024									
VERIZON COMMUNICATIONS INC SR GLBL	1,250,000.000	108.16	1,351,938.92	92.95	1,174,320.84	.7	2.63	32,812.50	2.824
2.625% 08/15/2026									
WELLS FARGO CO NEW SR NT	1,250,000.000	108.47	1,355,895.73	92.83	1,167,408.33	.7	3.00	37,500.00	3.232
3.000% 10/23/2026									
Total for Corporate Bonds			43,313,260.31		39,366,683.11	24.2		1,388,437.50	3.564
Governments									
FEDERAL FARM CR BKS CONS SYSTEMWIDE	1,250,000.000	100.00	1,250,000.00	95.32	1,200,609.38	.8	3.33	41,625.00	3.494
3.330% 04/12/2027									
US TREASURY NOTE	1,000,000.000	108.18	1,081,750.00	95.29	956,851.17	.6	3.13	31,250.00	3.280
3.125% 11/15/2028									
Total for Governments			2,331,750.00		2,157,460.55	1.4		72,875.00	3.398
Taxable Bond Funds									
ISHARES 1-3 YEAR TREASURY BOND ETF	1,760.000	84.58	148,859.68	81.08	142,700.80	.1	1.87	3,296.48	2.310
Total for Taxable Bond Funds			148,859.68		142,700.80	.1		3,296.48	2.310
Total: Total Fixed Income			45,793,869.99		41,666,844.46	25.7		1,464,608.98	3.551
Total			93,850,265.47		159,873,919.31	100.0		3,119,739.38	1.957

Performance

KY LEGISLATORS RET DEFINED BEN AGT (920006012)

Ending: June 30, 2023

Managed Since: January 01, 1993

	Market Value	3 Months	1 Year	3 Years	5 Years	10 Years	20 Years	Inception to Date 01/01/1993
Total Portfolio - Gross	159,873,919	6.39	15.54	12.66	11.30	10.87	8.70	8.83
Total Portfolio - Net	159,873,919	6.37	15.45	12.59	11.21	10.80	8.64	8.79
70% SP500 30% Bloomberg Int Govt Cr		5.84	13.65	9.51	9.23	9.55	8.04	8.53
Total Equity	118,207,075	8.91	21.32	17.50	14.54	13.95	10.64	10.72
S P 500 Index		8.74	19.59	14.60	12.31	12.86	10.04	10.04
Total Fixed Income	41,666,844	-2.3	1.20	-2.07	1.25	1.59	2.49	3.95
Bloomberg US Government/Credit Interm Bond		-0.81	-1.10	-2.46	1.23	1.41	2.71	4.22

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	10.87	9.55
Standard Deviation	11.80	10.71
Beta	1.01	
Alpha	1.24	
R-Squared	.99	
Sharpe Ratio	9.40	10.23
Treynor Ratio	109.77	109.55
Tracking Error	3.05	
Information Ratio	.44	
Downside Deviation	7.39	6.75
Downside Standard Deviation	8.88	8.05
Sortino Ratio	1.58	1.51
Upside Capture	1.10	
Downside Capture	1.04	
Batting Average	.54	
Annualized Excess Return	1.32	
Cumulative Excess Return	31.73	
Turnover %	122.66	
M-Squared	.63	
Residual Risk	.98	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

	Total Portfolio - Gross	70% S&P 500 / 30% Bloomberg US Govt/Credit
Return	8.70	8.04
Standard Deviation	10.55	10.47
Beta	.99	
Alpha	.70	
R-Squared	.98	
Sharpe Ratio	10.30	10.32
Treynor Ratio	109.80	108.04
Tracking Error	3.11	
Information Ratio	.20	
Downside Deviation	6.75	6.92
Downside Standard Deviation	7.94	8.00
Sortino Ratio	1.38	1.25
Upside Capture	1.00	
Downside Capture	.95	
Batting Average	.53	
Annualized Excess Return	.65	
Cumulative Excess Return	60.09	
Turnover %	187.99	
M-Squared	7.88	
Residual Risk	1.02	
Risk-Free Benchmark (3 Mos Treasury Bill Rate)		

Purchases

Date	Amount	Security	Purchase Price	Total Cost
02/22/2023	4,570.00	DISNEY WALT CO COM	102.36	467,762.81
02/22/2023	5,670.00	GENERAL ELECTRIC CO COM NEW	83.79	475,085.90
04/27/2023	3,300.00	PARKER HANNIFIN CORP COM	313.47	1,034,462.22
04/27/2023	22,000.00	SCHWAB CHARLES CORP NEW COM	51.44	1,131,706.40
04/27/2023	-22,000.00	SCHWAB CHARLES CORP NEW COM	51.44	-1,131,706.40
04/27/2023	-3,300.00	PARKER HANNIFIN CORP COM	313.47	-1,034,462.22
04/27/2023	3,300.00	PARKER HANNIFIN CORP COM	313.47	1,034,462.22
04/27/2023	22,000.00	SCHWAB CHARLES CORP NEW COM	51.44	1,131,706.40
				<u>3,109,017.33</u>

Sales

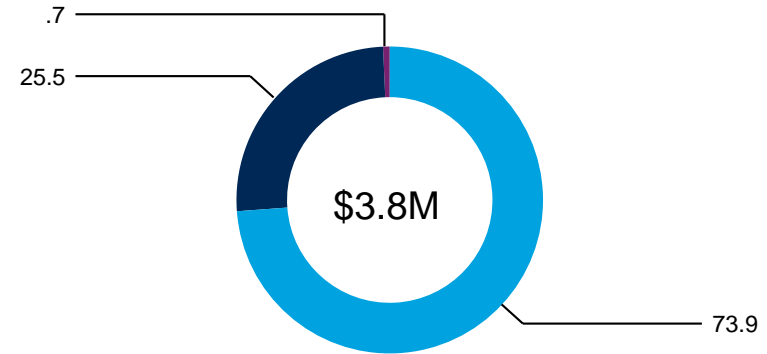
Date	Amount	Security	Sale Price	Proceeds	Acquisition Date	Purchase Price	Cost Basis	Gain/Loss
01/25/2023	0.00	GE HEALTHCARE TECHNOLOGIES INC	0.00	44.21	01/12/2023	0.00	0.00	0.00
02/22/2023	-12,866.00	GE HEALTHCARE TECHNOLOGIES INC	71.86	924,566.88	01/04/2023	76.79	988,001.95	-63,435.07
04/27/2023	-6,500.00	APPLE INC COM	166.65	1,083,237.78	04/25/2013	31.20	202,800.18	880,437.60
04/27/2023	-3,500.00	MICROSOFT CORP COM	303.04	1,060,647.26	06/30/2021	28.25	98,872.12	961,775.14
04/27/2023	3,500.00	MICROSOFT CORP COM	303.04	-1,060,647.26	06/30/2021	28.27	-98,962.50	0.00
04/27/2023	6,500.00	APPLE INC COM	166.65	-1,083,237.78	04/25/2013	32.36	-210,332.69	0.00
04/27/2023	-6,500.00	APPLE INC COM	166.65	1,083,237.78	04/25/2013	32.36	210,332.69	872,905.09
04/27/2023	-3,500.00	MICROSOFT CORP COM	303.04	1,060,647.26	06/30/2021	28.27	98,962.50	961,684.76
				<u>3,068,496.13</u>			<u>1,289,674.25</u>	<u>3,613,367.52</u>

Client Investment Review

Investment activity through 06/30/2023

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	2,829,276	73.9	39,698.14	1.4
Total Fixed Income	976,058	25.5	29,143.95	3.0
Cash & Equivalents	24,959	.7	1,224.37	4.9
Total	3,830,293	100.0	70,066.46	1.8



Investment Summary

	Fiscal Year to Date (1 Year)
Beginning Account Value	3,127,502.28
Net Contributions/Withdrawals	184,876.79
Income Earned	65,861.52
Market Appreciation	452,052.42
Ending Account Value	3,830,293.01

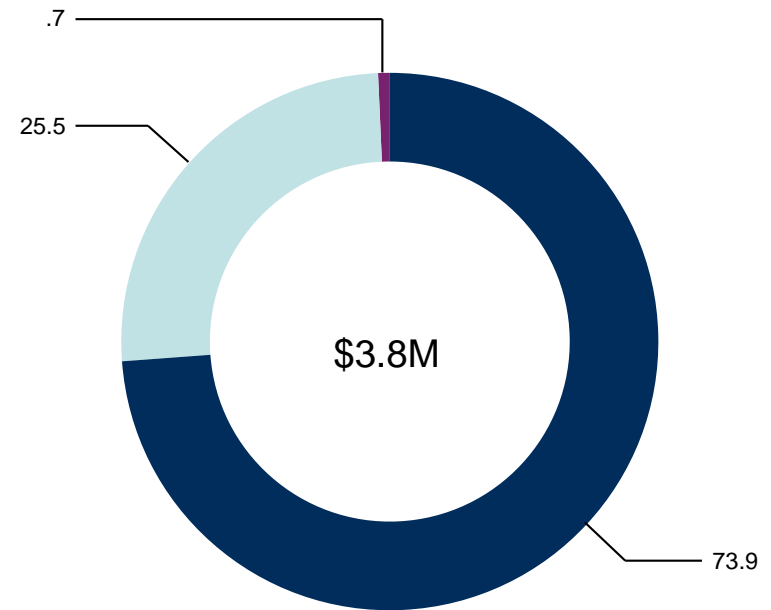
Market Value by Asset Class

KY JUDICIAL RET HYBRID CASH BAL AGT (920007010)

Ending: June 30, 2023

Managed Since: June 01, 2015

	Market Value	% of Mkt Val
● Core Equity	2,829,276	73.9
● Taxable Bond Funds	976,058	25.5
● Cash & Equivalents	24,959	.7
Total	3,830,293	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	24,866.830	1.00	24,866.83	1.00	24,958.71	.7	4.92	1,224.37	4.924
Total for Money Markets			24,866.83		24,958.71	.7		1,224.37	4.924
Total: Cash & Equivalents			24,866.83		24,958.71	.7		1,224.37	4.924
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	1,320.000	133.91	176,754.93	120.97	159,680.40	4.2	.00	.00	.000
DISNEY WALT CO COM	1,000.000	160.60	160,603.84	89.28	89,280.00	2.3	.00	.00	.000
META PLATFORM, INC.	251.000	332.61	83,485.06	286.98	72,031.98	1.9	.00	.00	.000
OMNICOM GROUP INC COM	911.000	75.38	68,674.31	95.15	87,319.35	2.3	2.80	2,550.80	2.943
Total for Communication Services			489,518.14		408,311.73	10.7		2,550.80	.626
Consumer Disc									
CARMAX INC COM	661.000	121.20	80,113.53	83.70	55,325.70	1.4	.00	.00	.000
HOME DEPOT INC COM	539.000	327.00	176,252.08	310.64	167,434.96	4.4	8.36	4,506.04	2.691
O REILLY AUTOMOTIVE INC NEW COM	127.000	617.52	78,424.46	955.30	121,323.10	3.2	.00	.00	.000
TJX COS INC NEW COM	934.000	69.23	64,658.07	84.79	79,193.86	2.1	1.33	1,242.22	1.569
Total for Consumer Disc			399,448.14		423,277.62	11.1		5,748.26	1.358
Financials									
BANK OF AMERICA CORP COM	1,307.000	40.14	52,460.92	28.69	37,497.83	1.0	.88	1,150.16	3.067
BERKSHIRE HATHAWAY INC DEL CL B NEW	559.000	292.60	163,560.77	341.00	190,619.00	5.0	.00	.00	.000
JPMORGAN CHASE & CO COM	1,150.000	152.38	175,238.14	145.44	167,256.00	4.4	4.00	4,600.00	2.750
PROGRESSIVE CORP OH COM	1,374.000	100.53	138,130.96	132.37	181,876.38	4.7	.40	549.60	.302
SCHWAB CHARLES CORP NEW COM	2,301.000	68.40	157,386.79	56.68	130,420.68	3.4	1.00	2,301.00	1.764
US BANCORP DEL COM NEW	1,254.000	55.52	69,625.13	33.04	42,034.08	1.1	1.92	2,407.68	5.811
WELLS FARGO & CO NEW COM	1,035.000	48.49	50,182.59	42.68	44,173.80	1.2	1.20	1,242.00	2.812
Total for Financials			806,585.30		793,877.77	20.8		12,250.44	1.544

Portfolio Holdings by Asset Class
KY JUDICIAL RET HYBRID CASH BAL AGT (920007010)

Ending: June 30, 2023
 Managed Since: June 01, 2015

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Health Care									
JOHNSON & JOHNSON COM	839.000	171.86	144,194.54	165.52	138,871.28	3.6	4.76	3,993.64	2.876
PFIZER INC COM	1,516.000	47.85	72,538.33	36.68	55,606.88	1.5	1.64	2,486.24	4.471
Total for Health Care			216,732.87		194,478.16	5.1		6,479.88	3.332
Industrials									
EXPEDITORS INTL WASH INC COM	584.000	120.46	70,346.41	121.13	70,739.92	1.8	1.38	805.92	1.139
FASTENAL CO COM	1,747.000	55.35	96,691.60	58.99	103,055.53	2.7	1.40	2,445.80	2.373
GENERAL ELECTRIC CO COM NEW	971.000	78.33	76,057.34	109.85	106,664.35	2.8	.32	310.72	.291
PARKER HANNIFIN CORP COM	258.000	294.64	76,016.92	390.04	100,630.32	2.6	5.92	1,527.36	1.518
UNION PAC CORP COM	337.000	227.37	76,625.15	204.62	68,956.94	1.8	5.20	1,752.40	2.541
Total for Industrials			395,737.42		450,047.06	11.7		6,842.20	1.520
Information Tech									
APPLE INC COM	1,032.000	148.04	152,779.39	193.97	200,177.04	5.2	.96	990.72	.495
CISCO SYS INC COM	872.000	54.88	47,858.85	51.74	45,117.28	1.2	1.56	1,360.32	3.015
MICROSOFT CORP COM	601.000	286.98	172,474.75	340.54	204,664.54	5.3	2.72	1,634.72	.799
TE CONNECTIVITY LTD REG SHS	780.000	147.70	115,204.78	140.16	109,324.80	2.9	2.36	1,840.80	1.684
Total for Information Tech			488,317.77		559,283.66	14.6		5,826.56	1.042
Total: Total Equity			2,796,339.64		2,829,276.00	74.0		39,698.14	1.404
Total Fixed Income									
Taxable Bond Funds									
ISHARES TRUST ISHARES 1-5 YEAR	12,075.000	53.68	648,220.69	50.17	605,802.75	15.8	1.37	16,494.45	2.723
VANGUARD SCOTTSDALE FDS VANGUARD	4,685.000	91.78	429,966.89	79.03	370,255.55	9.7	2.70	12,649.50	3.416
Total for Taxable Bond Funds			1,078,187.58		976,058.30	25.5		29,143.95	2.986
Total: Total Fixed Income			1,078,187.58		976,058.30	25.5		29,143.95	2.986
Total			3,899,394.05		3,830,293.01	100.0		70,066.46	1.830

Performance Overview

	Market Value	3 Months	1 Year	3 Years	5 Years	Inception to Date 06/01/2015
Total Portfolio - Gross	3,830,293	6.41	15.48	10.15	9.67	8.97
Total Portfolio - Net	3,830,293	6.39	15.39	10.07	9.58	8.88
70% SP500 30% Bloomberg Int Govt Cr		5.84	13.65	9.51	9.23	8.73
Total Equity	2,829,276	8.96	21.20	14.77	12.41	11.76
S P 500 Index		8.74	19.59	14.60	12.31	11.76
Total Fixed Income	976,058	-1.19	1.96	-2.58	2.23	1.90
Bloomberg US Government/Credit Interm Bond		-0.81	-1.10	-2.46	1.23	1.11
Cash & Equivalents	24,959	2.26	5.03	1.71	1.72	1.27
3 Mos Treasury Bill Rate		1.33	4.35	1.59	1.68	1.31

	Total Portfolio - Gross	70% SP500 30% Bloomberg Int Govt Cr
Return	9.67	9.23
Standard Deviation	13.91	13.59
Beta	1.00	
Alpha	.42	
R-Squared	1.00	
Sharpe Ratio	7.88	8.04
Treynor Ratio	109.67	109.23
Tracking Error	2.06	
Information Ratio	.21	
Downside Deviation	9.09	8.88
Downside Standard Deviation	10.56	10.30
Sortino Ratio	1.18	1.15
Upside Capture	1.02	
Downside Capture	1.00	
Batting Average	.60	
Annualized Excess Return	.43	
Cumulative Excess Return	3.10	
Turnover %	.38	
M-Squared	7.15	
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	2.60	3.81
Effective Maturity	2.99	4.30
Credit Rating	A-	AA2 / AA3
Weighted Coupon	3.51	2.61
Weighted Price	94.45	92.70
Yield to Maturity	5.67	4.81

Source: Morningstar | As of July 7, 2023, Category: Short-Term Bond as of May 31, 2023

Source: Bloomberg | Bloomberg Intermediate Gov/Cr as of June 30, 2023

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	Unk
AAA (0.73)	-	0.50	0.23	-	-	-	-	-
AA (9.11)	0.01	5.74	3.36	-	-	-	-	-
A (45.59)	0.28	28.38	16.53	-	-	-	-	0.40
BBB (42.98)	0.20	26.48	16.18	-	-	-	-	0.12
BB (1.27)	-	0.87	0.41	-	-	-	-	-
B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Not Rated (0.33)	0.02	0.14	0.11	-	-	0.01	-	0.05

Source: Morningstar

As of July 07, 2023 | 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	6.25	3.81
Effective Maturity	7.50	4.30
Credit Rating	BBB+	AA2 / AA3
Weighted Coupon	3.79	2.61
Weighted Price	91.28	92.70
Yield to Maturity	5.08	4.81

Source: Morningstar | As of May 31, 2023, Category: Corporate Bond

Source: Bloomberg | Bloomberg Intermediate Gov/Cr as of June 30, 2023

Vanguard Interm-Term Corp Bd ETF (VCIT)

Credit Rating (Subtotal Weight)	0-1	1-3	3-5	5-7	7-10	10-20	>20	Unk
AAA (0.22)	-	-	0.01	0.11	0.10	-	-	-
AA (5.35)	-	-	0.54	2.55	2.26	-	-	-
A (42.63)	-	0.04	5.37	19.39	17.60	0.01	-	0.22
BBB (50.11)	-	0.06	9.77	28.07	11.94	-	-	0.27
BB (1.69)	-	0.04	0.61	0.96	0.08	-	-	-
B	-	-	-	-	-	-	-	-
Below B	-	-	-	-	-	-	-	-
Not Rated	-	-	-	-	-	-	-	-

Source: Morningstar

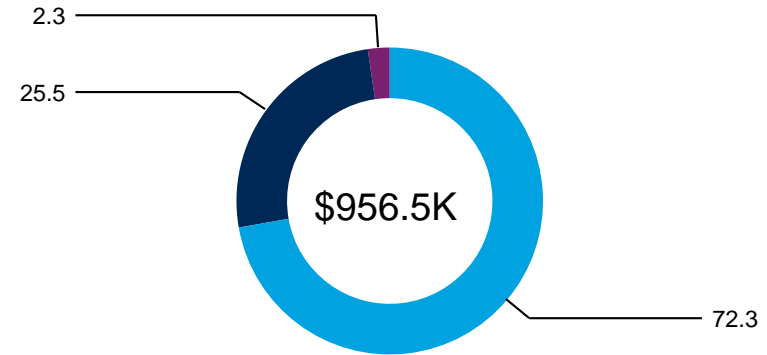
As of May31, 2023 | Data is based on the long position of the holdings. Source: Holdings-based calculations.

Client Investment Review

Investment activity through 06/30/2023

Asset Allocation Summary

	Market Value	% of Mkt Val	Estimated Annual Income	Current Yield
Total Equity	691,051	72.3	9,745.51	1.4
Total Fixed Income	243,965	25.5	7,285.59	3.0
Cash & Equivalents	21,520	2.3	1,055.41	4.9
Total	956,536	100.0	18,086.51	1.9



Investment Summary

	Fiscal Year to Date (1 Year)
Beginning Account Value	776,827.78
Net Contributions/Withdrawals	51,555.77
Income Earned	16,676.78
Market Appreciation	111,476.13
Ending Account Value	956,536.46

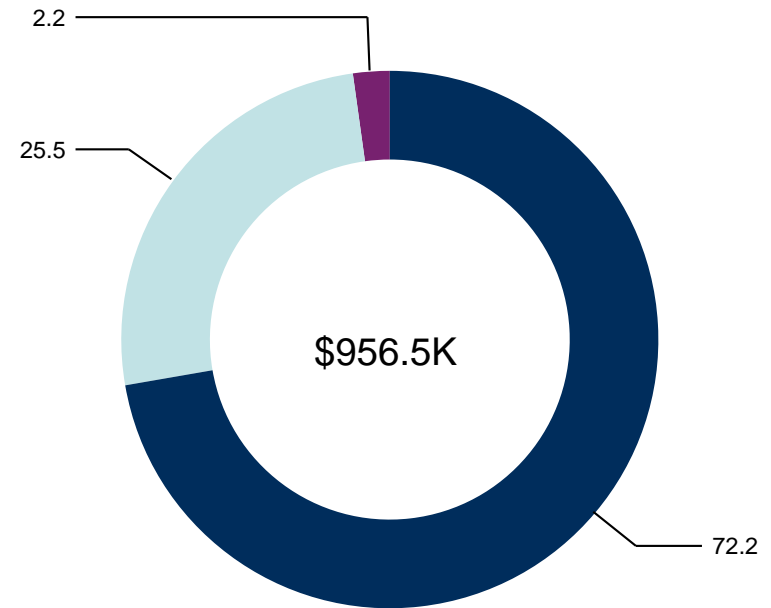
Market Value by Asset Class

KY LEGISLATORS RET HYBRID CSH BL AGT (920008018)

Ending: June 30, 2023

Managed Since: June 01, 2015

	Market Value	% of Mkt Val
● Core Equity	691,051	72.2
● Taxable Bond Funds	243,965	25.5
● Cash & Equivalents	21,520	2.2
Total	956,536	100.0



Portfolio Holdings by Asset Class
KY LEGISLATORS RET HYBRID CSH BL AGT (920008018)

Ending: June 30, 2023
 Managed Since: June 01, 2015

	Units	Unit Cost	Total Cost	Price	Market Value	Weight	Unit Income	Annual Income	Current Yield
Cash & Equivalents									
Money Markets									
GOLDMAN SACHS FINANCIAL SQUARE	21,435.220	1.00	21,435.22	1.00	21,520.42	2.2	4.92	1,055.41	4.924
Total for Money Markets			21,435.22		21,520.42	2.2		1,055.41	4.924
Total: Cash & Equivalents			21,435.22		21,520.42	2.2		1,055.41	4.924
Total Equity									
Communication Services									
ALPHABET INC CAP STK CL C	302.000	133.23	40,234.51	120.97	36,532.94	3.8	.00	.00	.000
DISNEY WALT CO COM	243.000	158.66	38,554.66	89.28	21,695.04	2.3	.00	.00	.000
META PLATFORM, INC.	62.000	327.52	20,306.37	286.98	17,792.76	1.9	.00	.00	.000
OMNICOM GROUP INC COM	225.000	75.16	16,911.88	95.15	21,566.25	2.3	2.80	630.00	2.943
Total for Communication Services			116,007.42		97,586.99	10.3		630.00	.647
Consumer Disc									
CARMAX INC COM	162.000	120.14	19,462.46	83.70	13,559.40	1.4	.00	.00	.000
HOME DEPOT INC COM	132.000	325.81	43,006.26	310.64	41,004.48	4.3	8.36	1,103.52	2.691
O REILLY AUTOMOTIVE INC NEW COM	30.000	619.20	18,575.86	955.30	28,659.00	3.0	.00	.00	.000
TJX COS INC NEW COM	225.000	68.62	15,439.15	84.79	19,077.75	2.0	1.33	299.25	1.569
Total for Consumer Disc			96,483.73		102,300.63	10.7		1,402.77	1.371
Financials									
BANK OF AMERICA CORP COM	323.000	40.10	12,950.87	28.69	9,266.87	1.0	.88	284.24	3.067
BERKSHIRE HATHAWAY INC DEL CL B NEW	137.000	293.57	40,219.59	341.00	46,717.00	4.9	.00	.00	.000
JPMORGAN CHASE & CO COM	282.000	150.76	42,515.09	145.44	41,014.08	4.3	4.00	1,128.00	2.750
PROGRESSIVE CORP OH COM	335.000	100.95	33,819.45	132.37	44,343.95	4.6	.40	134.00	.302
SCHWAB CHARLES CORP NEW COM	560.000	68.76	38,504.73	56.68	31,740.80	3.3	1.00	560.00	1.764
US BANCORP DEL COM NEW	306.000	55.44	16,966.04	33.04	10,257.12	1.1	1.92	587.52	5.811
WELLS FARGO & CO NEW COM	251.000	48.34	12,132.17	42.68	10,712.68	1.1	1.20	301.20	2.812
Total for Financials			197,107.94		194,052.50	20.3		2,994.96	1.545

	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	165.52	35,090.24	3.7	4.76	1,009.12	2.876
PFIZER INC COM	374.000	48.01	17,955.02	36.68	13,718.32	1.4	1.64	613.36	4.471
Total for Health Care			54,427.82		48,808.56	5.1		1,622.48	3.324
Industrials									
EXPEDITORS INTL WASH INC COM	145.000	119.07	17,264.99	121.13	17,563.85	1.8	1.38	200.10	1.139
FASTENAL CO COM	422.000	55.28	23,329.44	58.99	24,893.78	2.6	1.40	590.80	2.373
GENERAL ELECTRIC CO COM NEW	245.000	77.02	18,868.69	109.85	26,913.25	2.8	.32	78.40	.291
PARKER HANNIFIN CORP COM	62.000	294.97	18,288.39	390.04	24,182.48	2.5	5.92	367.04	1.518
UNION PAC CORP COM	82.000	227.63	18,666.03	204.62	16,778.84	1.8	5.20	426.40	2.541
Total for Industrials			96,417.54		110,332.20	11.5		1,662.74	1.507
Information Tech									
APPLE INC COM	260.000	148.06	38,495.92	193.97	50,432.20	5.3	.96	249.60	.495
CISCO SYS INC COM	212.000	54.68	11,592.88	51.74	10,968.88	1.1	1.56	330.72	3.015
MICROSOFT CORP COM	145.000	286.20	41,498.95	340.54	49,378.30	5.2	2.72	394.40	.799
TE CONNECTIVITY LTD REG SHS	194.000	146.75	28,469.49	140.16	27,191.04	2.8	2.36	457.84	1.684
Total for Information Tech			120,057.24		137,970.42	14.4		1,432.56	1.038
Total: Total Equity			680,501.69		691,051.30	72.3		9,745.51	1.411
Total Fixed Income									
Taxable Bond Funds									
ISHARES TRUST ISHARES 1-5 YEAR	3,015.000	53.59	161,585.55	50.17	151,262.55	15.8	1.37	4,118.49	2.723
VANGUARD SCOTTSDALE FDS VANGUARD	1,173.000	91.38	107,192.37	79.03	92,702.19	9.7	2.70	3,167.10	3.416
Total for Taxable Bond Funds			268,777.92		243,964.74	25.5		7,285.59	2.986
Total: Total Fixed Income			268,777.92		243,964.74	25.5		7,285.59	2.986
Total			970,714.83		956,536.46	100.0		18,086.51	1.892

Performance Overview

	Market Value	3 Months	1 Year	3 Years	5 Years	Inception to Date 06/01/2015
Total Portfolio - Gross	956,536	6.28	15.30	10.03	9.60	8.94
Total Portfolio - Net	956,536	6.26	15.21	9.94	9.51	8.86
70% SP500 30% Bloomberg Int Govt Cr		5.84	13.65	9.51	9.23	8.73
Total Equity	691,051	8.93	21.19	14.76	12.40	11.76
S P 500 Index		8.74	19.59	14.60	12.31	11.76
Total Fixed Income	243,965	-1.19	1.95	-2.57	2.24	1.91
Bloomberg US Government/Credit Interm Bond		-0.81	-1.10	-2.46	1.23	1.11
Cash & Equivalents	21,520	1.22	3.96	1.36	1.47	1.12
3 Mos Treasury Bill Rate		1.33	4.35	1.59	1.68	1.31

	Total Portfolio - Gross	70% SP500 30% Bloomberg Int Govt Cr
Return	9.60	9.23
Standard Deviation	13.87	13.59
Beta	1.00	
Alpha	.35	
R-Squared	1.00	
Sharpe Ratio	7.90	8.04
Treynor Ratio	109.60	109.23
Tracking Error	2.06	
Information Ratio	.18	
Downside Deviation	9.07	8.88
Downside Standard Deviation	10.52	10.30
Sortino Ratio	1.17	1.15
Upside Capture	1.02	
Downside Capture	1.00	
Batting Average	.60	
Annualized Excess Return	.36	
Cumulative Excess Return	2.61	
Turnover %	3.05	
M-Squared	7.39	
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

Bloomberg 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 IV-

Administrative Reports

A. Public Pension Oversight Board

Materials Included

B. Proxy Voting Policy

Staff Memo Included

C. Actuarial Related

a. *Staff Memo*

b. *USI Presentation (Not yet available)*

D. 2024 Retiree Health Insurance

Staff Memo (Not Yet Available)

E. EOY/Annual Financial Audit

No Materials Included

F. Pension Administration System Update

No Materials Included



JUDICIAL FORM RETIREMENT SYSTEM

QUARTERLY UPDATE

PUBLIC PENSION OVERSIGHT BOARD – APRIL 24, 2023



DANIEL VENTERS, CHAIR
BOARD OF TRUSTEES

BEN ALLISON, CHAIR
JUDICIAL RETIREMENT INVESTMENT COMMITTEE

W. BRAD MONTELL, CHAIR
LEGISLATORS RETIREMENT INVESTMENT COMMITTEE

BO CRACRAFT
EXECUTIVE DIRECTOR



INVESTMENT PERFORMANCE



Investment Performance									
As of February 28, 2023									
		MV	FYTD 23	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
JRP	Defined Benefit	\$527.1M	7.3%	-5.2%	10.8%	9.6%	10.7%	8.7%	8.7%
	Cash Balance	\$3.6M	7.5%	-5.3%	9.1%	8.2%	-	-	-
	Benchmark ¹		4.0%	-6.9%	8.1%	7.5%	9.0%	8.2%	8.3%
LRP	Defined Benefit	\$150.0M	7.5%	-5.1%	10.9%	9.7%	10.7%	8.7%	8.6%
	Cash Balance	\$0.9M	7.5%	-5.3%	9.1%	8.1%	-	-	-
	Benchmark ¹		4.0%	-6.9%	8.1%	7.5%	9.0%	8.2%	8.3%

Returns are Net of Fees with exception of 20-year and 30-Year. Cash Balance portfolios inception date is June 1, 2015

¹ Benchmark is 70% S&P 500 Index + 30% Barclays Intermediate Government/Credit Index (compounded monthly)



INVESTMENT PERFORMANCE



Investment Performance									
As of March 31, 2023									
		MV	FYTD 23	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
JRP	Defined Benefit	\$530.6M	8.3%	-4.8%	15.5%	10.3%	10.5%	8.7%	8.7%
	Cash Balance	\$3.6M	8.5%	-5.0%	12.9%	8.8%	-	-	-
	Benchmark ¹		7.4%	-5.6%	12.6%	8.5%	9.1%	8.3%	8.4%
LRP	Defined Benefit	\$151.0M	8.5%	-4.7%	15.6%	10.3%	10.5%	8.7%	8.6%
	Cash Balance	\$0.9M	8.4%	-5.0%	12.9%	8.7%	-	-	-
	Benchmark ¹		7.4%	-5.6%	12.6%	8.5%	9.1%	8.3%	8.4%

Returns are Net of Fees with exception of 20-year and 30-Year. Cash Balance portfolios inception date is June 1, 2015

¹ Benchmark is 70% S&P 500 Index + 30% Barclays Intermediate Government/Credit Index (compounded monthly)

CASH FLOW

Fiscal Year ending February 28, 2023
compared to February 28, 2022

8 Months ending February 28	Judicial Retirement Plan		Legislators Retirement Plan	
	FY2023	FY2022	FY2023	FY2022
<i>Member Contributions</i>	\$1.556	\$1.822	\$0.127	\$0.170
<i>Employer Contributions/Appropriations</i>	\$4.982	\$7.148	\$0.000	\$0.000
<i>Investment Income (Net of Inv. Expense)</i>	<u>\$10.081</u>	<u>\$6.526</u>	<u>\$2.913</u>	<u>\$1.872</u>
Total Cash Inflows	\$16.619	\$15.495	\$3.040	\$2.043
<i>Benefit Payments/Refunds</i>	\$18.810	\$17.815	\$4.222	\$4.100
<i>Admin. Expense</i>	<u>\$0.261</u>	<u>\$0.305</u>	<u>\$0.171</u>	<u>\$0.193</u>
Total Cash Outflows	\$19.071	\$18.121	\$4.393	\$4.293
NET Cash Flow Before Asset Gain/(Losses)	(\$2.451)	(\$2.626)	(\$1.353)	(\$2.250)
<i>Realized/Unrealized Asset Gains/(Losses)</i>	\$26.532	\$5.431	\$7.438	\$1.925
Change in Net Position	\$24.080	\$2.805	\$6.086	(\$0.326)
<i>Beginning of Period</i>	\$510.256	\$582.394	\$147.893	\$168.992
<i>End of Period</i>	\$534.336	\$585.199	\$153.978	\$168.666



LEGISLATIVE UPDATE



- **House Bill 236 -**

- Board of Trustees began process during April 21 quarterly meeting.
- JFRS Board takes fiduciary responsibility very seriously and has always managed assets in the sole interest of LRP and JRP members.
- The Board has partnered with Baird Trust Company, who serves as their sole investment provider. Baird acknowledges fiduciary duty, is a registered Investment Manager, and has long history of providing above benchmark returns for over 30 years.
- Baird currently handles all proxy voting and votes in accordance with their approved policy. The Board will either formally adopt the Baird Proxy Policy or separate guidelines at a future quarterly meeting.



ACTUARIAL ASSUMPTION REVIEW



- **Board plans to review Economic Assumptions during July 2023 meeting**
 - As required by HB 76, which was adopted during 2022 Regular Session
 - Assumed Rate of Return, which will include a review of assumed inflation and most recent capitol market assumptions.
 - The plan does not adopt a payroll growth assumption for the purposes of amortizing unfunded liabilities given both JRP and LRP utilize a level-dollar amortization method.
- **The Board plans to also discuss recommendations made by Milliman during their recent actuarial audit.**
- **Full funding valuations will be conducted as of July 1, 2023 and results are expected no later than November 15, 2023.**

PURPOSE

The purpose of this policy is to establish procedures to ensure the **Investment Committees** for the **Kentucky Judicial Retirement Fund (JRP)** and the **Kentucky Legislators Retirement Fund (LRP)**, hereinafter referred to as the “Committees,” vote proxies for public equity securities held according to their fiduciary duty as required by Chapter 21 of the Kentucky Revised Statutes.

POLICY

The Judicial Form Retirement Systems (JFRS) has the responsibility to participate in the voting of all equity shareholder proxies. Proxy voting rights are valuable and should be managed in a manner consistent with the fiduciary duties and responsibilities assigned to management of plan assets. Prudent review and research is necessary to make voting decisions in the best interest of the Fund and timely filing of proxy votes is essential. Kentucky Revised Statutes require the JFRS Board of Trustees vote proxies solely in the best interests of plan participants and beneficiaries.

APPLICATION

The Committees, in accordance with Kentucky Revised Statute, have authorized Baird Trust Company (Baird), as the board’s sole investment provider, to execute all proxy votes on behalf of the Plans and adopts the written proxy voting guidelines of Baird. Baird acknowledges their fiduciary duty and the responsibility to vote proxies in the sole interest of plan participants and beneficiaries.

To meet the requirements of this Policy, the following procedures will be followed:

1. Baird will review and cast all proxy votes in a timely manner on behalf of JRP and LRP;
2. Baird agrees to vote all proxies in the sole interest of plan member and beneficiaries, which shall not include any purpose or proposal to support or further a nonpecuniary interest.

Non-pecuniary interest is defined by Kentucky Revised Statute to include, but not be limited to, environmental, social, political, or ideological interest, which do not have a direct and material connection to the financial risk or financial return of an investment.

3. Baird may utilize the services and research of third-party proxy voting advisors, but is responsible for insuring all votes cast on behalf of the Funds are consistent with their fiduciary duty and with purpose of supporting or improving the plans financial interest. If a proxy voting service is casting votes on behalf of JRP or LRP funds, all votes must be in accordance with written proxy voting guidelines approved by Baird.
4. While proxy voting guidelines adopted by Baird should cover the majority of issues, there may be certain issues, unusual events, or material shareholder where established guidelines do not apply or the results of the voting could have material financial impact on the funds. In such event, Baird Trust will contact the Executive Director (ED) of JFRS regarding the issue and their recommendation on the proxy proposal in question. Upon review, if the ED believes the

recommendation from Baird is not consistent with this policy, the Chairman of the Board will be contacted to discuss and make a final determination.

5. Baird will provide a report to the Committees, at least quarterly, of all votes during the period. The report should contain summary of all votes casts as well as any material or meeting where deviations from established guidelines.

POLICY REVIEW

Staff shall review this Policy periodically to ensure that it remains relevant, appropriate, and in compliance. Any revisions or amendments to this policy must be approved by the Board of Trustees of the Judicial Form Retirement System.

The Board hereby **executes** this *Proxy Voting Policy*, on this, the ____ day of _____, 2023.

Investment Committee
Kentucky Judicial Retirement Plan

By: _____
Ben Allison, Chairman

Investment Committee
Kentucky Legislators Retirement Plan

By: _____
W. Brad Montell, Chairman



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: July 14, 2023

SUBJECT: Biennial Review of Economic Assumptions (HB 76)

During the 2022 Regular Session, the General Assembly passed HB 76, which requires that JFRS conduct an actuarial investigation of economic assumptions every two years rather than the previously required five-year period. Staff have asked the System's actuary, USI, Inc. and sole investment provider, Baird Trust Company, to assist in this investigation.

Both the Judicial Retirement (JRP) and Legislators Retirement Plan (LRP) share very similar economic assumptions, which includes wage growth, rate of inflation, and assumed rate of return for investment and liability discount purposes. In addition, LRP incorporates a non-legislative compensation load to estimate total liability growth due to benefits based upon higher compensation from other state employment. The below is provided support the discussion and review of the Plan's current assumptions.

Assumed Rate of Inflation

The current assumed rate of inflation is 3.0% for both JRP and LRP. The assumed rate of inflation is simply an estimate of the rate at which prices will increase. A plan's inflation assumption indirectly influences the actuarial valuation as it is used in the development of other assumptions, including a plan's assumed rate of return (AROR) and wage growth.

Most recently, during the October 2020 experience study, USI, Inc. did not specifically address the System's assumed rate of inflation. Based upon staff review, it does not appear the Board of Trustees adopted separate inflation assumptions, rather incorporating into the broader wage growth and rate of return assumptions.

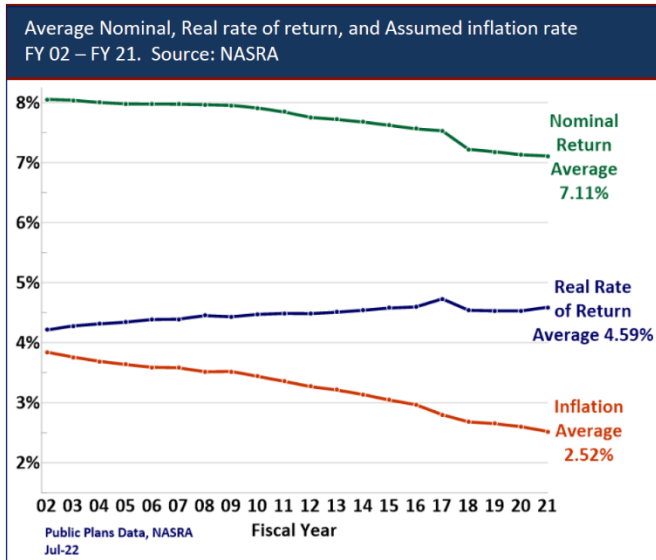
At its current rate of 3.0%, the JFRS assumption is on the higher end, when compared with current forecasts and other public pension plans. First, staff reviewed capital market assumptions from six reputable and reliable asset managers, custodians, or consultants and the average estimate for inflation over the next decade was 2.6%. Secondly, the National Association of State Retirement Administrators (NASRA) conducts an annual review of Public Pension Plan Investment Return and Inflation Assumptions. NASRA's most recent Issue Brief, published in March 2023, reported an average inflation assumption of 2.5% across approximately 130+ public pension plans surveyed.

Assumed Rate of Return

The current AROR is 6.5% for both JRP and LRP. The assumed rate of return assumption contains two components: (1) an assumed rate of inflation and (2) assumed real rate of return, which is the estimated incremental return above inflation. The two components summed result in a nominal rate of return, which is generally referred to the AROR.

The current assumptions for both JRP and LRP are composed of a 3% inflation rate and a 3.5% real rate of return. The Board of Trustees most recently adjusted the assumption in May of 2017, when they reduced the AROR from 7.0%.

At its current rate of 6.5%, the JFRS assumption is below average when compared with the NASRA annual review of return assumptions. As of March 2023, the median assumption was 7.0% and the average across 130+ had fallen to 6.93%.



The chart to the left reflects a summary of changes in average assumptions over a 20-year period ending with the 2021 fiscal year. Most notably, the average AROR had dropped from approximately 8% annually, to just above 7% over the period.

Looking at the two underlying components, the average assumed rate of inflation has been the primary driver for lowered nominal assumptions, dropping from just under 4% to 2.5% on average. On the real return side, plans have slightly increased their assumption over the past 20 years, from 4.2% to 4.6%. NASRA notes a factor contributing to this higher real rate of return has been higher allocations by many public pension plans into alternative assets, particularly private equities, which have historically provided a higher expected return than other more traditional asset classes.

As reflected above, the 3.5% assumed real rate of return for JRP and LRP is also below the average for the larger peer group of pension plans. Staff reviewed current capital market assumptions for domestic equity and fixed income assets from six reputable and reliable asset managers, custodians, or consultants to project estimate returns based upon the plans current 70/30 target asset allocation. Depending on the specific class of fixed income assets (aggregate bonds, investment grade, and intermediate gov/credit), the average projected real rate of return ranged from 3.8% to 3.9%.

Assumed Wage Growth

The current assumed wage growth is 1% for five years and 3.5% thereafter for both JRP and LRP. The assumed growth of member wages (i.e. salary increase) contains two components: (1) a pure price inflation and (2) real wage growth, which is the estimated increases in average salary levels in excess of pure price inflation. The current assumption for both JRP and LRP is composed of a 3% inflation assumption and a 0.5% real wage growth assumption.

During the most recent experience study (October 2020), Findley noted that actual experience reflected less than a 1% increase in average pay from 2013 to 2019. Since 2019, salary increments have been provided to judges in fiscal year 2020 (approximately 2.5% increase) and 2023 (approximately 8.0%). In addition, for fiscal year 2024, active judge salaries are expected to increase 7.4% to 7.6% due to salary increments provided for during the 2023 Regular Session.

Non-Legislative Compensation Load

Beginning January 1, 2003, the final average compensation calculated for LRP members at retirement is based upon his or her highest 3-years of state salary and may include salary earned in non-legislative positions, which has historically proven to be higher. Given the unpredictable nature of non-legislative salaries and the unknown timing and impact, a “load” has been applied to the liability of those not yet retired to account for the increased in benefits calculated using a non-legislative salary.

For LRP, the current non-legislative compensation load is 40%. This is a significant and unusual assumption. During the most recent experience study, USI, Inc reviewed the impact this provision had on retirees who commenced benefits during the study period and determined the average impact of using the non-legislative compensation for all retirees was a 36% increase in the member's retirement benefit. While limited in number of eligible members, the increase in benefits has proven to be dramatic and material for a small plan such as LRP.

Conclusion.

During the 2022 Regular Session, the General Assembly passed HB 76, which requires that JFRS conduct an actuarial investigation of economic assumptions every two years. Staff has reviewed current assumptions for JRP and LRP for the Board to consider along with information provided by USI, Inc. and Baird Trust Company.

Most notably, the assumed rate of inflation currently being utilized appears to be above average when compared to peers and current market expectations, while the current real rate of return assumption may be slightly below average. Lastly, while salary growth was marginal as of the most recent experience study, recent salary increments may warrant discussion concerning the Plans' assumed wage growth.

2023 Capital Market Review - JFRS Staff

	Wilshire (10-YR)		BlackRock (10-YR)		JP Morgan (10-YR)		BNY Mellon (10-YR)		Callan (10-YR)		AON (15-YR)		Average	
	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Blended	
Target Allocation														
70.00%	US Stocks	6.5%	4.55%	7.4%	5.18%	7.9%	5.53%	6.5%	4.55%	7.4%	5.15%	7.3%	5.11%	5.01%
30.00%	Core/Agg Bond	4.9%	1.47%	3.9%	1.17%	4.6%	1.38%	4.1%	1.23%	4.3%	1.28%	4.5%	1.35%	1.31%
Nominal ROR		6.02%		6.35%		6.91%		5.78%		6.42%		6.46%		6.32%
Inflation		2.25%		2.90%		2.60%		2.60%		2.50%		2.50%		2.56%
Real ROR		3.77%		3.45%		4.31%		3.18%		3.92%		3.96%		3.77%

	Wilshire (10-YR)		BlackRock (10-YR)		JP Morgan (10-YR)		BNY Mellon (10-YR)		Callan (10-YR)		AON (15-YR)		Average	
	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Return	Blended	Blended	
Target Allocation														
70.00%	US Stocks	6.5%	4.55%	7.4%	5.18%	7.9%	5.53%	6.5%	4.55%	7.4%	5.15%	7.3%	5.11%	5.01%
30.00%	InvGrade/Corp	4.9%	1.47%	3.8%	1.14%	5.5%	1.65%	5.0%	1.50%	4.8%	1.43%	5.4%	1.62%	1.47%
Nominal ROR		6.02%		6.32%		7.18%		6.05%		6.57%		6.73%		6.48%
Real ROR		3.77%		3.42%		4.58%		3.45%		4.07%		4.23%		3.92%

Wilshire https://assets-global.website-files.com/60f8038183eb84c40e8c14e9/63ec277544fccef45c92470_Wilshire%20Asset%20Allocation%20and%20Risk%20Assumptions%20-%202023.pdf

BlackRock <https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions>

JP Morgan <https://am.jpmorgan.com/content/dam/jpm-am-aem/global/en/insights/portfolio-insights/lcma/lcma-full-report.pdf>

BNY Mellon <https://www.bnymellonwealth.com/insights/2023-capital-market-assumptions.html>

Callan <https://www.callan.com/capital-markets-assumptions/>

AON <https://insights-north-america.aon.com/investment/aon-capital-market-assumptions-report>

NASRA Issue Brief: Public Pension Plan Investment Return Assumptions



Updated March 2023

As of December 31, 2022, state and local government retirement systems held assets of approximately \$5.19 trillion.¹ These assets are held in trust and invested to pre-fund the cost of pension benefits. The investment return on these assets matters, as investment earnings account for a majority of public pension financing. A shortfall in long-term expected investment earnings must, over time, be made up by higher contributions or reduced benefits.

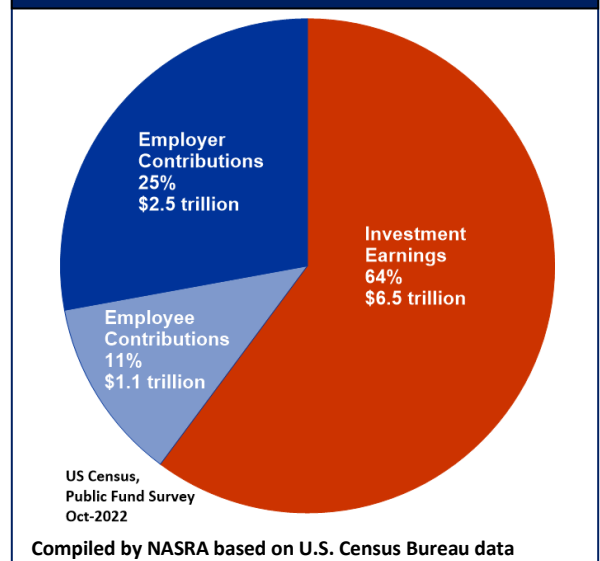
Funding a pension benefit requires the use of projections, known as actuarial assumptions, about future events. Actuarial assumptions fall into one of two broad categories: demographic and economic. Demographic assumptions are those pertaining to a pension plan's membership, such as changes in the number of working and retired plan participants; when participants will retire, and how long they'll live after they retire. Economic assumptions pertain to such factors as the rate of wage growth and the future expected investment return on the fund's assets.

As with other actuarial assumptions, projecting public pension fund investment returns requires a focus on the long-term. This brief discusses how investment return assumptions are established and evaluated, and the challenging investment environment public retirement systems currently face.

Because investment earnings account for most of the revenue for a typical public pension fund, the accuracy of the return assumption has a major effect on a plan's finances and actuarial funding level. An investment return assumption that is set too low will overstate liabilities and costs, causing current taxpayers to be overcharged and future taxpayers to be undercharged. A rate set too high will understate liabilities, undercharging current taxpayers, at the expense of future taxpayers. An assumption that is significantly wrong in either direction will cause a misallocation of resources and unfairly distribute costs among generations of taxpayers.

As shown in Figure 1, for the 30-year period ended in 2021, public pension funds accrued approximately \$10.1 trillion in revenue, of which \$6.5 trillion, or 64 percent, is from investment earnings. Employer contributions account for \$2.5 trillion, or 25 percent of the total, and employee contributions total \$1.06 trillion, or 11 percent.² The large portion of revenues from investment earnings reflect the important role they play in funding public pension benefits.

Figure 1: Public Pension Sources of Revenue, 1992-2021

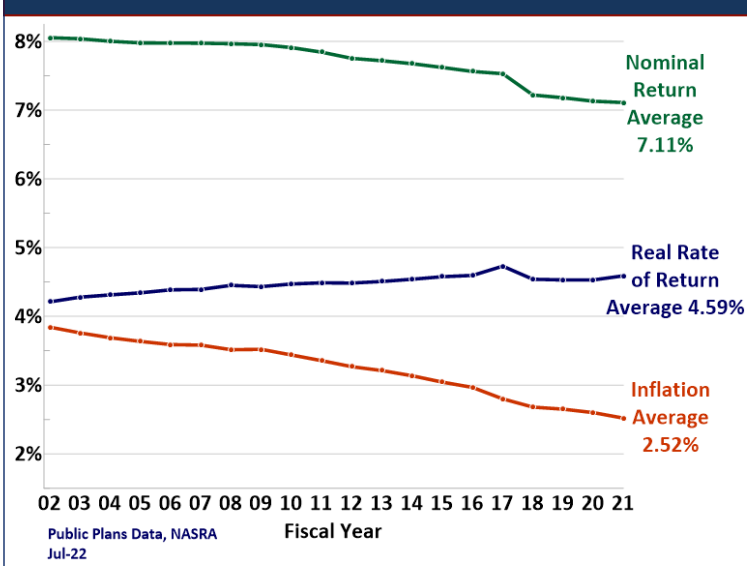


Public retirement systems typically review their actuarial assumptions regularly, pursuant to state or local statute or system policy. The entity (or entities) responsible for setting the return assumption, as identified in Appendix B, typically works with one or more professional actuaries, who follow guidelines set forth by the Actuarial Standards Board in *Actuarial Standards of Practice No. 27: Selection of Economic Assumptions for Measuring Pension Obligations* (ASOP 27). ASOP 27 prescribes the factors actuaries should consider in setting economic actuarial assumptions, and recommends that actuaries consider the context of the measurement they are making, as defined by such factors as the purpose of

¹ Federal Reserve, *Flow of Funds Accounts of the United States: Flows and Outstandings, Fourth Quarter 2022*, Table L.120

² US Census Bureau, Annual Survey of Public Pensions, State & Local Data

Figure 2: Average nominal and real rate of return, and average assumed inflation rate, FY 02 – FY 21



the measurement, the length of time the measurement period is intended to cover, and the projected pattern of the plan’s cash flows.

ASOP 27 also advises that actuarial assumptions be reasonable, defined in subsection 3.6 as being consistent with five specified characteristics; and requires that actuaries consider relevant data, such as current and projected interest rates and rates of inflation; historic and projected returns for individual asset classes; and historic returns of the fund itself. For plans that remain open to new members, actuaries focus chiefly on a long investment horizon, i.e., 20 to 30 years, which is the length of a typical public pension plan’s funding period. One key purpose for relying on a long timeframe is to promote the key policy objectives of cost stability and predictability, and intergenerational equity among taxpayers.

The investment return assumption used by public pension plans typically contains two components: inflation and the incremental return above the assumed rate of inflation, or the real rate of return. The sum of these components is the nominal rate of return, which is the rate that is most often used and cited. The system’s inflation assumption typically is also used to develop other actuarial assumptions, such as the level of wage growth and, where relevant, assumed rates of cost-of-living adjustments (COLAs). Achieving an investment return approximately commensurate with the inflation rate normally is attainable by investing in high-quality fixed income securities, such as US Treasuries.

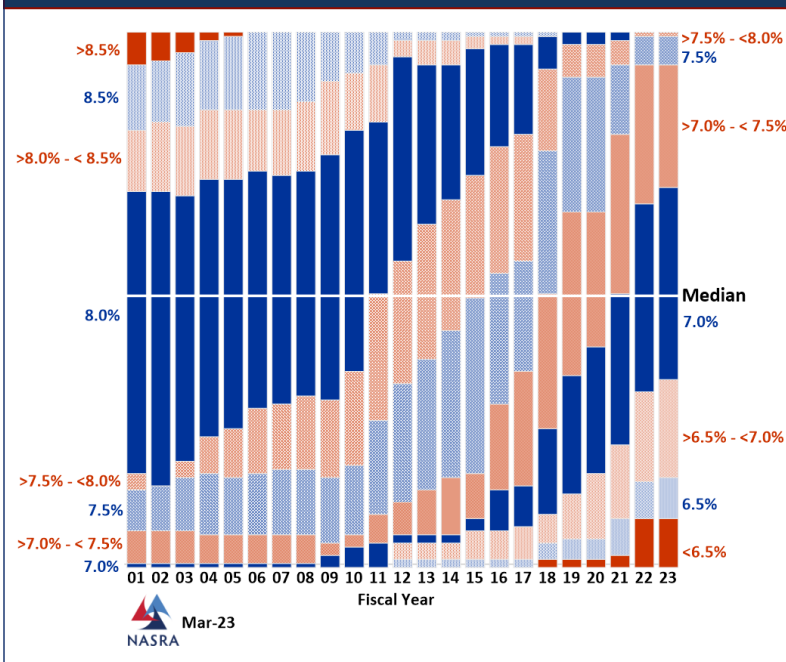
The second component of the investment return assumption is the real rate of return, which is the return on investment after adjusting for inflation. The real rate of return is intended to reflect the return produced by investing the assets in a broadly diversified portfolio. Achieving a return higher than the rate of inflation requires taking on more investment risk than Treasury bonds only.

Figure 2 illustrates the changes in the average nominal (non-inflation-adjusted) return, the inflation assumption, and the resulting real rate of return assumption. Two key takeaways from this data are that a) a lower assumed rate of inflation has been the primary driver of reductions in the nominal investment return assumption in recent years; and b) although the average nominal public pension fund investment return has been declining, because the average rate of assumed inflation has been dropping more quickly, the average real rate of return has risen, from 4.21 percent in FY 02 to 4.59 percent in FY 21. One factor that has contributed to the higher real rate of return is public pension funds’ higher allocations to alternative assets, particularly private equities, which usually have a higher expected return than most other asset classes.

Following a period of more than a decade of relatively low rates of inflation, the Consumer Price Index (CPI) began increasing sharply in early 2021. Since January 2021, the CPI has increased at an annual rate of approximately 7.0 percent. Because of the key role inflation plays in determining a pension plan’s investment return assumption, this higher inflation experience may cause pension plans to re-examine their investment return assumption. The pace of plans reducing their return assumption appears to have slowed noticeably in recent months.

A key question regarding the future of inflation is whether the recent higher rate will be “transitory,” i.e., short-lived, or if inflation will remain elevated for a sustained period. Despite the experience of the past two years, one key technical market measure of inflation—the 30-Year Breakeven Rate—suggests that the projected long-term inflation rate remains below 2.5 percent. Professional actuaries typically consider a very long timeframe when setting economic actuarial assumptions, such as rates of inflation and investment return. Unless long-term projections of inflation, such as the 30-

Figure 3: Change in Distribution of Nominal Public Pension Investment Return Assumptions, FY 01 to FY 23



year breakeven rate, rise materially, the recent inflationary experience may have little effect on public pension investment return assumptions in the near future.

In the wake of the 2008-09 capital market decline and Great Recession, global interest rates and inflation declined and remained low by historic standards for over a decade. These low interest rates led to reductions in projected returns for most asset classes, which, in turn, has resulted in an unprecedented number of reductions in the assumed rate of return used by public pension plans. This trend is illustrated by Figure 3, which plots the distribution of investment return assumptions among a representative group of plans since 2001. Among the 131 plans measured, 106, or 81 percent, have reduced their assumed rate of return since fiscal year 2018, and all have done so since fiscal year 2010. These reductions have resulted in a decline in the average return assumption from 7.33 percent in FY 18 to 6.93 percent in FY 23. Appendix A lists the assumptions in use or adopted for future use by the 131 plans in this dataset, as of March 2023.

assumptions in use or adopted for future use by the 131 plans in this dataset, as of March 2023.

Figure 4 presents the median and average nominal investment return assumptions for the 131 plans in the NASRA dataset. This data is a summation of the information presented in Figure 4. As Figure 4 shows, the nominal investment return assumption has declined from 7.95 percent in FY 07 to 6.93 percent currently. Similarly, the median return assumption has dropped from 8.0 percent in FY 10 to 7.0 percent in the current year.

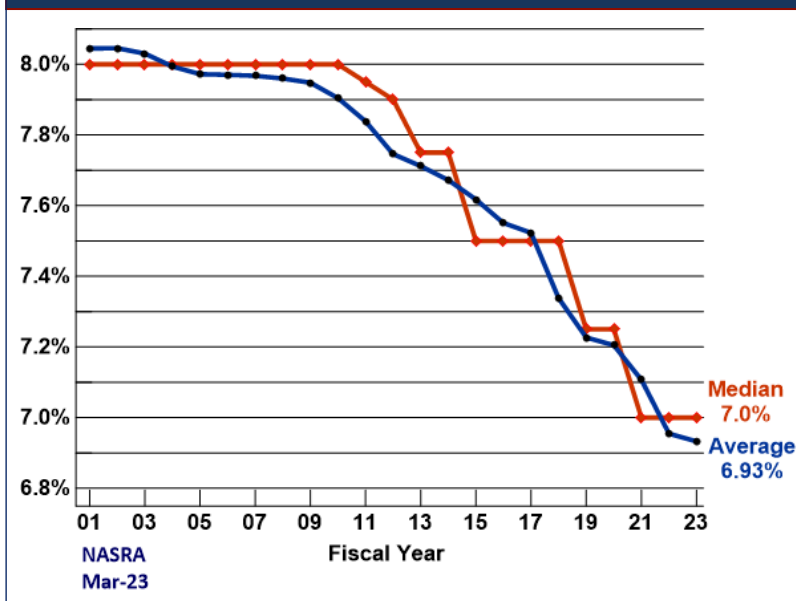
Although each pension plan is unique, the effect of a 25-basis point reduction in the investment return actuarial assumption, such as from 7.5 percent to 7.25 percent, has been estimated to increase the cost of a plan that has an automatic COLA, by three percent of pay (such as from 10 percent to 13 percent), and for a plan that does not have a COLA, by two percent of pay.

Conclusion

The investment return assumption is the single most consequential of all actuarial assumptions in terms of its effect on a pension plan's finances. The sustained period of low interest rates, which lasted for over a decade since 2009, combined with lower projected returns for most asset classes, has caused many public pension plans to reduce their long-term expected investment returns.

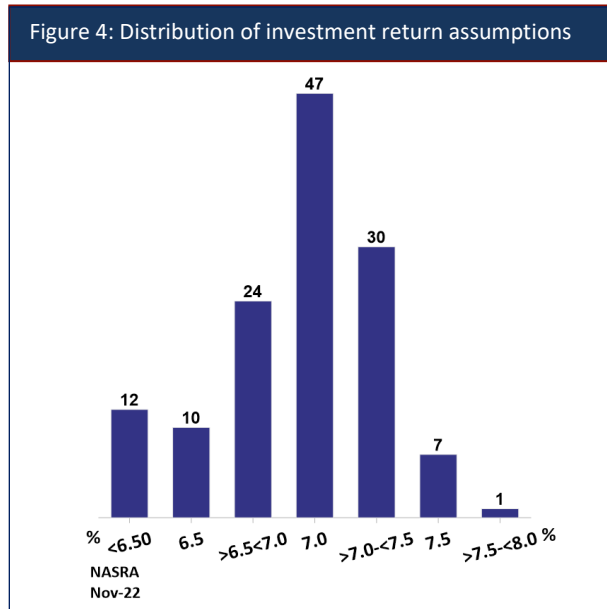
The recent uptick in the rate of inflation may cause some public pension plans to reconsider their investment return assumption, although projections about changes in the long-term rate of inflation have not changed. By itself, a lower investment return assumption increases both the plan's unfunded liabilities and cost. The process for evaluating a pension plan's investment return assumption should (and typically does) include abundant input and feedback from investment experts and actuarial professionals, and should reflect consideration of the factors prescribed in actuarial standards of practice.

Figure 4: Change to average and median investment return assumption, FY 01 to FY 23



See Also:

- [Financial Reporting for Pension Plans, Statement No. 67](#), Governmental Accounting Standards Board
- [The Liability Side of the Equation Revisited](#), Missouri SERS, September 2006



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[National Association of State Retirement Administrators](#)

Appendix A: Investment Return Assumption by Plan

Figures reflect the nominal assumption in use, or announced for use, as of March 2023.

This list of nominal investment return assumptions is updated at www.nasra.org/latestreturnassumptions

Plan	Rate (%)
Alabama ERS	7.45
Alabama Teachers	7.45
Alaska PERS	7.25
Alaska Teachers	7.25
Arizona Public Safety Personnel	7.20 ¹
Arizona SRS	7.0
Arkansas PERS	7.15
Arkansas State Highway ERS	7.50
Arkansas Teachers	7.25
California PERF ²	6.80
California Teachers	7.0
Chicago Teachers	6.75
City of Austin ERS	6.75
Colorado Affiliated Local	7.0
Colorado Fire & Police Statewide	7.0
Colorado Municipal	7.25
Colorado School	7.25
Colorado State	7.25
Connecticut SERS	6.90
Connecticut Teachers	6.90
Contra Costa County	7.0
DC Police & Fire	6.50
DC Teachers	6.50
Delaware State Employees	7.0
Denver Employees	7.25
Denver Public Schools	7.25
Fairfax County Schools	7.25
Florida RS	6.70
Georgia ERS ³	7.20
Georgia Teachers	6.90
Hawaii ERS	7.0
Houston Firefighters	7.0
Idaho PERS	6.30
Illinois Municipal	7.25
Illinois SERS	6.75
Illinois Teachers	7.0
Illinois Universities	6.50
Indiana PERF	6.25
Indiana Teachers	6.25
Iowa PERS	7.0
Kansas PERS	7.0

Los Angeles County ERA	7.0
Louisiana Parochial Employees	6.40
Louisiana SERS ⁴	7.25
Louisiana Teachers ⁵	7.25
Maine Local	6.50
Maine State and Teacher	6.50
Maryland PERS	6.80
Maryland Teachers	6.80
Massachusetts SERS	7.0
Massachusetts Teachers	7.0
Michigan Municipal ⁶	7.0
Michigan Public Schools	6.0
Michigan SERS	6.0
Minnesota PERF	7.50
Minnesota State Employees	7.50
Minnesota Teachers	7.50
Mississippi PERS ⁸	7.55
Missouri DOT and Highway Patrol	6.50
Missouri Local	7.0
Missouri PEERS	7.30
Missouri State Employees	6.95
Missouri Teachers	7.30
Montana PERS	7.30
Montana Teachers	7.30
Nebraska Schools ⁹	7.10
Nevada Police Officer and Firefighter	7.25
Nevada Regular Employees	7.25
New Hampshire Retirement System	6.75
New Jersey PERS	7.0
New Jersey Police & Fire	7.0
New Jersey Teachers	7.0
New Mexico PERA	7.25
New Mexico Teachers	7.0
New York City ERS	7.0
New York City Teachers	7.0
New York State Teachers	6.95
North Carolina Local Government	6.50
North Carolina Teachers and State Employees	6.50
North Dakota PERS	6.50
North Dakota Teachers	7.25
NY State & Local ERS	5.90
NY State & Local Police & Fire	5.90

Kentucky County	6.25
Kentucky ERS ³	5.25
Kentucky Teachers	7.10
Ohio Teachers	7.0
Oklahoma PERS	6.50
Oklahoma Teachers	7.0
Orange County ERS	7.0
Oregon PERS	6.90
Pennsylvania School Employees	7.0
Pennsylvania State ERS	6.875
Phoenix ERS	7.0
Rhode Island ERS	7.0
Rhode Island Municipal	7.0
Richmond Retirement System	7.0
San Diego City	6.50
San Diego County	7.0
San Francisco City & County	7.20
South Carolina Police	7.0
South Carolina RS	7.0
South Dakota RS	6.50
St. Louis School Employees	7.0
St. Paul Teachers	7.50
Texas County & District	7.50
Texas ERS	7.0
Texas LECOS	7.0

Ohio PERS	6.90
Ohio Police & Fire	7.50
Ohio School Employees	7.0
Texas Municipal	6.75
Texas Teachers	7.0
Tennessee Political Subdivisions	6.75
Tennessee State and Teachers	6.75
University of California	6.75
Utah Noncontributory	6.85
Vermont State Employees	7.0
Vermont Teachers	7.0
Virginia Retirement System	6.75
Washington LEOFF Plan 1	7.0
Washington LEOFF Plan 2	7.0
Washington PERS 1	7.0
Washington PERS 2/3	7.0
Washington School Employees Plan 2/3	7.0
Washington Teachers Plan 1	7.0
Washington Teachers Plan 2/3	7.0
West Virginia PERS	7.25
West Virginia Teachers	7.25
Wisconsin Retirement System	6.80
Wyoming Public Employees	6.80

The following footnotes reflect additional explanations, qualifications, and scheduled future developments for certain plans, and are a critical component of this data set.

1. The Arizona Public Safety Personnel Retirement System administers a plan for public safety personnel comprised of three tiers depending on participants' date of hire. The rate shown applies to Tiers 1 & 2. The investment return assumption used for Tier 3 is 7.0%.
2. In February 2017 the CalPERS Board adopted a risk mitigation policy, effective beginning FY 2021, that calls for a reduction in the system's investment return assumption commensurate with the pension fund achieving a specified level of investment return. Details are available online: <https://www.calpers.ca.gov/docs/board-agendas/201702/financeadmin/item-9a-02.pdf>.
3. Effective with the June 30, 2022 valuation, the assumed rate of return will be reduced by 10 basis points from the immediate prior actuarial valuation, to a minimum of 7.0%, as long as the actual rate of return for the fiscal year ending with the current valuation date exceeds the assumed rate of return from the immediate prior actuarial valuation.
4. The Kentucky ERS is composed of two plans: Hazardous and Non-Hazardous. The rate shown applies to the plan's Non-Hazardous plan, which accounts for more than 90 percent of the Kentucky ERS plan liabilities. The investment return assumption used for the Hazardous plan is 6.25 percent.
5. The discount rate used to determine the FY 2022/2023 funding requirement is 7.25%, which is net of gain-sharing. The investment return assumption differs from the discount rate because of the effective cost of providing potential future ad hoc postretirement benefit increases, or gain-sharing. The investment return assumption, which includes gain-sharing, is currently 7.60%.
6. The investment return assumption differs from the discount rate because of the effective cost of providing potential future ad hoc postretirement benefit increases, or gain-sharing. The investment return assumption, which includes gain-sharing, is currently 7.60%.

7. In February 2022 the MERS Board adopted a dedicated gains policy for systematically reducing the investment return assumption when actual investment returns exceed the plan's current assumed rate of return. Whether the assumed rate of return is lowered, and the magnitude of any reduction, depends on the excess gains available and the most recent range of reasonable economic assumptions as provided by MERS' consulting actuary. Under this policy a portion of the excess returns will continue to be smoothed over a five-year period, and some of the excess return will be immediately recognized to offset the increase in contributions.
 - a. If the current assumed rate of return is at or above the mid-point in the range, the full amount of excess gains will be used to lower the assumption. If the current assumed rate of return is below the mid-point in the range, half of the excess gains will be used to lower the assumption.
 - b. The assumed rate of return will not be reduced below the bottom of the range.
 - c. If the ratio of Actuarial Value of Assets to Market Value of Assets is below 80% or above 120%, excess market gains will not be used to lower or buy down the rate of return, and the normal smoothing method will be applied.
8. A 2019 amendment to the Mississippi PERS funding policy stipulates that the investment return assumption will be reduced until it reaches the rate recommended by the actuary in the most recent experience study using investment gains based on the following parameters:
 - a. 2% excess return over assumed rate, lower assumption by 5 basis points
 - b. 5% excess return over assumed rate, lower assumption by 10 basis points
 - c. 8% excess return over assumed rate, lower assumption by 15 basis points
 - d. 12% excess return over assumed rate, lower assumption by 20 basis points
9. The assumed rate of return for the Nebraska School Retirement System will decline by 10 basis points each year until reaching 7.0 percent effective FY 24.

Appendix B: Entity Responsible for Setting Investment Return Assumption for Selected State Plans

State	System	Investment Return Assumption Set By
AK	Alaska Public Employees Retirement System	Alaska Retirement Management Board
AK	Alaska Teachers Retirement System	Alaska Retirement Management Board
AL	Retirement Systems of Alabama	Retirement board
AR	Arkansas Public Employees Retirement System	Retirement board
AR	Arkansas State Highway Employees' Retirement System	Retirement board
AR	Arkansas Teachers Retirement System	Retirement board
AZ	Arizona Public Safety Personnel Retirement System	Retirement board
AZ	Arizona State Retirement System	Retirement board
CA	California Public Employees Retirement System	Retirement board
CA	California State Teachers Retirement System	Retirement board
CO	Colorado Public Employees Retirement Association	Retirement board
CO	Fire & Police Pension Association of Colorado	Retirement board
CT	Connecticut State Employees Retirement System	State Employees Retirement Commission
CT	Connecticut Teachers Retirement Board	Retirement board
DC	District of Columbia Retirement Board	Retirement board
DE	Delaware Public Employees Retirement System	Retirement board
FL	Florida Retirement System	FRS Actuarial Assumption Estimating Conference ¹
GA	Georgia Employees Retirement System	Retirement board
GA	Georgia Teachers Retirement System	Retirement board
HI	Hawaii Employees Retirement System	Retirement board
IA	Iowa Public Employees Retirement System	IPERS Investment Board
ID	Idaho Public Employees Retirement System	Retirement board
IL	Illinois State Universities Retirement System	Retirement board
IL	Illinois State Employees Retirement System	Retirement board
IL	Illinois Municipal Retirement Fund	Retirement board
IL	Illinois Teachers Retirement System	Retirement board
IN	Indiana Public Retirement System	Retirement board
KS	Kansas Public Employees Retirement System	Retirement board
KY	Kentucky Retirement Systems	Retirement board
KY	Kentucky Teachers Retirement System	Retirement board
LA	Louisiana State Employees Retirement System	Retirement board
LA	Louisiana Parochial Employees' Retirement System	Retirement board
LA	Louisiana Teachers Retirement System	Retirement board
MA	Massachusetts State Employees Retirement System	Collaborative between the legislature, state treasurer, governor, and the Massachusetts Public Employee Retirement Administration Commission
MA	Massachusetts Teachers Retirement Board	Collaborative between the legislature, state treasurer, governor, and the Massachusetts Public Employee Retirement Administration Commission
MD	Maryland State Retirement and Pension System	Retirement board
ME	Maine Public Employees Retirement System	Retirement board
MI	Michigan Public School Employees Retirement System	Retirement board
MI	Michigan State Employees Retirement System	Retirement board
MI	Municipal Employees' Retirement System of Michigan	Retirement board
MN	Minnesota Public Employees Retirement Association	Legislature
MN	Minnesota State Retirement System	Legislature
MN	Minnesota Teachers Retirement Association	Legislature

MO	Missouri Local Government Employees Retirement System	Retirement board
MO	Missouri Public Schools Retirement System	Retirement board
MO	Missouri State Employees Retirement System	Retirement board
MO	MoDOT & Patrol Employees' Retirement System	Retirement board
MS	Mississippi Public Employees Retirement System	Retirement board
MT	Montana Public Employees Retirement Board	Retirement board
MT	Montana Teachers Retirement System	Retirement board
NC	North Carolina Retirement Systems	Retirement board
ND	North Dakota Public Employees Retirement System	Retirement board
ND	North Dakota Teachers Fund for Retirement	Retirement board
NE	Nebraska Public Employees Retirement System	Retirement board
NH	New Hampshire Retirement System	Retirement board
NJ	New Jersey Division of Pension and Benefits	Retirement board and state treasurer
NM	New Mexico Educational Retirement Board	Retirement board
NM	New Mexico Public Employees Retirement Association	Retirement board
NV	Nevada Public Employees Retirement System	Retirement board
NY	New York State & Local Retirement Systems	State comptroller
NY	New York State Teachers Retirement System	Retirement board
OH	Ohio Police and Fire Pension Fund	Retirement board
OH	Ohio Public Employees Retirement System	Retirement board
OH	Ohio School Employees Retirement System	Retirement board
OH	Ohio State Teachers Retirement System	Retirement board
OK	Oklahoma Public Employees Retirement System	Retirement board
OK	Oklahoma Teachers Retirement System	Retirement board
OR	Oregon Public Employees Retirement System	Retirement board
PA	Pennsylvania Public School Employees Retirement System	Retirement board
PA	Pennsylvania State Employees Retirement System	Retirement board
RI	Rhode Island Employees Retirement System	Retirement board
SC	South Carolina Retirement Systems	Legislature
SD	South Dakota Retirement System	Retirement board
TN	Tennessee Consolidated Retirement System	Retirement board
TX	Teacher Retirement System of Texas	Retirement board
TX	Texas County & District Retirement System	Retirement board
TX	Texas Employees Retirement System	Retirement board
TX	Texas Municipal Retirement System	Retirement board
UT	Utah Retirement Systems	Retirement board
VA	Virginia Retirement System	Retirement board
VT	Vermont State Employees Retirement System	Vermont Pension Investment Commission
VT	Vermont Teachers Retirement System	Vermont Pension Investment Commission
WA	Washington Department of Retirement Systems	Legislature
WI	Wisconsin Retirement System	Retirement board
WV	West Virginia Consolidated Public Retirement Board	Retirement board
WY	Wyoming Retirement System	Retirement board

1. The Conference consists of staff from the Florida House, Senate, and Governor's office.



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: July 14, 2023

SUBJECT: 2024 Retiree Health Insurance – KEHP and Medicare Advantage Plan Premiums

Recipients of LRP and JRP monthly retirement benefits, and their qualified dependents, are eligible to participate and receive medical insurance coverage provided by the Plans. The level of coverage is dependent upon the number of years of service the member has accrued and their tier of benefits. Those individuals receiving medical insurance benefits who are not Medicare eligible (under age 65) participate in the Kentucky Employees Health Plan (KEHP), while those who eligible for Medicare (age 65 and older) currently participate in a Medicare Advantage plan provided by Humana.

In preparation for the 2024 calendar year Open Enrollment process, please find below a summary of 2024 rates as provided by KEHP and Humana as compared to the prior year. **The Board of Trustees must determine 2024 premium funding levels for both Non-Medicare and Medicare eligible participants.**

Non-Medicare Eligible

Recipients and qualified dependents under the age of 65 participate in the Kentucky Employees Health Plan (KEHP). KEHP is a self-funded plan that offers health insurance to nearly 295,000 active employees, retirees, or beneficiaries and is administer by the Department of Employee Insurance (DEI).

For the 2023 Plan Year, the Board of Trustees adopted the Living Well PPO plan as the maximum premium levels provided to covered members. Staff has received preliminary 2024 plan year rates for LivingWell PPO, which are summarized below. As shown, rates are projected to increase from 10% to 14% depending on the type of plan.

<i>Living Well PPO</i>	2022		2023		2024 (Preliminary)	
	Premiums	% Chg PY	Premiums	% Chg PY	Premiums	% Chg PY
Single	\$772.16	2.4%	\$833.64	8.0%	\$949.04	13.8%
Parent Plus	\$1,101.08	2.4%	\$1,177.30	6.9%	\$1,320.40	12.2%
Couple	\$1,691.64	2.3%	\$1,792.42	6.0%	\$1,981.62	10.6%
Family	\$1,883.60	2.3%	\$1,988.62	5.6%	\$2,185.78	9.9%

While it is difficult for staff to estimate the actuarial impact on these projected increase, staff has estimated the annual increase in plan premiums assuming the Board adopted the 2024 rates above. For both plans, members contribute less than 15% of the total premium cost (5% for JRP and 14% for LRP), thus the plans will bear a majority of the premium increases. Staff has calculated the increase to be \$130,700 per year for JRP (a 13.2% increase from current) and \$50,125 for LRP (a 15.2% increase).

Alternatively, the Board of Trustees is not required to adopt the rates tied to a specific KEHP plan. The Board does have the option of setting a lower premium contribution amount or choosing different contribution levels based on the type of plan (single, family, etc.) In this scenario, a LRP or JRP member or dependent would still have the option of selecting the LivingWell PPO as their desired level of coverage, but may be responsible for a portion of the total premium.

In addition to a PPO plan, the KEHP also offers two CDHP plans, which have total premium rates that range from 3-8% lower depending on the plan and level of coverage. The table below provides a summary of 2024 rates across all three KEHP plans as compared to the current JFRS adopted premium level (2023 LivingWell PPO premiums) to compare the premiums and what the increase would be if adopted:

Level of Benefit	LivingWell Basic CDHP		LivingWell CDHP		Living Well PPO (JFRS Adopted)	
	2024 Premiums	% Chg from JFRS Rate	2024 Premiums	% Chg from JFRS Rate	2024 Premiums	% Chg PY JFRS Rate
Single	\$901.04	8.1%	\$930.76	11.7%	\$949.04	13.8%
Parent Plus	\$1,234.80	4.9%	\$1,269.28	7.8%	\$1,320.40	12.2%
Couple	\$1,863.04	3.9%	\$1,866.24	4.1%	\$1,981.62	10.6%
Family	\$2,069.88	4.1%	\$2,078.08	4.5%	\$2,185.78	9.9%

Staff is requesting the Board of Trustees determine and adopt the maximum premium funding level or range for Non-Medicare eligible recipients and dependents to apply for the 2024 plan year.

Medicare Eligible

Recipients and qualified dependents age 65 and over participate in a Medicare Employer Preferred Provider Organization (PPO) plan, also referred to as a Medicare Advantage Plan, provided by Humana since the 2015 plan year.

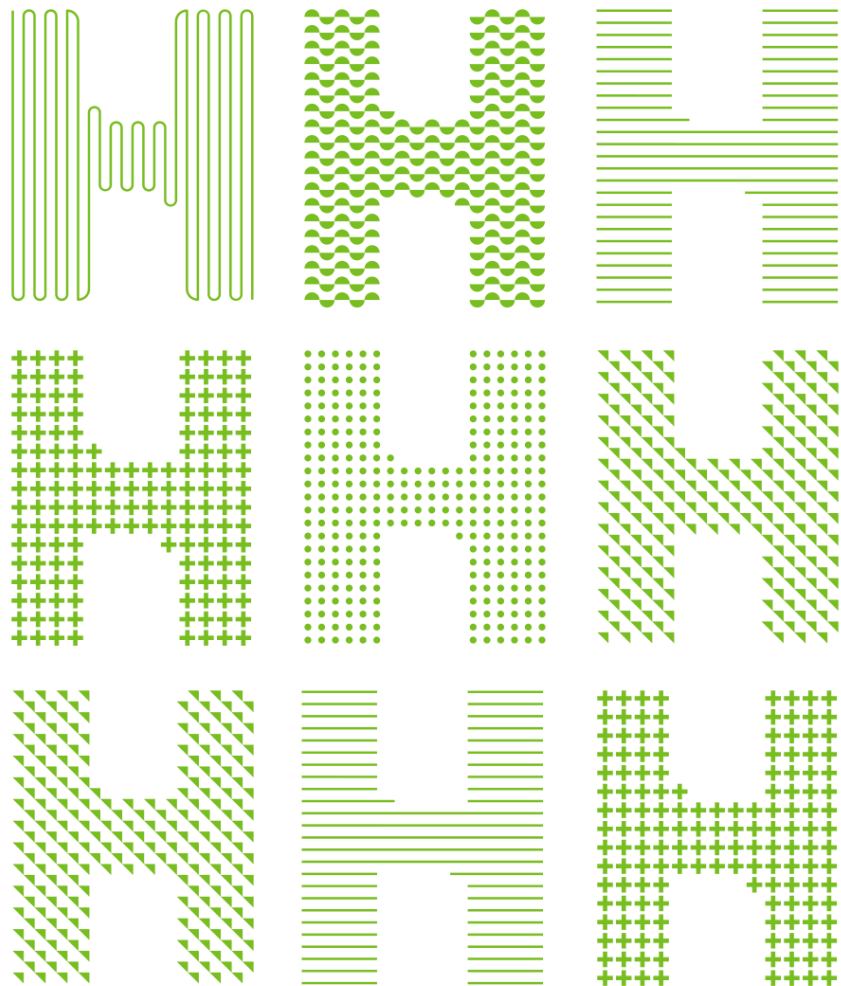
For the 2023 Plan Year, the Medicare Employer PPO premium is \$342.97, which represented a 6.0% increase of just over 4% from the prior year’s premium, however this increase also included additional dental coverage for all participants. The proposed premium for 2024 is \$365.91, which is approximately 6.7% higher than the prior year. Below is a summary of rates for the past six years:

	2019	2020	2021	2022	2023	2024
Humana Medicare Advantage Plan	\$ 297.90	\$ 316.16	\$ 310.80	\$ 323.43	\$ 342.97	\$ 365.91
% Increase from prior year	(11.4%)	6.1%	(1.7%)	4.1%	6.0%	6.7%

Pricing Additional Vision & Hearing Coverage

In addition to the level of coverage above, Humana has also provided a monthly premium cost for adding various levels of vision and hearing coverage for JFRS Medicare participants. These coverages are not included with the KEHP, but other state-administered plans have recently considered adding. Depending on the level of coverage, the cost of adding vision ranges from \$0.80 to \$2.36 per month and hearing would cost \$0.39 to \$5.92 per month. Staff has included a copy of Humana’s renewal presentation and a summary of enhanced vision and hearing options are found on page 10 and 11.

Staff is requesting the Board of Trustees determine and adopt the Medicare Employer PPO plan and level of coverage for Medicare eligible recipients and dependents for the 2024 plan year.



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Kentucky Judicial Forms 2024 Renewal Information

July 2023

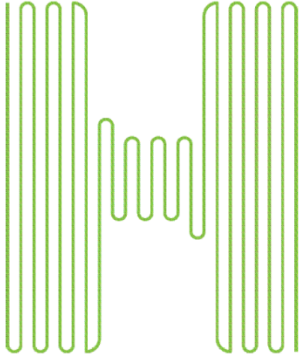
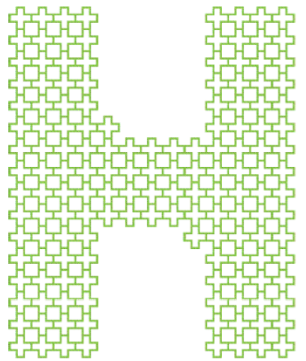
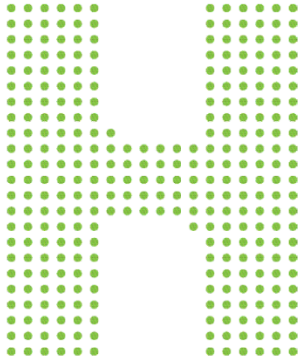
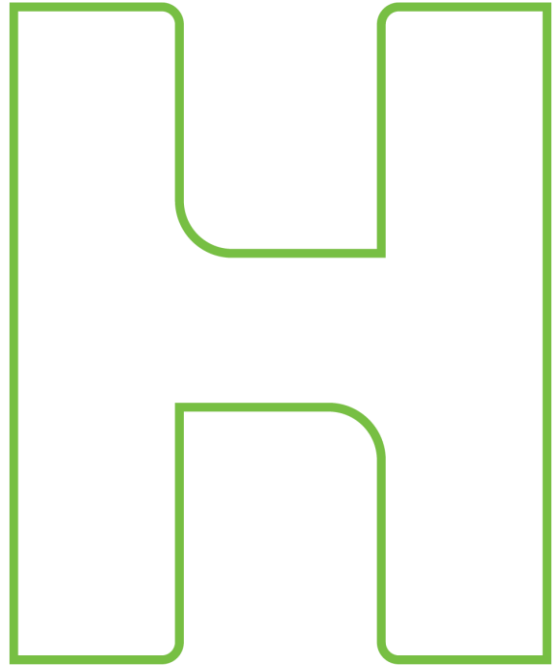


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2024 Renewal

What we incorporate & the impact on your renewal



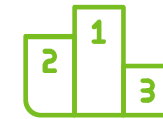
HMO/PPO medical claims cost trend

The trend of medical claims, including any additional clinical programs that could impact your members, medical technology advancements and new Part B drugs.



Pharmacy claims cost trend

The overall trend of pharmacy claims including any new pipeline drugs, formulary changes, coverage level, generic usage and drug utilization



CMS reimbursement changes

Adjustments will be made for risk scores, sequestration, hospice, ESRD payments and any CMS reimbursement methodology changes.



Benefit changes

Factor in any requested plan changes to your current program



Other changes

CMS mandated coverage, enrollment demographics, offering environment, ER contribution strategy, other legislative or regulatory changes



Credibility weighting

The weighting applied towards a group's experience within the rating model

Rate changes: Why CMS changes reimbursement



Overall growth rate

Determined by expected changes in nationwide healthcare costs



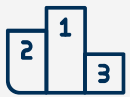
Rebasing county fee-for-service rates

CMS mandated funding changes for the industry



Industry-wide rating adjustments

CMS mandated funding or methodology changes for the industry.



STAR ratings

Seven measurement categories that determine overall plan quality



Mandated plan changes

CMS updates what insurance carriers must cover for upcoming period



Individual MA market

CMS adjusts Group MA funding based upon Individual MA bids



Rate changes: Plan experience impact



Claims & Enrollment performance

Plan's performance can be based on a combination of overall Per Member Per Month (PMPM) cost trend and clinical program enrollment



Plan benefit changes

A plan sponsor can change member cost share to highly utilized benefits which can impact the rates



Overall trend

Insurance carriers must cover any new pharmaceuticals, or medical treatments which cause rates to increase



Trend benders

High member enrollment in clinical programs is a proven way to help reduce trend



Variable regulatory changes

Ensuring retirees have regular preventative exams and ensure member cost share is set to steer members to the appropriate place of service for the needed care



2024 Renewal: The exhibits



Plan Design Exhibit*

Provides a high-level description of the coverage and any changes in the plan from the prior year

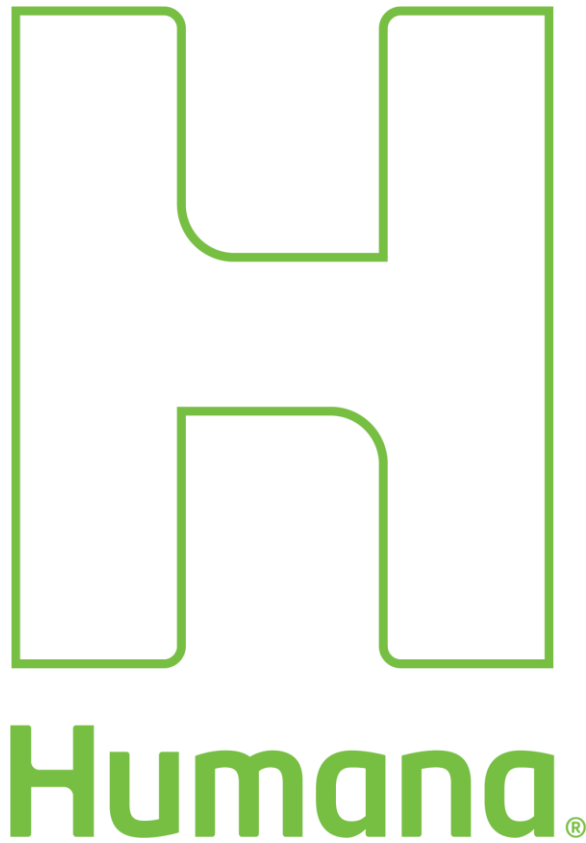


Rate Sheet

Provides the 2024 renewal rate

Medicare Advantage Renewal Summary

	2023 Humana Rate	2024 Humana Rate	% increase
Current Plan \$149 deductible/ \$0 copayments/ \$1000 MOOP Rx: \$10/\$30/\$60/33%(\$75Max)	\$342.97	\$365.91	6.69%
Alternate Plan \$0 deductible/ per visit copayment/ \$4,000 MOOP Rx: \$10/\$30/\$60/33%(\$75Max)	NA	\$302.89	NA



Benefit Enhancement Options

Vision – Enhanced Benefit Options

Current Coverage Vision - Limited to Medicare Covered services

- Outpatient physician services for the diagnosis and treatment of diseases and injuries of the eye.
- For people with diabetes, screening for diabetic retinopathy is covered once per year.
- One pair of eyeglasses or contact lenses after each cataract surgery that includes insertion of an interocular lens.

Benefit Code	In-Network	Out-of-Network	Premium Impact (pmpm)
VIS204	\$0 copayment for routine exam up to 1 per year.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$0.80
VIS200	\$0 copayment for routine exam up to 1 per year. \$100 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses-lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. \$100 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses -lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$1.60
VIS207	\$0 copayment for routine exam up to 1 per year. \$150 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses-lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating.	\$175 combined maximum benefit coverage amount per year for routine exam. \$0 copayment for routine exam up to 1 per year. \$150 combined maximum benefit coverage amount per year for contact lenses, eyeglasses -lenses and frames, fitting for eyeglasses -lenses and frames. Eyeglasses include ultraviolet protection and scratch resistant coating. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.	\$2.36

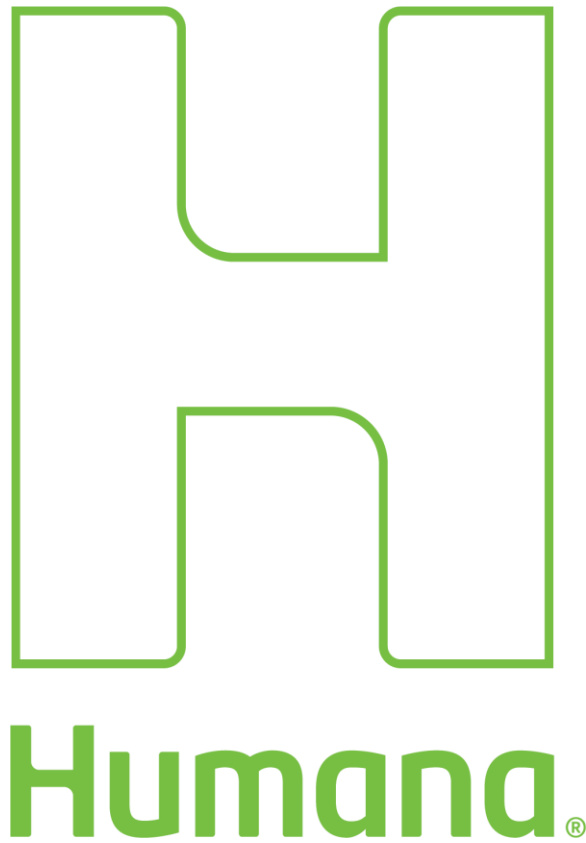
Hearing – Enhanced Benefit Options

Current Coverage - Limited to Medicare Covered services

- Diagnostic hearing and balance evaluations to determine if you need medical treatment are covered as outpatient care when provided by a physician, audiologist

Benefit Code	In-Network and Out-of-Network*	Premium Impact (ppm)
HER218	\$0 copayment for routine hearing exams up to 1 per year. \$500 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$0.39
HER219	\$0 copayment for routine hearing exams up to 1 per year. \$1,000 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$2.58
HER220	\$0 copayment for routine hearing exams up to 1 per year. \$1,500 maximum benefit coverage amount for each hearing aid(s) (all types) up to 1 per ear per year. Note: Includes 80 batteries per aid and 3-year warranty.	\$5.92

*Vendor is TruHearing and TruHearing provider must be used for in and out-of-network hearing aid benefit. Benefits received out-of-network are subject to any in-network benefit maximums, limitations, and/or exclusions.



Part D cost share changes

2024 Part D cost share changes

Defined Standard Parameter Changes

Stage	2023	2024
Deductible	\$505	\$545
Initial Coverage Limit (ICL)	\$4,660	\$5,030
TrOOP	\$7,400	\$8,000
Catastrophic	Greater of \$4.15(Generics), \$10.35(Brands), or 5%	\$0.00

2024 GAP Coverage:
Member coinsurance in the gap for generics and brands will be 25%

Thank you

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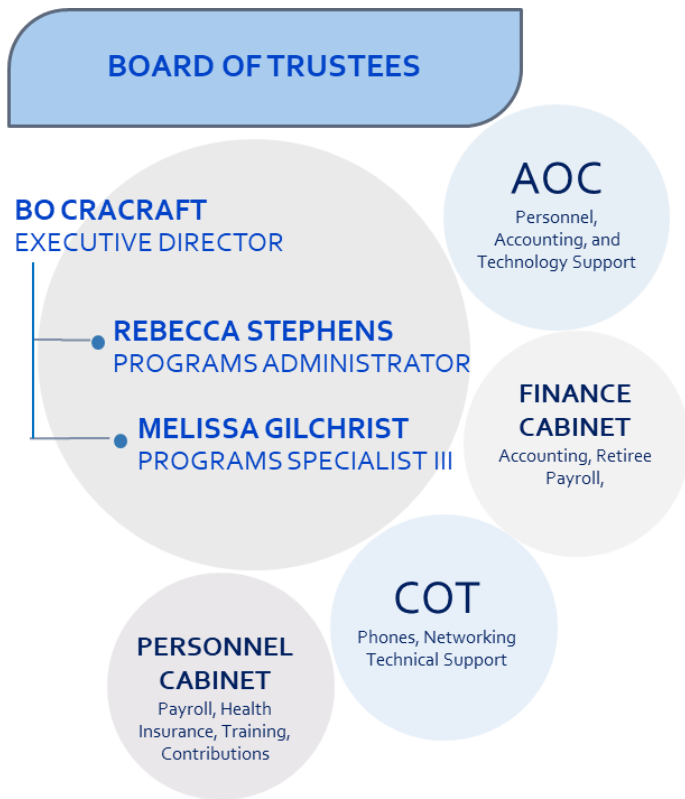
APPENDIX

- Organization Chart & Service Providers



JUDICIAL FORM RETIREMENT SYSTEM

Organizational Structure



Service Providers

