

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

January 23, 2026

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 via videoconference utilizing Microsoft Teams on Friday, January 23, 2026, at 10:00 AM. All Board members participated except for Senator Jimmy Higdon.

JFRS staff present included Bo Cracraft, Executive Director. Guests attending the meeting included Derek Bonifer, John Watkins, Andy Means, and John Craddock of Baird Trust Company.

Chairman Venters called the meeting to order at 10:03 a.m.

The trustees considered the adoption of the previously distributed *Minutes* from the October 24, 2025 meeting. Upon motion by Mr. Stephen LeLaurin, seconded by Representative Scott Brinkman, the Board unanimously approved the *Minutes* of the October 24, 2025 meeting.

Chairman Venters welcomed Baird Trust Company, who had joined the virtual meeting. Mr. Cracraft had previously distributed copies of Baird's *Investment Review for Kentucky Judicial Retirement Fund and Kentucky Legislators Retirement Fund* dated January 23, 2026. In accordance with Board policy, the System maintains a copy of the Investment Review.

Mr. Andy Means began the quarterly review with a few comments regarding Baird's most recent quarterly Market Commentary, titled "The Art and Science of Investing." He highlighted a long-term debate as to whether success in current markets was driven more by science, or art, or potentially a combination of both. On one side, you have science, or quantitative analysis, that often looks backward, including the analysis of financial statements, trends, and how a business compares to other competitors in their industry. On the opposite side, you have the art of investing, which tends to be qualitative in nature, and more forward thinking. It includes cultivating an opinion on how a company might perform in the future, its position, and its leadership. Can the business withstand competitive threats or external shocks, such as a financial crisis or global pandemic? For the Baird team, they have found that leaning too far to one extreme often leads to poor outcomes, especially given how rapidly markets tend to change, so they believe a successful investment strategy needs both art and science. Science serves to ground the team in reality and identify companies who have proven to be successful, while art is a disciplined judgment about the company's future prospects and attempt to select investments that will be successful for years to come.

Mr. Bonifer reviewed several economic statistics and highlighted recent employment results and inflation metrics. First, with regards to the job market, he noted there had definitely been a slowdown in hirings, but that the unemployment rate was slightly below the 30-year average of 5.5%. Similarly, with wage growth, when compared to a long-term average, the current rate of growth was very much in line. So overall, they continued to watch but felt comfortable with the current job market. Regarding inflation, there has been quite a bit of discussion, especially with regards to the Federal Reserve and their long-term target of 2%. As of November, current levels were just under 3%, which is still a bit high compared to the Fed's target, however lower than average levels when you look back over 30 and 50 years. This has led to a little push and pull in the markets, as investors try to determine if current rates were really high or maybe closer to normal given current environment. Lastly, Mr. Bonifer pointed to a final slide, which summarized estimated tax refunds, and he referenced \$160 billion of additional refunds that were being estimated with the recently passed Big Beautiful Bill. This is additional funds that should be flowing back into the economy.

Next, Mr. Bonifer began to review current portfolio allocations, annual estimated income, and the current yield on the JRP/LRP legacy portfolios. Currently, the portfolios were just above their target of 70% equity. The team is focused on trying to stay closer to target than maybe they were 5-10 years ago, so if equities continue to climb, the team might look to rebalance in the near term. He noted that Baird was working with staff to review cash flow needs, but the desire was to reinvest upcoming proceeds back into the bond market, where there was some opportunity to grab higher rates and not be over-exposed to equities.

Next, Mr. Watkins reviewed a snapshot of the equity portfolio and highlighted relative sector weightings, top performers and recent portfolio attribution. He stated that not much had changed from the prior quarter with regards to the portfolio's sector allocations, so he wanted to focus his comments on more of a review of the 2025 year, which was a little more active for the large cap equity team than normal. Historically, turnover was around three percent, but in 2025, the portfolio saw twice that, which is still low compared to peers, but noteworthy for JFRS. He referenced some volatility in late February and early March, which they saw as an opportunity to take some new positions. They exited US Bancorp at that time and took new positions in Amazon and Danaher. As the year progressed, the team made fewer changes, but did trim GE Vernova twice, in June and October, and used those proceeds to add to those new positions as well as Wells Fargo.

Mr. Watkins also reviewed some recent sector and stock attribution. He noted the team does not focus on sector attribution given their bottom-up stock selection focus, but he did point out the portfolios two largest overweights (financials and industrials), where the team believes they have found really good businesses, were the top two performing sectors. Turning to the individual stock level, he highlighted Johnson & Johnson, which was a recent top contributor. It's a company that has struggled over the past couple of years, coming out of COVID, but the company has really changed over the past few years, divested some of their less substantial lines of business and this has started to bear some fruit and the team's patience has been rewarded. Lastly, he also pointed out CarMax, which was far and away the portfolio's worst performer for the trailing one-year period. He acknowledged what the team thought would happen has not and while the original thesis for buying the company still holds, the management team has struggled to execute in a post-pandemic world and has lost ground to some of their competitors. And the continued underperformance had the Baird team taking a hard look at the investment.

In response to a question from Mr. Cracraft regarding Alphabet and its current portfolio weighting, Mr. Means noted that Google was bumping up against the 8% holding threshold. The equity team, in coordination with the JFRS Board, has always tried to avoid just selling a stock based purely on a specific day's weighting, given market fluctuations can cause quick changes. The team has no real concerns about Alphabet, but if they do see it continue to climb and remain meaningfully above the threshold, they will trim back to a 8% level.

Next, Mr. Craddock began a discussion of fixed income markets and a review of the current portfolios, allocations, and upcoming maturities. He began with a quick review of the 2025 calendar year, which proved to be one of the stronger performing years for both JRP and LRP. Bond returns exceeded 7%, which investors had not seen since 2007 and the financial crisis. Next, he reviewed the current portfolio and noted that from a yield and coupon standpoint, the portfolio was slightly higher than the index, but with a very similar maturity and duration. He noted both portfolios have a slew of bonds maturing in 2026 and suggested the team might seek to reinvest those proceeds across the later part of the curve to grab attractive rates without needing to sacrifice quality.

In response to a question from Mr. Cracraft with regards to recent bond purchases both being bank bonds, Mr. Craddock noted that financial paper remained one of the team's favorite investments to find the mix of quality, liquidity, and yield. In addition, while they like the bonds, much of the recent activity was more allocation based. He noted the bond team likes to invest approximately 25% of the bond portfolio in the financial sector, so those two recent purchases were largely to address that target. Beyond financial, Mr. Craddock noted the team was considering some recent technology offerings, notably from Google, Amazon, and Microsoft, as well as a few offerings from Exxon and Chevron on the energy and utility side. Mr. Bonifer reviewed the current bond portfolio and highlighted the bonds maturing in the next 12 months. He noted that Baird was working with staff to determine what proceeds would need to be utilized for cash flow versus what would be reinvested.

Mr. Bonifer concluded the presentation with a review of recent performance and the portfolios' risk statistics. He 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 referenced a new Quarterly Compliance Report included in their materials. He informed the trustees that with the start of the new year, the agency's investment compliance testing had gone live. This was a project that staff began in August of 2025 in coordination with the agency's custodian, State Street. He reviewed the reporting, which included a short summary of each policy guideline review along with the underlying State Street reports used to complete testing. Lastly, he reviewed results from the most recent quarter and noted the portfolios were following all standard guidelines. The only warning was related to Alphabet's current weight of the equity portfolio, which was discussed earlier during Baird's quarterly report.

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 October JFRS Board meeting.

October 21, 2025. None of the three systems were on the agenda. PPOB staff provided an annual investment review.

November 2025. The oversight Board did not meet in November 2025.

December 12, 2025. This meeting was dedicated to Actuarial Valuation Results and pending legislative proposals. JFRS staff was not able to attend this meeting, however they did prepare a deck of slides and provided a cover letter that outlined recent funding valuation results. Staff included a copy of the short deck of slides in the meeting materials.

At the time of the meeting, staff had not been notified regarding a January meeting. Mr. Cracraft indicated that in the past, these meetings have largely been focused on legislative proposals, so he was not expecting JFRS to be on the agenda.

(B) 2026 General Session. Mr. Cracraft referenced the *2026 Regular Session – Legislative Update* staff memo included in their materials. He noted the 60-day 2026 budget session that will run until the middle of April. He reviewed a few retirement-related proposals, but as of the meeting date no legislation materially impacting either JFRS plan had been introduced.

(C) 2026-2027 Personal Service Contracts. Mr. Cracraft reviewed the following personal service contracts.

Investment Management. The June 16, 2022 Personal Service Contract with Baird Trust Company contained the option to extend the contract for three additional two-year periods. Mr. Cracraft noted the Board did authorize staff to execute the second 2-year extension during their January 2024 meeting and on May 9, 2024, a 2-year extension was agreed upon which is set to expire on June 30, 2026. One remaining extension, for up to two additional years, remained.

The investment counseling and management services for the assets of the two retirement plans were reviewed and discussed. Mr. Ben Allison made a motion on behalf of the Investment Committee for the Judicial Retirement Fund, which was seconded by Mr. Stephen LeLaurin; Representative Brad Montell made a motion on behalf of the Investment Committee for the Legislative Retirement Fund, which was seconded by Representative Scott Brinkman to extend an offer to Baird Trust Company for management and counsel services for Judicial Form Retirement System's plan assets for the period of July 1, 2026 through June 30, 2028 under the same terms and conditions. The motion passed unanimously.

Actuarial Consulting. The current May 9, 2024 Personal Service Contract with GRS & Co. was set to expire on June 30, 2026. The original contract contained the option to extend the contract for three additional two-year periods.

Actuarial services for two retirement plans were reviewed and discussed. Mr. Stephen LeLaurin made a motion on behalf of the Investment Committee for the Judicial Retirement Fund, which was seconded by Mr. Ben Allison; Representative Scott Brinkman made a motion on behalf of the Investment Committee for the Legislative Retirement Fund, which was seconded by Representative Brad Montell to extend an offer to GRS a 2-year extension of the May 9, 2024 actuarial services contract for the period of July 1, 2026 through June 30, 2028 under the terms and conditions as outlined in the May 9, 2024 contract. Both Committees unanimously adopted.

Audit Services. The August 9, 2022 Personal Service Contract with Blue & Co , which expired in June 2024 provided for one additional two-year extension, which was executed in June of 2024. No further extension remain.

Mr. Cracraft indicated the JFRS audit for FY2026 was tentatively scheduled to be completed by the Auditor of Public Accounts (APA). He noted that the APA is required by statute to conduct the audit once every five years, with the most recent audit conducted in FY2021. Given JFRS does not produce financial statements, in the past, the agency had contracted separately with their current third-party auditors to produce financial statements and consulting on APA audits. Based upon a discussion with Blue & Co, the agency's current auditors, Mr. Cracraft was confident that staff could follow a similar plan.

Another route that staff could utilize is a formal RFP, which would include producing financial statements in the current year and financial audits in FY2027 and FY2028. Mr. Cracraft reminded the Board that the agency's most recent RFP, issued in 2022 did not produce much interest, but he did acknowledge it had been four years and governmental audit fees had grown pretty substantially, so there may be more competition.

After a short discussion, Justice Daniel Venters made a motion, seconded by Representative Brad Montell, for staff to consider issuing an RFP for JFRS audit services in accordance with the Commonwealth's Model Procurement Code. The motion passed unanimously.

Custodian. State Street remains the custodian of the Funds. The Commonwealth of Kentucky issued an RFP in 2025 and awarded State Street a new contract, which included services to JFRS as a named agency of the Commonwealth.

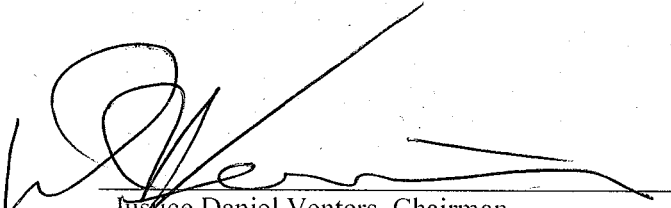
Following discussion, it was the consensus of the trustees that JFRS continue to participate in the Commonwealth's custodian contract with State Street.

(C) FY 2025 Financial Audit Reports (Blue & Co.). Mr. Cracraft informed the Board that copies of the 2025 Audit Reports were included in the Board materials. He reminded the Board that upon receipt in November 2025, the reports were emailed to each trustee.

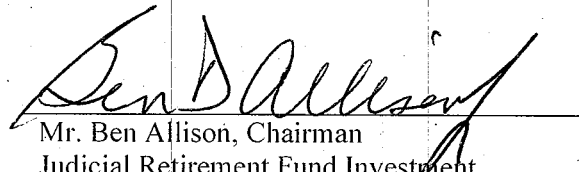
(D) Financial Disclosure Statements. Mr. Cracraft requested that each trustee complete a Financial Disclosure Report for calendar year 2025 on or before March 31, 2026 in order to

comply with the annual mandated disclosure requirement. A copy of the disclosure was included in the material. He noted hard copies were available to those members in attendance.


There being no further business, the meeting adjourned at 11:29 a.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