

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

October 24, 2025

The Board of Trustees of the Kentucky Judicial Form Retirement System (JFRS), the Investment Committee for the Kentucky Judicial Retirement Fund, and the Investment Committee for the Kentucky Legislators Retirement Fund, convened at the Administrative Office of the Courts, 1001 Vandalay Drive, Frankfort, Kentucky 40601, on Friday, October 24, 2025, at 10:00 a.m. All Board members, except Senator Jimmy Higdon were present. Representative Scott Brinkman participated via Microsoft Teams videoconferencing.

JFRS staff present included Bo Cracraft, Executive Director. Guests attending the meeting included Andy Means, John Craddock, and Derek Bonifer of Baird Trust Company, along with Janie Shaw, Kyrsti Kiesel, and Danny White of Gabriel, Roeder, Smith & Company (GRS).

Chairman Venters called the meeting to order at 10:03 a.m. The trustees considered the adoption of the previously distributed *Minutes* from the August 1, 2025 meeting. Upon motion by Representative Brad Montell, seconded by Judge Douglas George, the Board unanimously approved the *Minutes* of the August 1, 2025 meeting.

The first item for consideration was the election of chairs of the Board and Investment Committees. The trustees considered the election of Chairman of the Board of Trustees and the chairs of the Judicial and Legislative Investment Committees.

Upon a motion by Judge Douglas George, seconded by Chief Justice Laurance VanMeter, the Board unanimously elected Justice Daniel Venters as Chairman of the Board for the Judicial Form Retirement System.

Upon a motion by Judge Douglas George, seconded by Chief Justice Laurance VanMeter, the Investment Committee for the Judicial Retirement Fund unanimously elected Mr. Ben Allison as Chair of the Investment Committee of the Judicial Retirement Fund.

Upon a motion by Mr. Stephen LeLaurin, seconded by Mr. Ben Allison, the Investment Committee for the Legislators Retirement Fund unanimously elected Representative Brad Montell as Chair of the Investment Committee of the Legislative Retirement Fund.

Chairman Venters welcomed Derek Bonifer, John Craddock, and Andy Means of Baird Trust, who joined the meeting at 10:15 a.m. Mr. Cracraft had previously distributed copies of Baird's *Investment Review for Kentucky Judicial Retirement Fund and Kentucky Legislators*

Retirement Fund dated October 23, 2025. In accordance with Board policy, the System maintains a copy of the *Investment Review*.

Mr. Means began the review with a few comments regarding Baird's quarterly Market Commentary, titled "The Importance of Skepticism in Investing." By nature, investors are long-term optimists; however he warned against optimism that was not grounded in reason. Blind optimism is hope, not an investment strategy, which is why a healthy and steady dose of skepticism has always been a critical part of the Baird investment process. He highlighted how this idea of inquiry or testing of ideas helps the team stay grounded in discoverable and knowable facts and avoid the pitfalls of investing based on emotion or current narratives.

Mr. Means pointed to Artificial Intelligence (AI) as the most recent area of elevated optimism, noting how some investors are clamoring to participate with little regard for price or valuation. Baird does believe AI holds much promise long-term, but this belief must also be balanced with reason, facts, and price discipline.

Lastly, Mr. Means noted an overall rise in speculative activity, such as IPOs, meme stocks, and SPACs, but reminded the trustees that much of that activity falls outside the Baird Trust investment philosophy and process. Baird does not try to predict the future, or participate in speculative activity, but rather continues to invest as a long-term business owner, seeking to identify durable, high-quality businesses that are run by talented and proactive management teams.

Next, Mr. Bonifer highlighted a few recent market trends and economic statistics. He began with a historical review of government shutdowns and noted the current shutdown had extended longer than historically typical. He also pointed to recent employment data, which was a bit of a mixed bag. Investors had not seen a pickup in employment, which is a little concerning; however jobless claims and the unemployment rate had not climbed much either. Mr. Bonifer pointed to current operating margins, which have expanded, as one potential reason for the stability. Employers aren't hiring, but with current margins, they aren't laying off either, so we have found this little pocket of stability for now.

Mr. Means reviewed a snapshot of the equity portfolio and highlighted relative sector weightings, top performers and recent portfolio attribution. He pointed to information technology and the portfolio's underweight and noted it could look like the team was making a bet, but that wasn't the case. The portfolio owns Apple, Microsoft, and TE Connectivity in that sector, but also several technology related names, such as Google, Meta, and Amazon that are classified as discretionary or communication stocks. So, while not classified by S&P, each are all experienced and proven "utilizers" of technology, if not the underlying providers. He quickly discussed recent sector attribution, noting that the portfolios overweight to industrials had added value of the last five years, driven by the performance of Hanifan and GE Vernova. Lastly, he discussed top and bottom contributors and noted that only one of the magnificent seven stocks had made the portfolio's top five. While many viewed the markets as narrow and driven by a small group of stocks, Baird's performance demonstrated this did not have to be the case.

With regard to bottom contributors, Mr. Means drew attention to CarMax, while also acknowledging the team was taking a very hard look at this investment. The team initially

purchased during the pandemic, based on facts that the business was extremely well ran and well positioned in the market. The team saw a great business model with a talented management team, with a valuation that had been punished alongside most used car dealers during a stiff headwind. However, the stock has continued to be severely hit, and the team's patience is being tested. Baird still likes the business and management team, however the question now has become two-fold. First, has this industry changed since the pandemic and just not valuing the same things as prior. Second, is CarMax just not a good enough company for Baird to hold in the current portfolio. At the current number of holdings, the team wants each holding to have a meaningful weight so the team finds themselves at a point where they must decide to continue investing in CarMax or pivot and look to use that capital on existing holdings.

In response to a question from Judge George, regarding any other current holdings the team had concern with, Mr. Means stated the team did not have any other current concerns. He acknowledged that a few companies have not performed as well as the team would have liked, however when looking at the portfolio's bottom five contributors the last five years, only three stocks had a negative return and only Carmax materially detracted from the portfolio's net return.

In response to a question from Mr. Cracraft regarding Progressive, which has been a top performer for years, struggling during the recent quarter, Mr. Means pointed to the insurance industry and a bit of a headwind there. After a few years of strong pricing power, several insurance companies have seen valuations come down as folks expect a little bit of a soft landing. In response to a follow-up question regarding Amazon and its initial performance, Mr. Means pointed to the recent tariff announcements as the reason for the recent declines. That said, he highlighted how long the team had looked at Amazon and how strong the company was positioned. After not generating profit for years and a valuation too high, this recent price decline has given the team a chance to add to the portfolio and the team are happy to own it.

In response to a question from Justice VanMeter, regarding how the team determines if a company is becoming stagnant or obsolete, Mr. Means pointed to a need to always be aware of competitive threats and new technology. He referenced Gannett as a great example. Baird owned the company for long time, but saw the digital internet model emerge, which lead to real trouble for newspapers publishers. He noted that in hindsight, it looks like a clear-cut decision, but acknowledged it is not always so simple, especially in the midst of change. He pointed to AI as something that might be doing the same thing to some companies now, which is why the team spends so much time evaluating both current holdings and those competing with them.

In response to a question from Justice VanMeter, regarding why the portfolio didn't seem to be as impacted by tariffs as expected, Mr. Means stated that holding some of the "best" businesses and management teams was a primary driver. Some had pricing power, others supply chain flexibility, which allowed for them to weather some of those increases. Mr. Bonifer added that the portfolios underweight to IT and semiconductors, where there was a lot of concern with China and outsized tariffs, also served to help in this area.

Next, Mr. Craddock continued with a review of the fixed income portfolio. He began with a broad overview of markets, noting that yields had come down a bit, more notably on shorter-term bonds. Investors are still seeing attractive rates, but largely out around the 10-year

timeline. He reminded the trustees that the team tends to avoid taking on duration risk and wants to hold a safe, liquid portfolio to offset the equity allocation. He noted that the portfolio had been a little on the shorter side more recently, but given the current rate environment and opportunities, the team was more in line with the index currently. He reviewed schedule maturities over the next 18 months and stated the team would likely purchase their first 2036 maturity soon.

Mr. Bonifer continued the presentation with a review of recent performance and the portfolios' risk statistics. Mr. Bonifer also quickly highlighted the cash balance plans, which currently have a very similar risk and return profile. He reminded the trustees that all accounts held identical equity portfolios, while the two cash balance portfolios utilized a basket of ETFs to try and best mirror the fixed income allocations.

Chairman Venters recognized Mr. Cracraft, who reminded the Board that staff was in the process of adding investment compliance reporting to replace some reports that had previously been provided by Stan Kerrick, of Lexington Investment Partners. Staff have engaged State Street and the plan is to go live with reporting as of January 1, 2026.

The meeting recessed for lunch at 11:46 a.m. The meeting reconvened at 12:20 p.m. and Mr. Bonifer, Mr. Craddock, and Mr. Means departed at that time.

Chairman Venters recognized Janie Shaw, Kyrsti Kiesel, and Danny White from GRS, who were in attendance and on hand to present results of the July 2025 funding valuations for LRP and JRP. Mr. Cracraft previously distributed copies of GRS's presentation along with draft copies of LRP and JRP valuation reports.

Mrs. Shaw began with a quick summary of the valuation process and reminded the Board that funding valuations were conducted every other year and were based upon member data and plan assets as of June 30, 2025. In addition, she referenced new assumptions adopted by the Board in August had been incorporated into these results. Lastly, these reports serve to set the employer contribution requirements for the two-year budget that will be adopted by the General Assembly during the 2026 Regular session.

Next, Mrs. Shaw called attention to a few slides summarizing the results. First, concerning actuarial determined employer contributions (ADEC), she noted no contributions were required for either JRP or LRP. She pointed to recent investment performance and higher than expected returns as the overwhelming driver and she highlighted that for JRP alone, fund assets grew \$206 million more than expected. Secondly, as it related to funding levels, she noted that all four plans (JRP, LRP, insurance and pension) had reached a fully funded level, or had an actuarial value of assets that exceeded the accrued liability.

Mrs. Kiesel continued with a review of changes from the 2023 valuations and a breakdown of contributing factors. Beginning with JRP, she pointed out the total liability did increase across both the pension and insurance plans. On the pension side, this was almost all driven by higher-than-expected salaries, while on the insurance side, the liability grew more considerably due to significant increases in Medicare and non-Medicare premiums since 2023. Both plans saw a net increase in surplus asset, however there was a slight decline in funding ratio

on the insurance side. Moving to LRP, she noted the overall trend was similar to JRP, with the exception being the LRP liability on the pension side had actually declined slightly. This was largely driven by the fact that LRP has a much higher ratio of current Cash Balance members where risk is shared, and the liability grows much slower. But similar to JRP, while surplus assets did increase on the insurance side for LRP, the funding ratio did drop slightly.

In response to a question from Mr. Allison, regarding what type of negative returns or investment losses the plan might be able to account for, Mrs. Shaw stated that would be difficult to quantify exactly, but the plans could account for some losses. She pointed to the smoothing model and how gains and losses are not all recognized immediately and noted the JRP alone still had \$145 million in deferred returns that had not yet been recognized. So, using that example, if JRP were to lose \$145 million in the near term, it would effectively result in a net zero impact.

In response to a question from Justice VanMeter regarding the breakdown of assets between pension and health and while JRP and LRP are quite different, Mrs. Shaw pointed to salary as the primary factor. Salaries levels for legislators are much lower than that of judges, thus the total liability or expected amount paid out at retirement would be less. On the insurance side, the premiums are the same, so the cost of the plan really isn't impacted. JRP is larger and has more members, thus the liability is higher. Mrs. Kiesel also noted that LRP has a much larger number of cash balance members, where vesting is much longer and the total dollar payout is much lower than the legacy tier, which is based on a percentage of premium benefit.

Mrs. Kiesel closed out the presentation with a final review and summary of results. Most significantly, favorable investment returns have increased surplus assets and resulted in a total contribution requirement to zero for all funds. Liabilities did increase due to recent salary increments and increased health insurance premiums. Lastly, there was a slight increase in normal cost due assumption changes adopted in August.

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 informed the trustees of two PPOB meetings since the August JFRS Board meeting.

August 26, 2025 – Each state-administered retirement system provided a quarterly investment and cash flow update. A copy of JFRS' presentation was included in the Board materials.

September 2025 – The oversight board did not meet.

October 21, 2025 – The oversight board did meet, however none of the state-administered retirement system were on the agenda. PPOB staff conducted an annual investment review.

(B) 2026 Regular Session. Mr. Cracraft referenced the *2026 Regular Session – Budget Request and Legislative Discussion* memo from staff included in the Board materials.

He began by reviewing staff's proposed budget request, which consisted of just a restricted fund request for administrative expenses purposes. He reminded trustees that JFRS incorporates expected administrative expenses into the Actuarially Determined Employer Contribution (ADEC) calculation. As a result, staff must include a request for Restricted Funds as part of the budget request for authorization to spend during the upcoming fiscal years. Lastly, all administrative expenses out of the JRP and LRP Trust Funds on a prorated basis based upon membership totals in the most recent funding valuation.

Mr. Cracraft also reviewed the proposed restricted fund request, which is staff's estimated administrative expenses. He provided a comparison to prior fiscal years and as budgeted through the next two fiscal years. He noted that expenses had increased over the past couple of years largely due to salary increases, the agency's investment in technology, and rising prices felt over the most recent five-year period.

Following a discussion, Justice VanMeter made a motion on behalf of the Investment Committee for the Judicial Retirement Plan, which was seconded by Mr. Allison, to adopt staff's 2024-2026 proposed budget request for the Judicial Retirement Plan. Representative Brad Montell made a motion on behalf of the Investment Committee for the Legislators Retirement Plan, which was seconded by Mr. Stephen LeLaurin, to adopt staff's 2024-2026 proposed budget request for the Legislators Retirement Plan.

In addition to the budget, Mr. Cracraft discussed a few legislative topics, included vesting, annual interest credits, and potential health insurance benefit considerations for cash balance members in the future. Mr. Cracraft did not suggest any specific housekeeping legislation for the 2026 session.

(C) Fiscal Year 2024 Audit. Mr. Cracraft provided a brief verbal update of the audit, which he stated should be completed by early November. Thus far, he was unaware of any issues and was confident the report would be free of any material or significant findings. He advised the Trustees that staff would forward a copy via email as soon as the final report was received.

(D) Disability Retirement Review. Mr. Cracraft informed the trustees that Disability Case #2023-01 was due for periodic review. This case was initially approved during the October 2023 meeting, with benefit granted effective January 1, 2024.

In accordance with KRS 21.410(3), the Board "shall cause a member who has been retired for disability and who is still under his normal retirement age to undergo periodic examination by one (1) or more qualified physicians employed by the Board, to determine whether he continues to be incapacitated for service of the character required of a judge or commissioner." The Board approved a two-year review schedule, with the first review set for their January 23, 2026, quarterly meeting.

Staff had reached out to the member and informed them of the periodic review. Staff prepared and sent a letter to the Board's designated physician who assisted with the initial determination. The letter asked the physician to continue serving as the Board's Qualified Physician designation and provide the Board with a certified statement that confirms the member

under review remains physically or mentally disabled as to be incapacitated for service of the character required to perform the duties of a Judge.

On September 15, 2025 JFRS Staff received Certified Review of Disability from the Board's certified physician.

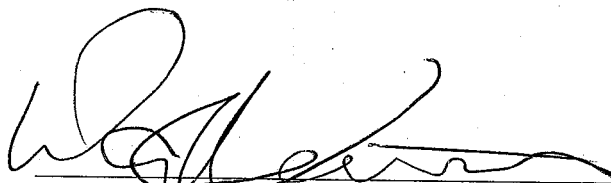
Following the short discussion, Justice VanMeter made a motion, seconded by Justice Venters, to approve the review of *Disability Retirement Benefits* Case #2023-01. In addition, the Board scheduled the next periodic review for no later than the January 2028 quarterly meeting.

(E) LOD Tax Determination Update. Mr. Cracraft referenced the *Line-of-Duty (LOD) Tax Determination Update* memo from staff included in the Board materials. He noted this was a follow up from the January meeting, when the Board discussed tax treatment on LOD benefits that were granted under the Fred Capps Memorial Act.

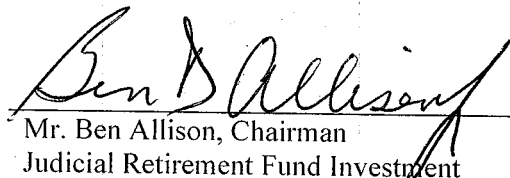
During the January meeting, the Board of Trustees authorized JFRS staff to begin the process of seeking a Private Letter Ruling from the Internal Revenue System (IRS). Staff, along with Mr. Alan Pauw, JFRS's third-party legal counsel, took some initial steps, which results in a conference call with the IRS. Based upon that meeting, Mr. Pauw has provided an update, he does believe there is necessary support to treat all LOD benefits as tax-exempt. Staff has provided his specific comments in their memo for review.

Following a discussion amongst the trustees, staff was instructed begin the process of providing corrected 2024 Form 1099-R forms to all surviving recipients of Judge Mullins. In addition, staff will stop all income tax withholding beginning with the November 2025 benefits and will provide notice to the recipients of this revised tax determination.

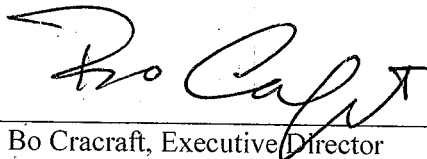
There being no further business, the meeting adjourned at 1:44 p.m.



Justice Daniel Venters, Chairman
Board of Trustees



Mr. Ben Allison, Chairman
Judicial Retirement Fund Investment
Committee



Bo Cracraft, Executive Director



Representative Brad Montell, Chairman
Legislators Retirement Fund Investment
Committee