

# **KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

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## Report of Independent Auditors

To the Board of Trustees  
Kentucky Judicial Form Retirement System  
Frankfort, Kentucky

### Report on the Audit of Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Kentucky Judicial Form Retirement System (KJFRS), a component unit of the Commonwealth of Kentucky, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which comprise KJFRS's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects the fiduciary net position of KJFRS, as of June 30, 2023 and 2022, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of KJFRS and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KJFRS's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of KJFRS's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about KJFRS's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 7, and the defined benefit pension plan and other postemployment benefit plan supplemental schedules on pages 36 through 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2023, on our consideration of KJFRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of KJFRS's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KJFRS's internal control over financial reporting and compliance.

*Blue & Co., LLC*

Lexington, Kentucky

November 14, 2023

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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The management of the Kentucky Judicial Form Retirement System (the System), a component unit of the Commonwealth of Kentucky, offers the readers of the System's financial statements this narrative overview and analysis of the financial performance of the System for the fiscal years ended June 30, 2023 and 2022. The two retirement plans within the System are the Kentucky Judicial Retirement Plan and the Kentucky Legislators Retirement Plan (collectively, the Plans). We encourage readers to read it in conjunction with the System's financial statements and the accompanying notes.

### USING THIS FINANCIAL REPORT

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect a plan's ongoing plan perspective. The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position (on pages 8 through 11) provide information about the activities of the Plans as a whole. The Kentucky Judicial Retirement Plan is the fiduciary of funds held in trust for its members, and the Kentucky Legislators Retirement Plan is the fiduciary of funds held in trust for its members.

The Schedules of Changes in Net Pension Liability and Related Ratios (on pages 36 through 37) include information about the actuarially funded status of each defined benefit pension plan, including the sources of changes in the net pension or Net Other Post-Employment Benefit (OPEB) liability and the components of the net pension and OPEB liability and related ratios. The Schedules of Contributions – Retirement (on pages 40 through 41) include information about the actuarially determined contributions, contributions to each defined benefit pension plan and related ratios. The Schedules of Investment Returns – Retirement (on page 44) include information on the rate of return on defined benefit pension plan investments.

The Schedules of Changes in OPEB Liability and Related Ratios (on pages 38 through 39) include information about the actuarially funded status of each defined benefit OPEB plan, including the sources of changes in the net OPEB liability and the components of the net OPEB liability and related ratios. The Schedules of Contributions – OPEB (on pages 42 through 43) include information about the actuarially determined contributions, contributions to each defined benefit OPEB plan and related ratios. The Schedules of Investment Returns – OPEB (on page 45) include information on the rate of return on OPEB plan investments.

### Medical Insurance

For purposes of disclosures required by Governmental Accounting Standards Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, assets have been allocated between pension and retiree medical liabilities on the basis of accrued liability as of July 1, 2007. This amount has then been brought forward from that date based on actual cash flows and a prorated allocation of investment return.

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

### FINANCIAL HIGHLIGHTS

#### Judicial Retirement Plan

In the fiscal years ended June 30, 2023 and 2022, the Judicial Retirement Plan experienced:

- An increase in fiduciary net position of \$52.5 million, from \$510.2 million to \$562.7 million in 2023 and a decrease of \$72.2 million, from \$582.4 million to \$510.2 million in 2022. The changes each year is primarily due to earnings and losses on investments.
- A decrease of \$2.1 million and an increase of \$534,000 in employer contributions during fiscal years 2023 and 2022, respectively. The changes each year is directly related to the amount appropriated by the Commonwealth of Kentucky.
- An increase in net investment income of \$129.4 million from -\$54.6 million in fiscal year 2022, to \$74.8 million in fiscal year 2023. A \$213.8 million decrease in net investment income from \$159.2 million in fiscal year 2021, to -\$54.6 million in fiscal year 2022. The change each year is due primarily to the amount of appreciation or depreciation of investments held.
- An increase of \$1.7 million and a decrease of \$625,000 in benefit payments during fiscal years 2023 and 2022, respectively, with aggregate benefit payments of \$26.7 million and \$25.0 million in fiscal years 2023 and 2022, respectively.

	June 30,				
	2023	% Increase (Decrease)	2022	% Increase (Decrease)	2021
<u>Summary of Fiduciary Net Position</u>					
Cash and investments	\$561,136,685	10.36%	\$508,455,898	-12.43%	\$580,597,461
Receivables	1,557,821	-9.24%	1,716,400	-4.45%	1,796,353
Fiduciary net position	<u>\$562,694,506</u>	10.29%	<u>\$510,172,298</u>	-12.40%	<u>\$582,393,814</u>
	2023	% Increase (Decrease)	2022	% Increase (Decrease)	2021
<u>Summary of Changes in Fiduciary Net Position</u>					
Additions:					
Employer contributions	\$ 4,981,800	-29.86%	\$ 7,102,200	8.14%	\$ 6,567,812
Member contributions	2,086,957	-16.73%	2,506,274	17.68%	2,129,688
Net investment income	74,766,993	236.95%	(54,595,422)	-134.29%	159,210,160
Appropriations for					
administrative expense	0	-100.00%	45,300	-92.19%	579,688
Litigation proceeds	-0-	-100.00%	3,090	105.73%	1,502
Total additions	<u>81,835,750</u>	282.11%	<u>(44,938,558)</u>	-126.67%	<u>168,488,850</u>
Deductions:					
Benefit payments	26,672,093	6.73%	24,990,167	2.57%	24,365,151
Insurance premiums	2,154,350	13.40%	1,899,846	3.00%	1,844,591
Administrative expenses	372,418	-5.22%	392,945	9.79%	357,904
Refund of member contributions	114,681	0.00%	-0-	-100.00%	5,352
Total deductions	<u>29,313,542</u>	7.44%	<u>27,282,958</u>	2.67%	<u>26,572,998</u>
Change in fiduciary net position	<u>\$ 52,522,208</u>	172.72%	<u>\$ (72,221,516)</u>	-150.89%	<u>\$141,915,852</u>

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

### Legislators Retirement Plan

In the fiscal years ended June 30, 2023 and 2022, the Legislators Retirement Plan experienced:

- An increase in fiduciary net position of \$15.1 million, from \$147.9 million in 2022 to \$163.0 million during fiscal year 2023 and a decrease in fiduciary net position of \$21.1 million, from \$169.0 million to \$147.9 million during fiscal year 2022. The changes each year is primarily due to earnings and losses on investments.
- An increase in net investment income of \$36.5 million, from -\$15.0 million in 2022 to \$21.5 million during fiscal year 2023, and a decrease in net investment income of \$61.0 million, from \$46.0 million in 2021 to -\$15.0 million during fiscal year 2022. The change each year is due primarily to the amount of appreciation or depreciation of investments held.
- An increase of \$203,000 and \$87,000 in benefit payments during fiscal years 2023 and 2022, respectively. Benefit payments approximate \$5.4 million and \$5.2 million during fiscal years 2023 and 2022, respectively.

	June 30,				
	2023	% Increase (Decrease)	2022	% Increase (Decrease)	2021
<u>Summary of Fiduciary Net Position</u>					
Cash and investments	\$ 162,531,666	10.26%	\$ 147,405,555	-12.52%	\$ 168,499,097
Receivables	471,380	-2.27%	482,329	-2.14%	492,870
Fiduciary net position	\$ 163,003,046	10.22%	\$ 147,887,884	-12.49%	\$ 168,991,967
	2023	% Increase (Decrease)	2022	% Increase (Decrease)	2021
<u>Summary of Changes in Fiduciary Net Position</u>					
Additions:					
Employer contributions	\$ -0-	0.00%	\$ -0-	0.00%	\$ -0-
Member contributions	218,995	-17.60%	265,777	-12.57%	303,989
Net investment income	21,533,861	243.56%	(15,000,014)	-132.63%	45,973,559
Litigation proceeds	-0-	-100.00%	977	161.23%	374
Total additions (losses)	21,752,856	247.64%	(14,733,260)	-131.84%	46,277,922
Deductions:					
Benefit payments	5,408,121	3.91%	5,204,703	1.71%	5,117,304
Insurance premiums	947,095	6.80%	886,786	6.20%	834,997
Administrative expenses	247,933	-0.27%	248,598	10.07%	225,851
Refund of member contributions	34,545	12.39%	30,736	164.17%	11,635
Total deductions	6,637,694	4.19%	6,370,823	2.92%	6,189,787
Change in fiduciary net position	\$ 15,115,162	171.62%	\$ (21,104,083)	-152.64%	\$ 40,088,135



# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2023 AND 2022

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### DISCUSSION OF CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Accounting standards require that the Statement of Fiduciary Net Position state asset value at fair value and include only benefits and refunds due to plan members and beneficiaries and accrued investment and administrative expenses as of the reporting date. Information regarding the actuarial funding status of the defined benefit pension plans and the medical insurance plans is provided in the Schedules of Changes in Net Pension Liability and Related Ratios, the Schedules of Changes in Net OPEB Liability and Related Ratios, respectively.

Annual contributions of the Commonwealth are set by the Kentucky Revised Statutes. During the years ended June 30, 2015 through June 30, 2023, the General Assembly appropriated the statutorily-required annual contributions to both the Judicial Plan and the Legislators Plan. The Schedules of Contributions – Retirement Plan and Schedules of Contributions – OPEB (on pages 40 through 43) indicate the contributions that have been made while the statutes were suspended. During the years ended June 30, 2023 and 2022, the General Assembly appropriated the statutorily required annual contributions for the Judicial Plan only. The General Assembly suspended state statutes so that contributions could be reduced for the Legislators Plan. There were no contributions appropriated to the Legislative Plan in fiscal year 2023 or 2022.

### CONTACTING THE SYSTEM

This financial report is designed to provide a general overview of the System's finances. If you have any questions concerning the information provided, contact the Kentucky Judicial Form Retirement System at 305 Ann Street, Suite 302, Frankfort, KY 40601.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2023

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
Cash and cash equivalents	\$ 3,906,590	\$ 1,234,419	\$ 5,141,009	\$ 749,995	\$ 589,525	\$ 1,339,520	\$ 6,480,529
Receivables:							
Accrued interest receivable	1,034,026	326,736	1,360,762	233,553	183,582	417,135	1,777,897
Dividend receivable	149,743	47,316	197,059	30,372	23,873	54,245	251,304
Total receivables	<u>1,183,769</u>	<u>374,052</u>	<u>1,557,821</u>	<u>263,925</u>	<u>207,455</u>	<u>471,380</u>	<u>2,029,201</u>
Investments at fair value:							
Investments held by State Treasury	678,244	214,314	892,558	469,073	368,709	837,782	1,730,340
Governmental securities	5,806,234	1,834,676	7,640,910	1,200,245	943,438	2,143,683	9,784,593
Mutual funds	2,167,886	685,017	2,852,903	398,750	313,432	712,182	3,565,085
Corporate notes	104,050,347	32,878,231	136,928,578	21,948,365	17,252,248	39,200,613	176,129,191
Common stocks	<u>309,855,087</u>	<u>97,825,640</u>	<u>407,680,727</u>	<u>66,237,448</u>	<u>52,060,438</u>	<u>118,297,886</u>	<u>525,978,613</u>
Total investments	<u>422,557,798</u>	<u>133,437,878</u>	<u>555,995,676</u>	<u>90,253,881</u>	<u>70,938,265</u>	<u>161,192,146</u>	<u>717,187,822</u>
Fiduciary net position - restricted for pension and other post- employment benefits	<u>\$427,648,157</u>	<u>\$135,046,349</u>	<u>\$562,694,506</u>	<u>\$ 91,267,801</u>	<u>\$ 71,735,245</u>	<u>\$163,003,046</u>	<u>\$ 725,697,552</u>

See accompanying notes to financial statements.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### STATEMENT OF FIDUCIARY NET POSITION JUNE 30, 2022

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance	Total	
Cash and cash equivalents	\$ 3,693,067	\$ 1,127,461	\$ 4,820,528	\$ 2,847,980	\$ 2,130,866	\$ 4,978,846	\$ 9,799,374
Receivables:							
Accrued interest receivable	1,164,737	355,585	1,520,322	244,700	183,085	427,785	1,948,107
Dividend receivable	150,218	45,860	196,078	31,200	23,344	54,544	250,622
Total receivables	<u>1,314,955</u>	<u>401,445</u>	<u>1,716,400</u>	<u>275,900</u>	<u>206,429</u>	<u>482,329</u>	<u>2,198,729</u>
Investments at fair value:							
Investments held by State Treasury	458,890	140,095	598,985	377,026	282,092	659,118	1,258,103
Governmental securities	5,322,252	1,624,838	6,947,090	1,280,062	957,746	2,237,808	9,184,898
Mutual funds	1,699,956	518,982	2,218,938	312,897	234,111	547,008	2,765,946
Corporate notes	109,457,209	33,416,346	142,873,555	22,824,618	17,077,437	39,902,055	182,775,610
Common stocks	<u>268,943,313</u>	<u>82,053,489</u>	<u>350,996,802</u>	<u>56,685,859</u>	<u>42,394,861</u>	<u>99,080,720</u>	<u>450,077,522</u>
Total investments	<u>385,881,620</u>	<u>117,753,750</u>	<u>503,635,370</u>	<u>81,480,462</u>	<u>60,946,247</u>	<u>142,426,709</u>	<u>646,062,079</u>
Fiduciary net position - restricted for pension and other post- employment benefits	<u>\$390,889,642</u>	<u>\$119,282,656</u>	<u>\$510,172,298</u>	<u>\$ 84,604,342</u>	<u>\$ 63,283,542</u>	<u>\$147,887,884</u>	<u>\$ 658,060,182</u>

See accompanying notes to financial statements.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED JUNE 30, 2023

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance Plan	Total	
<b>Additions</b>							
Contributions:							
Employer	\$ 4,981,800	\$ -0-	\$ 4,981,800	\$ -0-	\$ -0-	\$ -0-	\$ 4,981,800
Member	2,008,426	78,531	2,086,957	195,405	23,590	218,995	2,305,952
Total contributions	6,990,226	78,531	7,068,757	195,405	23,590	218,995	7,287,752
Investments:							
Net depreciation (realized and unrealized)	48,829,860	15,402,703	64,232,563	10,349,350	8,146,220	18,495,570	82,728,133
Interest	3,999,562	1,261,606	5,261,168	870,213	684,962	1,555,175	6,816,343
Dividends	4,326,153	1,364,625	5,690,778	896,454	705,620	1,602,074	7,292,852
Total investment income	57,155,575	18,028,934	75,184,509	12,116,017	9,536,802	21,652,819	96,837,328
Less investment expenses	317,398	100,118	417,516	66,564	52,394	118,958	536,474
Net investment income	56,838,177	17,928,816	74,766,993	12,049,453	9,484,408	21,533,861	96,300,854
Total additions	63,828,403	18,007,347	81,835,750	12,244,858	9,507,998	21,752,856	103,588,606
<b>Deductions</b>							
Benefit payments	26,672,093	-0-	26,672,093	5,408,121	-0-	5,408,121	32,080,214
Insurance premiums	-0-	2,154,350	2,154,350	-0-	947,095	947,095	3,101,445
Administrative expense	283,114	89,304	372,418	138,733	109,200	247,933	620,351
Refund of member contributions	114,681	-0-	114,681	34,545	-0-	34,545	149,226
Total deductions	27,069,888	2,243,654	29,313,542	5,581,399	1,056,295	6,637,694	35,951,236
Change in plan net position	36,758,515	15,763,693	52,522,208	6,663,459	8,451,703	15,115,162	67,637,370
Fiduciary net position - restricted, beginning of year	390,889,642	119,282,656	510,172,298	84,604,342	63,283,542	147,887,884	658,060,182
Fiduciary net position - restricted, end of year	\$ 427,648,157	\$ 135,046,349	\$ 562,694,506	\$ 91,267,801	\$ 71,735,245	\$ 163,003,046	\$ 725,697,552

See accompanying notes to financial statements.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION YEAR ENDED JUNE 30, 2022

	Kentucky Judicial Retirement Plan			Kentucky Legislators Retirement Plan			System Total
	Pension	Medical Insurance	Total	Pension	Medical Insurance Plan	Total	
<b>Additions</b>							
Contributions:							
Employer	\$ 7,018,102	\$ 84,098	\$ 7,102,200	\$ -0-	\$ -0-	\$ -0-	\$ 7,102,200
Member	2,442,624	63,650	2,506,274	241,837	23,940	265,777	2,772,051
Total contributions	<u>9,460,726</u>	<u>147,748</u>	<u>9,608,474</u>	<u>241,837</u>	<u>23,940</u>	<u>265,777</u>	<u>9,874,251</u>
Appropriations for administrative expense	34,654	10,646	45,300	-0-	-0-	-0-	45,300
Litigation proceeds	2,364	726	3,090	560	417	977	4,067
Investments:							
Net appreciation (realized and unrealized)	(49,520,585)	(15,212,975)	(64,733,560)	(10,207,241)	(7,600,762)	(17,808,003)	(82,541,563)
Interest	3,767,621	1,157,433	4,925,054	750,703	559,006	1,309,709	6,234,763
Dividends	4,336,846	1,332,301	5,669,147	932,943	694,710	1,627,653	7,296,800
Total investment income	<u>(41,416,118)</u>	<u>(12,723,241)</u>	<u>(54,139,359)</u>	<u>(8,523,595)</u>	<u>(6,347,046)</u>	<u>(14,870,641)</u>	<u>(69,010,000)</u>
Less investment expenses	<u>348,884</u>	<u>107,179</u>	<u>456,063</u>	<u>74,154</u>	<u>55,219</u>	<u>129,373</u>	<u>585,436</u>
Net investment loss	<u>(41,765,002)</u>	<u>(12,830,420)</u>	<u>(54,595,422)</u>	<u>(8,597,749)</u>	<u>(6,402,265)</u>	<u>(15,000,014)</u>	<u>(69,595,436)</u>
Total additions	<u>(32,267,258)</u>	<u>(12,671,300)</u>	<u>(44,938,558)</u>	<u>(8,355,352)</u>	<u>(6,377,908)</u>	<u>(14,733,260)</u>	<u>(59,671,818)</u>
<b>Deductions</b>							
Benefit payments	24,990,167	-0-	24,990,167	5,204,703	-0-	5,204,703	30,194,870
Insurance premiums	-0-	1,899,846	1,899,846	-0-	886,786	886,786	2,786,632
Administrative expense	300,599	92,346	392,945	142,492	106,106	248,598	641,543
Refund of member contributions	-0-	-0-	-0-	17,617	13,119	30,736	30,736
Total deductions	<u>25,290,766</u>	<u>1,992,192</u>	<u>27,282,958</u>	<u>5,364,812</u>	<u>1,006,011</u>	<u>6,370,823</u>	<u>33,653,781</u>
Change in plan net position	<u>(57,558,024)</u>	<u>(14,663,492)</u>	<u>(72,221,516)</u>	<u>(13,720,164)</u>	<u>(7,383,919)</u>	<u>(21,104,083)</u>	<u>(93,325,599)</u>
Fiduciary net position - restricted, beginning of year	448,447,666	133,946,148	582,393,814	98,324,506	70,667,461	168,991,967	751,385,781
Fiduciary net position - restricted, end of year	<u>\$ 390,889,642</u>	<u>\$ 119,282,656</u>	<u>\$ 510,172,298</u>	<u>\$ 84,604,342</u>	<u>\$ 63,283,542</u>	<u>\$ 147,887,884</u>	<u>\$ 658,060,182</u>

See accompanying notes to financial statements.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Financial Reporting Entity

Under the provisions of the Kentucky Revised Statutes, the Kentucky Judicial Retirement Plan (the Judicial Plan) and the Kentucky Legislators Retirement Plan (the Legislators Plan) (collectively, the Plans) have the same Board of Trustees and are coordinated administratively by the Board of Trustees, as the Kentucky Judicial Form Retirement System (the System). The Board of Trustees of the System consists of eight members, three of whom are appointed by the Supreme Court, two by the Governor, one by the President of the Kentucky Senate, one by the Speaker of the Kentucky House of Representatives, and one by the President and Speaker jointly. Although the Plans share a common Board of Trustees, each Plan maintains its own investments and pays benefits to its members only from its own assets. Each Plan has a defined benefit and hybrid cash balance component which provide both pension and medical benefits to members (Note 2).

The System is a component unit of the Commonwealth of Kentucky (Commonwealth). The Plan fiduciary net position and the changes in Plan fiduciary net position are included in the Commonwealth's Annual Comprehensive Financial Report (ACFR) as a pension trust fund in the fiduciary funds financial statement. Financial statements of the Commonwealth and its component units that form the Commonwealth reporting entity have been issued separately and are audited by the elected Auditor of Public Accounts.

#### Basis of Accounting

The financial statements are prepared on the accrual basis of accounting. The System follows accounting standards established by the Governmental Accounting Standards Board (GASB).

#### Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### Cash and Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

#### Member Contributions

Member contributions to the Plans are recognized when due and the employer has made a formal commitment to provide the contributions.

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### Benefit Payments and Refunds

Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plans.

### Valuation of Investments

Plan investments are reported at fair value. Fair value is the amount that the Plans can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller.

### Net Pension and OPEB Liabilities

The System obtains actuarial valuation reports to estimate the net pension and other post-employment benefits ("OPEB") liabilities on a bi-annual basis. The most recent actuarial valuation had a measurement date of July 1, 2022.

## 2. PLAN DESCRIPTION AND CONTRIBUTION INFORMATION

### Kentucky Judicial Retirement Plan

#### Membership

Total membership in the Kentucky Judicial Retirement Plan (Judicial Plan) consisted of the following at June 30, 2023 and 2022:

	2023		2022	
	Defined Benefit	Cash Balance	Defined Benefit	Cash Balance
Retirees and beneficiaries receiving benefits	404	1	366	0
Terminated plan members - vested	8	4	9	0
Active plan members	131	70	178	57
Total	<u>543</u>	<u>75</u>	<u>553</u>	<u>57</u>
Number of participating employers	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

#### Plan Description – Defined Benefit Plan

The Judicial Plan contains a single-employer defined benefit plan that provides retirement benefits and medical insurance premium supplements, and covers the District, Circuit, Court of Appeals, and Supreme Court judges.

The Judicial Defined Benefit Plan (Judicial DB Plan) provides retirement, disability, and death benefits in accordance with statutory formulas to plan members and their beneficiaries. Prior to June 30, 2009, cost-of-living adjustments (COLA), keyed to the Consumer Price Index, were provided on July 1

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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of each year. Commencing in 2009, the COLA on July 1 of each year is 1.50%. The COLA created in 2009 was suspended by legislative action in 2012, and no COLA's have since been granted. By legislative action in 2013, the statute was amended to provide that each July 1, a recipient of a monthly pension benefit from the Judicial DB Plan shall receive a 1.50% cost-of-living adjustment (pro-rated for the first year, if the recipient has been retired for less than one year) if:

- 1) The funding level of the Judicial DB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
- 2) The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

Supplemental increases to the 1.50% cost-of-living adjustment will require prefunding, appropriation and legislative action by the Kentucky General Assembly.

Additionally, legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the current 60-month average earnings of the position held by the member at the time of retirement, subject to a 4.0% COLA annually.

As an additional retirement benefit, the Judicial DB Plan will pay a percentage, based on years of service, of the members' hospital and medical insurance coverage for the retirees and their qualified dependents.

Vesting is achieved when the member has eight years of state governmental service credit. Former members who are not vested are entitled to a refund of their accumulated contributions.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

As of January 1, 2014, participation in the Judicial DB Plan is closed to new members. All new members of the Judicial Plan participate in the Judicial Hybrid Cash Balance Plan (Judicial HCB Plan). However, membership in the Judicial DB Plan is reactivated if a former participant of the Judicial DB Plan becomes eligible again to participate in the Judicial Plan.

### Plan Description – Hybrid Cash Balance Plan

The Judicial HCB Plan provides retirement benefits to a vested member electing to participate in the Judicial Plan after January 1, 2014, and to their beneficiaries, based on the member's accumulated cash balance account. The cash balance account consists of the member's personal contributions, the employer's current pay credit of 4.00% and applicable interest. The retiree has certain distribution options, including lifetime annuity, lump sum and optional survivor benefit payments.

Vesting is achieved either (a) at age 65 with accumulation of five years of active service credit in the Judicial HC Plan and any other state-supported retirement system of the Commonwealth; or (b) at least age 57 and the member's accumulated active service credit in the Judicial HC Plan and other state-supported retirement system of the Commonwealth plus his/her age is at least 87.

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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A non-vested member (one with less than five years of service) is entitled to a refund of his/her personal contributions, but forfeits the employer credit. A refund of the cash balance account for a member with five or more years of service includes his/her personal contributions, the employer credit, and applicable interest.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

Any cost-of-living adjustment (pro-rated for the first year if the recipient has been retired for less than one year) will be granted providing the following statutory requirements occur:

- 1) The funding level of the Judicial HCB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
- 2) The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

As an additional retirement benefit, a recipient of a hybrid cash balance retirement allowance with at least 15 years of State service is eligible for a monthly health insurance benefit. The health insurance benefit is \$10.00 for each year of plan service adjusted for inflation (1.5% per year). The minimum service requirement is waived for a member who is disabled in the line of duty, or for the qualified survivor of a member who is killed in the line of duty.

### Contributions – Defined Benefit Plan

Members entering membership on or after September 1, 2008 contribute 6% of their official salary, as defined. Members who first participated on or after July 1, 1978 and prior to September 1, 2008 contribute at a rate of 5% of their official salary. Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, then employee contributions shall cease. For the years ending June 30, 2023 and 2022, the Commonwealth made a normal contribution at the actuarially-determined rate calculated by utilizing the entry age normal method of funding, and a past service contribution equal to 1% of the unfunded past service liability and contributed interest on the unfunded past service liabilities at the actuarially-assumed interest rate of 6.5%, in an amount equal to 100% of the amount required by Kentucky Revised Statutes (KRS) 21.515.

Additionally, the Commonwealth made an appropriation to cover administrative expenses of the Judicial DB Plan. Members may transfer qualified member and Commonwealth contributions into the Judicial DB Plan from other state funded retirement plans.

### Contributions – Hybrid Cash Balance Plan

Members electing to participate in the Judicial HCB Plan contribute an amount equal to 6% of official salary. Of this, 1% is to be used to fund retiree health benefits and is not refundable. For each pay period that a personal contribution is made, the Commonwealth will apply an employer credit of 4% of official salary to the member's account. On June 30 of each year, interest, in accordance with KRS 21.402, will be credited to the account. As of June 30, 2023 and 2022, approximately \$4.1 million and \$3.2 million, respectively, of the fiduciary net position of the System relates to the Judicial HCB Plan.

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### **Kentucky Legislators Retirement Plan**

#### Membership

Total membership in the Kentucky Legislators Retirement Plan (Legislators Plan) consisted of the following at June 30, 2023 and 2022:

	2023		2022	
	Defined Benefit	Cash Balance	Defined Benefit	Cash Balance
Retirees and beneficiaries receiving benefits	259	0	248	0
Terminated plan members - vested	33	12	37	0
Active plan members	26	70	43	61
Total	318	82	328	61
Number of participating employers	1	1	1	1

#### Plan Description – Defined Benefit Plan

The Legislators Defined Benefit Plan (Legislators DB Plan) is a single-employer defined benefit plan that provides retirement benefits and medical insurance premium supplements, and covers the members of the Kentucky Legislature.

The Legislators DB Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Prior to June 30, 2009, cost-of-living adjustments (COLA), keyed to the Consumer Price Index, were provided on July 1 of each year. Commencing in 2009, the COLA on July 1 of each year is 1.50%. The COLA created in 2009 was suspended by legislative action in 2012, and no COLA's have since been granted. By legislative action in 2013, the statute was amended to provide that each July 1, a recipient of a monthly pension benefit from the Legislators DB Plan shall receive a 1.50% cost-of-living adjustment (pro-rated for the first year, if the recipient has been retired for less than one year) if:

- 1) The funding level of the Legislators DB Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
- 2) The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

Supplemental increases to the 1.50% cost-of-living adjustment will require prefunding, appropriation and legislative action by the Kentucky General Assembly.

Additionally, legislation provides that a pension benefit shall be increased, if necessary, so that it equals an amount calculated by using a 1.5125% benefit rate and the current 60-month average earnings of the position held by the member at the time of retirement, subject to a 4.0% COLA annually.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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As an additional retirement benefit, the Legislators DB Plan will pay a percentage, based on years of service, of the members' hospital and medical insurance coverage for the retirees and their qualified dependents.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

As of January 1, 2014, participation in the Legislators DB Plan is closed to new members. All new members of the Legislator Plan participate in the Legislators Hybrid Cash Balance Plan (Legislators HCB Plan). However, membership in the Legislators DB Plan is reactivated if a former participant of the Legislators DB Plan becomes eligible again to participate in the Legislators Plan.

### Plan Description – Hybrid Cash Balance Plan

The Legislators HCB Plan provides retirement benefits to a vested member electing to participate in the Legislators Plan after January 1, 2014, and to their beneficiaries, based on the member's accumulated cash balance account. The cash balance account consists of the member's personal contributions, the employer's current pay credit of 4.00% and applicable interest. The retiree has certain distribution options, including lifetime annuity, lump sum and optional survivor benefit payments. Vesting is achieved either (a) at age 65 with accumulation of five years of active service credit in the Legislators HCB Plan and any other state-supported retirement system of the Commonwealth; or (b) at least age 57 and the member's accumulated active service credit in the Legislators HC Plan and other state-supported retirement system of the Commonwealth plus his/her age is at least 87.

A non-vested member (one with less than five years of service) is entitled to a refund of his/her personal contributions, but forfeits the employer credit. A refund of the cash balance account for a member with five or more years of service includes his/her personal contributions, the employer credit, and applicable interest.

There are special statutory provisions regarding disability benefits and death benefits in the line of duty.

Any cost-of-living adjustment (pro-rated for the first year if the recipient has been retired for less than one year) will be granted providing the following statutory requirements occur:

- 1) The funding level of the Legislators HC Plan is greater than 100% and subsequent legislation authorizes the use of any surplus actuarial assets to provide for the increase; and
- 2) The Kentucky General Assembly appropriates sufficient funds to fully prefund the increase.

As an additional retirement benefit, a recipient of a hybrid cash balance retirement allowance with at least 15 years of State service is eligible for a monthly health insurance benefit. The health insurance benefit is \$10.00 for each year of plan service. The minimum service requirement is waived for a member who is disabled in the line of duty, or for the qualified survivor of a member who is killed in the line of duty.

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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### Contributions – Defined Benefit Plan

Members entering membership on or after September 1, 2008 must contribute 6% of their "creditable compensation," as defined. Members who first participate on or after July 1, 1978 and prior to September 1, 2008 contribute at a rate of 5% of their "creditable compensation". Once a member has earned sufficient service credit to have accrued a benefit of 100% of final average compensation, employee contributions shall cease. The Commonwealth made a normal contribution at the actuarially determined rate calculated by utilizing the entry age normal method of funding, and a past service contribution equal to 1% of the unfunded past service liability and contributed interest on the unfunded past service liabilities at the actuarially assumed interest rate of 7.0%, in an amount equal to 100% of the amount required by KRS 21.515. Additionally, the Commonwealth made an appropriation to cover administrative expenses of the Legislators DB Plan. Members may transfer qualified member and Commonwealth contributions into the Legislators DB Plan from other state funded retirement plans.

### Contributions – Hybrid Cash Balance Plan

Members electing to participate in the Legislators HCB Plan contribute an amount equal to 6% of official salary. Of this, 1% is to be used to fund retiree health benefits and is not refundable. For each pay period that a personal contribution is made, the Commonwealth will apply an employer credit of 4% of official salary to the member's account. On June 30 of each year, interest, in accordance with KRS 21.402 will be credited to the account. As of June 30, 2023 and 2022, approximately \$1,043,000 and \$804,000, respectively, of the fiduciary net position of the System relates to the Legislators HCB Plan.

## **3. INVESTMENTS**

Each of the Plans has its own investment committee. The committee governing the Judicial Plan consists of the three judicial appointees and the two gubernatorial appointees to the System's Board of Trustees. The committee governing the Legislators Plan consists of the three legislative appointees and the two gubernatorial appointees to the System's Board of Trustees.

All investment decisions conform to the parameters established by KRS 386 and the System's policy statements enumerated below:

1. Cash and cash equivalent balances will be held separately for each fund as liquidity reserve for the payment of certain fund expenses, pension or qualified refund payments, and insurance premium requirements.
2. Equities will have a target allocation of 70% of the portfolio's market value (with a fluctuation tolerance of up to 10%.)
3. Fixed income securities and/or cash equivalents will have a target allocation of 30% of the portfolio's market value (with a fluctuation tolerance of up to 10%.)
4. If an allocation exceeds its targeted range, the applicable Investment Committee will be notified of the status of the fund's portfolio allocation percentages. Such Committee may

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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direct the fund manager to, on a timely basis, adjust the fund's applicable allocation percentage to bring the fund's portfolio back into its targeted range. If the Committee does not make a rebalancing recommendation, the fund manager, at its discretion, may or may not adjust the fund's portfolio allocations. Each retirement plan has two tiers, a Defined Benefit Plan tier and a Hybrid Cash Balance Plan tier. Funds for each retirement plan and each tier are maintained separately. The parameters applicable to the Defined Benefit and Hybrid Cash Balance investments for both retirement plans are:

### *Equities*

1. Investments in common stocks shall be from those stocks that meet the statutory standards for investment of trust funds, except that 50% of the total portfolio of each fund may not be invested in common stocks with a dividend payment history of less than 5 years.
2. Investments in an individual equity security shall not exceed 5% of the fund's then current market value of the equity portfolio. At a time when the security's value reaches 8% of the fund's market value of the equity portfolio, the Manager shall immediately notify the appropriate investment committee so that the investment committee may determine a course of action.
3. Equity investment in a particular industry shall not exceed 25% of the fund's market value of the equity portfolio.
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.
5. The fund manager is prohibited from investing in private placements, unregistered securities, hedge funds, letter stock, uncovered options, common trust funds or collective funds, or from engaging in short sales, margin transactions, or other specialized investment activities.

### *Fixed Income*

1. No issues (with the exception of those of the U.S. Government and its Agencies) may be purchased with more than 15 years duration at the time of purchase.
  2. Investments in securities of the U.S. Government and its Agencies may be purchased with a maturity of up to 30 years, but the weighted average maturity of those securities in each fund shall not exceed 10 years.
  3. Investments in securities of a single issuer (with the exception of U.S. Government and its Agencies) of each fund must not exceed 5% of the fund's market value of the fixed income portfolio.
  4. Only corporate debt issues that meet or exceed a credit rating of BBB from Standard & Poor's and/or a BAA rating by 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. Investment in bonds will be limited to those eligible for purchase by national banks.
  7. Bond maturities will be reasonably spaced with due consideration given to call provisions.
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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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8. Any fixed income benchmark selected by the manager for any fund must be a broad market benchmark and must reasonably reflect the nature and risk of the underlying investments of such fund's fixed income portfolio.
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, shall at all times be generally consistent with the duration of its fixed income benchmark, plus or minus one year.
10. The fund manager is prohibited from investing in private placements, from speculating in fixed income or interest rate futures, and from arbitrage or any other specialized investments. No investments shall be made in proprietary funds of the fund manager without written consent of the Investment Committee.

### *Cash and Cash Equivalents*

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

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### Rate of Return

For the years ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 15.1% and 15.5% for the Judicial Plan and Legislators Plans respectively. For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of investment expense, for both the Judicial Plan and Legislators Plan, was -9.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Investment Fees

All fees paid to the investment manager are paid directly from each Plan with the cost calculated as a percentage of the portfolio market value.

### Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. More specifically, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

All investments held by the System are insured or registered and held by the System or by its agent in the System's name. The credit risk disclosures for the U.S. governmental securities and corporate notes within the Judicial Plan are as follows at June 30:

	<u>S&amp;P Quality Rating</u>	<u>2023</u>	<u>2022</u>
U.S. governmental securities	AA+	\$ 7,640,910	\$ 6,947,090
Corporate notes	AAA	\$ 7,689,990	\$ 7,853,500
	AA+	3,447,990	3,511,760
	AA-	16,456,870	16,765,645
	A+	20,275,915	33,402,020
	A	27,232,600	23,754,365
	A-	27,261,440	19,523,755
	BBB+	15,506,490	19,705,200
	BBB	18,081,225	17,449,950
	Not Rated*	976,058	907,360
		<u>\$ 136,928,578</u>	<u>\$ 142,873,555</u>
Total		<u>\$ 144,569,488</u>	<u>\$ 149,820,645</u>

\* Investment in iShares Intermediate Credit Bond ETF for the Hybrid Cash Balance Plan is a combination of securities and a single rating is not assigned.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The credit risk disclosures for the U.S. governmental securities and corporate notes within the Legislators Plan are as follows at June 30:

	S&P Quality Rating		2023	2022
U.S. governmental securities	AA+	\$	2,143,683	\$ 2,237,808
Corporate notes	AAA	\$	2,171,030	\$ 2,215,288
	AA+		935,883	953,192
	AA-		4,463,330	4,547,110
	A+		5,530,420	9,061,102
	A		6,509,003	5,626,180
	A-		8,506,150	6,371,888
	BBB+		5,949,963	5,912,075
	BBB		4,890,870	4,985,700
	Not Rated*		243,964	229,520
		\$	39,200,613	\$ 39,902,055
Total		\$	41,344,296	\$ 42,139,863

\* Investment in iShares Intermediate Credit Bond ETF for the Hybrid Cash Balance Plan is a combination of securities and a single rating is not assigned.

#### Concentration of Credit Risk

Investments exceeded more than 5% of Plan fiduciary net position as follows: At June 30, 2023, Apple, Inc. at 5.13% and Microsoft Corporation at 5.22% in the Judicial Plan, and Apple, Inc. at 5.23% and Microsoft Corporation at 5.25% in the Legislators Plan. At June 30, 2022, Progressive Corporation at 5.36% and Microsoft Corporation at 5.15% in the Judicial Plan, and Progressive Corporation at 5.37% and Microsoft Corporation at 5.11% in the Legislators Plan.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The System manages its exposure to declines in fair value by purchasing a diverse combination of equity securities and debt securities with varying maturities.

The debt securities, and related maturities, within the Judicial Plan are as follows at June 30, 2023:

	Amount	Less than One Year	1 - 5 Years	6 - 10 Years
Governmental securities	\$ 7,640,910	\$ -0-	\$ 4,764,250	\$ 2,876,660
Corporate notes	136,928,578	37,647,868	58,694,040	40,586,670
	\$ 144,569,488	\$ 37,647,868	\$ 63,458,290	\$ 43,463,330



## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The debt securities, and related maturities, within the Judicial Plan are as follows at June 30, 2022:

	Amount	Less than One Year	1 - 5 Years	6 - 10 Years
Governmental securities	\$ 6,947,090	\$ -0-	\$ 4,942,950	\$ 2,004,140
Corporate notes	142,873,555	4,411,525	78,463,080	59,998,950
	\$ 149,820,645	\$ 4,411,525	\$ 83,406,030	\$ 62,003,090

The debt securities, and related maturities, within the Legislators Plan are as follows at June 30, 2023:

	Amount	Less than One Year	1 - 5 Years	6 - 10 Years
Governmental securities	\$ 2,143,683	\$ -0-	\$ 1,191,063	\$ 952,620
Corporate notes	39,200,613	11,098,417	14,913,193	13,189,003
	\$ 41,344,296	\$ 11,098,417	\$ 16,104,256	\$ 14,141,623

The debt securities, and related maturities, within the Legislators Plan are as follows at June 30, 2022:

	Amount	Less than One Year	1 - 5 Years	6 - 10 Years
Governmental securities	\$ 2,237,808	\$ -0-	\$ 1,235,738	\$ 1,002,070
Corporate notes	39,902,055	1,230,710	21,453,910	17,217,435
	\$ 42,139,863	\$ 1,230,710	\$ 22,689,648	\$ 18,219,505

#### Foreign Currency Risk

Foreign currency risk is defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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

	Currency	2023	2022
Schlumberger Limited	Euro	\$ 3,471,825	\$ 3,511,760

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

	Currency	2023	2022
Schlumberger Limited	Euro	\$ 991,950	\$ 1,003,360

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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The Plans invest in various investment securities. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect amounts reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position.

### Cash and Investments Held by State Treasury

At June 30, 2023 and 2022, the System's share of deposits in the Commonwealth's general depository (State investment pool) totaled \$2.8 million and \$5.6 million, respectively. The Commonwealth's ACFR for the year ended June 30, 2023 should be referred to for required disclosures.

#### **4. FAIR VALUE MEASUREMENTS**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the entity has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

- U.S. government securities: Value using pricing models maximizing the use of observable inputs for similar securities.
  - Investments held by the State Treasury and Cash Equivalents: Valued at cost which approximates fair value.
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## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

- Common stocks: Valued at the closing price reported on the New York Stock Exchange.
- Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs, such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks or a broker quote if available.
- Foreign government securities: Valued using pricing for interactive data which offers daily evaluations and related data for international fixed income securities with embedded equity options including convertible and exchangeable bonds.

The following tables set forth by level, within the hierarchy, the System's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 are as follows:

Judicial Retirement Plan:

	Level 1	Level 2	Level 3	Total
Investments held by State Treasury	\$ 777,140	\$ 115,418	\$ -0-	\$ 892,558
Common stocks	407,680,727	-0-	-0-	407,680,727
Mutual funds	2,852,903	-0-	-0-	2,852,903
Corporate notes and governmental securities	144,569,488	-0-	-0-	144,569,488
<b>Total assets at fair value</b>	<b>\$ 555,880,258</b>	<b>\$ 115,418</b>	<b>\$ -0-</b>	<b>\$ 555,995,676</b>

Legislators Retirement Plan:

	Level 1	Level 2	Level 3	Total
Investments held by State Treasury	\$ 767,049	\$ 70,733	\$ -0-	\$ 837,782
Common stocks	118,297,886	-0-	-0-	118,297,886
Mutual funds	712,182	-0-	-0-	712,182
Corporate notes and governmental securities	41,344,296	-0-	-0-	41,344,296
<b>Total assets at fair value</b>	<b>\$ 161,121,413</b>	<b>\$ 70,733</b>	<b>\$ -0-</b>	<b>\$ 161,192,146</b>

The following tables set forth by level, within the hierarchy, the System's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 are as follows:

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

Judicial Retirement Plan:

	Level 1	Level 2	Level 3	Total
Investments held by State Treasury	\$ 522,561	\$ 76,424	\$ -0-	\$ 598,985
Common stocks	350,996,802	-0-	-0-	350,996,802
Mutual funds	2,218,938	-0-	-0-	2,218,938
Corporate notes and governmental securities	149,820,645	-0-	-0-	149,820,645
<b>Total assets at fair value</b>	<b>\$ 503,558,946</b>	<b>\$ 76,424</b>	<b>\$ -0-</b>	<b>\$ 503,635,370</b>

Legislators Retirement Plan:

	Level 1	Level 2	Level 3	Total
Investments held by State Treasury	\$ 610,768	\$ 48,350	\$ -0-	\$ 659,118
Common stocks	99,080,720	-0-	-0-	99,080,720
Mutual funds	547,008	-0-	-0-	547,008
Corporate notes and governmental securities	42,139,863	-0-	-0-	42,139,863
<b>Total assets at fair value</b>	<b>\$ 142,378,359</b>	<b>\$ 48,350</b>	<b>\$ -0-</b>	<b>\$ 142,426,709</b>

The System's policy is to recognize transfers between levels as of the actual date of the event or change in circumstances. There were no transfers between levels during 2023 or 2022.

## 5. NET PENSION LIABILITY

### Judicial Retirement Plan

The components of the net pension asset of the Judicial Plan as of June 30, 2023 and 2022, are as follows:

	2023	2022
Total pension liability	\$ 382,515,060	\$ 376,657,581
Pension plan fiduciary net position	(427,648,157)	(390,889,642)
<b>Plan's net pension asset</b>	<b>\$ (45,133,097)</b>	<b>\$ (14,232,061)</b>

Plan fiduciary net position as a percentage of the total pension liability	111.8%	103.8%
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# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Valuation Date:	July 1, 2023	July 1, 2021
Actuarial Cost Method:	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open	Interest + 1% Unfunded Past Liability
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method	Market Value
Investment Return:	6.50%	6.50%
Inflation:	2.50%	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter	1% for the next three years, and 3.5% thereafter

Mortality rates were based on the PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projected Scale MP-2020 (male and female scales); i.e., full generational mortality. The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study based on plan experience from 2013 to 2019, adopted by the board on April 23, 2021.

The long-term expected rate of return on Judicial Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial DB Plan's target asset allocation as of June 30, 2023 and 2022 (see the discussion of the Judicial DB Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.50%
International Equity	2.50%
Fixed Income	-0.55%
Cash	-2.00%

The discount used to measure the total pension liability as of July 1, 2023 and 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.50% was used for discount rate/long-term rate of return assumption for GASB calculations.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The following presents the net pension liability (asset) of the Judicial Plan at June 30, 2023, calculated using the discount rate of 6.50%, as well as what the Judicial Plan's pension liability (asset) would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

		1% Decrease (5.50%)		Current Rate (6.50%)		1% Increase (7.50%)
Net pension liability (asset)	\$	(9,358,638)	\$	(45,133,097)	\$	(75,861,841)

#### Legislators Retirement Plan

The components of the net pension liability of the Legislators Plan as of June 30, 2023 and 2022, are as follows:

	2023		2022
Total pension liability	\$ 68,059,010	\$	71,119,553
Pension plan fiduciary net position	(91,267,801)		(84,604,342)
Plan's net pension asset	\$ (23,208,791)	\$	(13,484,789)

Plan fiduciary net position as a percentage of the total pension liability	134.1%	119.0%
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The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Valuation Date:	July 1, 2023	July 1, 2021
Actuarial Cost Method:	Entry Age Normal funding method	Entry Age Normal funding method
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open	Interest + 1% Unfunded Past Liability
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method	Market Value
Investment Return:	6.50%	6.50%
Inflation:	2.50%	3.00%
Projected Salary Increases:	1% for the next five years, and 3.5% thereafter	1% for the next three years, and 3.5% thereafter

Mortality rates were based on the PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projected Scale MP-2020 (male and female scales); i.e., full generational mortality. The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study based on plan experience from 2013 to 2019, adopted by the board on April 23, 2021.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The long-term expected rate of return on Legislators Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial DB Plan's target asset allocation as of June 30, 2023 and 2022 (see the discussion of the Judicial DB Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.50%
International Equity	2.50%
Fixed Income	-0.55%
Cash	-2.00%

The discount used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.50% was used for discount rate/long-term rate of return assumption for GASB calculations.

The following presents the net pension liability (asset) of the Legislators Plan at June 30, 2023, calculated using the discount rate of 6.50%, as well as what the Legislators Plan's pension liability (asset) would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net pension liability (asset)	\$ (16,978,474)	\$ (23,208,791)	\$ (28,540,291)

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### 6. NET OPEB LIABILITY

#### Judicial Retirement Plan

The components of the net other post-employment benefits (OPEB) liability of the Judicial Plan as of June 30, 2023 and 2022, are as follows:

	2023	2022
Total OPEB liability	\$ 49,266,254	\$ 40,619,947
Plan fiduciary net position	(135,129,919)	(119,335,249)
Plan's net OPEB liability (asset)	\$ (85,863,665)	\$ (78,715,302)

Plan fiduciary net position as a percentage of the total OPEB liability	274.3%	293.8%
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The following are the actuarial methods and assumptions used to develop the above liabilities at June 30, 2023 and 2022:

	June 30, 2023	June 30, 2022
Valuation Date:	July 1, 2021	July 1, 2020
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window	Interest + 1% Unfunded Past Liability
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method	Market Value
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Projected Salary Increases:	1% for the next three years, and 3.5% thereafter	1% for the next three years, and 3.5% thereafter
Healthcare cost trend rates	6.25% level for 2 years, then 5.75% and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075	6.25% level for 2 years, then 5.75% and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075

Mortality rates were based on the PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projected Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the head counted weighted average was used. Prior to June 30, 2021, mortality rates were based on the RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.



## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The long-term expected rate of return on Judicial OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Judicial DB Plan's target asset allocation as of June 30, 2023 (see the discussion of the Judicial OPEB Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.50%
International Equity	2.50%
Fixed Income	-0.55%
Cash	-2.00%

The discount used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.5% was used for discount rate/long-term rate of return assumption for GASB calculations.

The following presents the net OPEB liability of the Judicial Plan as of June 30, 2023, calculated using the discount rate of 6.50%, as well as what the Judicial Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net OPEB asset	\$ (80,118,178)	\$ (85,863,665)	\$ (90,672,165)

The following presents the OPEB liability of the Judicial Plan as of June 30, 2023 calculated using the healthcare cost trend of 6.25% level for 2 years, then 5.75% and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075, as well as what the Judicial Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate:

	1% Decrease on Trend Assumption	Current Rate on Trend Assumption	1% Increase on Trend Assumption
Net OPEB asset	\$ (90,872,410)	\$ (85,863,665)	\$ (79,899,498)

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

### Legislators Retirement Plan

The components of the net other post-employment benefits (OPEB) liability (asset) of the Legislators Plan as of June 30, 2023 and 2022, are as follows:

	2023	2022
Total OPEB liability	\$ 18,115,490	\$ 15,858,518
Plan fiduciary net position	(71,739,956)	(63,301,184)
Plan's net OPEB asset	\$ (53,624,466)	\$ (47,442,666)

Plan fiduciary net position as a percentage of the total OPEB asset	396.0%	399.2%
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The following are the actuarial methods and assumptions used to develop the above liabilities:

	June 30, 2023	June 30, 2022
Valuation Date:	July 1, 2021	July 1, 2020
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window.	Interest + 1% Unfunded Past Liability
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method	Market Value
Investment Return:	6.50%	6.50%
Inflation:	2.50%	2.50%
Projected Salary Increases:	1% for the next three years, and 3.5% thereafter	1% for the next three years, and 3.5% thereafter
Healthcare cost trend rates	following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075	following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075

Mortality rates were based on the PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projected Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the head counted weighted average was used. Prior to June 30, 2021, mortality rates were based on the RP-2000 Mortality Tables with white-collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and females scales); i.e., full generational mortality.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

The long-term expected rate of return on Legislators Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Legislators Plan's target asset allocation as of June 30, 2023 and 2022 (see the discussion of the Legislators Plan's investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	4.50%
International Equity	2.50%
Fixed Income	-0.55%
Cash	-2.00%

The discount used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at the current statutory contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 6.5% was used for discount rate/long-term rate of return assumption for GASB calculations.

The following presents the net OPEB liability of the Legislators Plan as of June 30, 2023, calculated using the discount rate of 6.50%, as well as what the Legislators Plan's OPEB liability would be if it was calculated using a discount rate that is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current Rate (6.50%)	1% Increase (7.50%)
Net OPEB asset	\$ (51,461,967)	\$ (53,624,466)	\$ (55,414,005)

The following presents the OPEB liability of the Judicial Plan as of June 30, 2023 calculated using the healthcare cost trend of 6.25% level for 2 years, then 5.75% and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075, as well as what the Legislators Plan's OPEB liability would be if it was calculated using a healthcare cost trend that is 1% lower or 1% higher than the current rate:

	1% Decrease on Trend Assumption	Current Rate on Trend Assumption	1% Increase on Trend Assumption
Net OPEB asset	\$ (55,408,318)	\$ (53,624,466)	\$ (51,494,764)

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS JUNE 30, 2023 AND 2022

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### **7. RISK MANAGEMENT**

Claims against the Board of Trustees of the System, or any of its staff, as a result of actual or alleged breach of fiduciary duty are insured with a commercial insurance policy. Coverage provided is limited to \$20,000,000. Claims for job-related illnesses or injuries are insured by the Commonwealth's self-insured workers' compensation program. Payments approved by the program are not subject to maximum limitations.

### **8. INCOME TAX STATUS**

The Judicial Plan and Legislators Plan each received from the Internal Revenue Service favorable determination letters dated February 15, 2017, which state that the Plans constitute qualified plans under Section 401(a) of the Internal Revenue Code.

The System believes that the Plans are currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Any compensation deferred under either Plan, as well as income attributable to the deferrals, is not includable in federal and state taxable income until actually paid or otherwise made available to the participant or their named beneficiary.

REQUIRED SUPPLEMENTARY INFORMATION

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

### Kentucky Judicial Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service cost	\$ 4,300,000	\$ 4,300,000	\$ 3,600,000	\$ 3,500,000	\$ 4,100,000	\$ 4,100,000	\$ 4,900,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Interest	23,900,000	23,800,000	23,700,000	23,400,000	22,900,000	22,700,000	23,800,000	23,400,000	22,200,000	21,900,000
Changes in benefit terms	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	100,000	-0-
Differences between expected and actual experience	4,400,000	-0-	(5,300,000)	-0-	(100,000)	-0-	(8,800,000)	-0-	4,400,000	-0-
Changes in assumptions	-0-	(5,900,000)	9,100,000	-0-	(7,700,000)	-0-	(2,100,000)	-0-	(4,400,000)	29,100,000
Benefit payments/refunds of member contributions	(26,800,000)	(25,000,000)	(24,400,000)	(24,400,000)	(24,200,000)	(23,200,000)	(23,000,000)	(22,900,000)	(22,300,000)	(21,800,000)
Net change in total pension liability	5,800,000	(2,800,000)	6,700,000	2,500,000	(5,000,000)	3,600,000	(5,200,000)	5,500,000	5,000,000	34,200,000
Total pension liability - beginning	376,700,000	379,500,000	372,700,000	370,300,000	375,200,000	371,500,000	376,800,000	371,300,000	366,300,000	332,100,000
Total pension liability - ending	<u>\$ 382,500,000</u>	<u>\$ 376,700,000</u>	<u>\$ 379,400,000</u>	<u>\$ 372,800,000</u>	<u>\$ 370,200,000</u>	<u>\$ 375,100,000</u>	<u>\$ 371,600,000</u>	<u>\$ 376,800,000</u>	<u>\$ 371,300,000</u>	<u>\$ 366,300,000</u>
<b>Pension plan fiduciary net position</b>										
Contributions - employer	\$ 5,000,000	\$ 7,100,000	\$ 6,800,000	\$ 8,700,000	\$ 8,700,000	\$ 12,000,000	\$ 12,000,000	\$ 15,200,000	\$ 15,100,000	\$ 10,800,000
Contributions - member	2,000,000	2,400,000	1,900,000	1,700,000	1,500,000	2,000,000	1,600,000	1,800,000	1,900,000	2,800,000
Transfer in payments	-0-	-0-	-0-	-0-	-0-	600,000	-0-	100,000	200,000	1,600,000
Net investment income	56,500,000	(42,000,000)	122,800,000	19,500,000	38,600,000	27,100,000	34,600,000	8,700,000	25,600,000	33,200,000
Benefit payments/refunds of member contributions	(26,800,000)	(25,000,000)	(24,400,000)	(24,400,000)	(24,200,000)	(23,200,000)	(23,000,000)	(22,900,000)	(22,200,000)	(21,800,000)
Administrative expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net change in plan fiduciary net position	36,700,000	(57,500,000)	107,100,000	5,500,000	24,600,000	18,500,000	25,200,000	2,900,000	20,600,000	26,600,000
Pension plan fiduciary net position - beginning	390,900,000	448,400,000	341,300,000	335,700,000	311,100,000	292,700,000	267,500,000	264,600,000	243,900,000	217,300,000
Pension plan fiduciary net position - ending	<u>\$ 427,600,000</u>	<u>\$ 390,900,000</u>	<u>\$ 448,400,000</u>	<u>\$ 341,200,000</u>	<u>\$ 335,700,000</u>	<u>\$ 311,200,000</u>	<u>\$ 292,700,000</u>	<u>\$ 267,500,000</u>	<u>\$ 264,500,000</u>	<u>\$ 243,900,000</u>
Net pension liability/(asset) - ending	<u>\$ (45,100,000)</u>	<u>\$ (14,200,000)</u>	<u>\$ (69,000,000)</u>	<u>\$ 31,600,000</u>	<u>\$ 34,500,000</u>	<u>\$ 63,900,000</u>	<u>\$ 78,900,000</u>	<u>\$ 109,300,000</u>	<u>\$ 106,800,000</u>	<u>\$ 122,400,000</u>
Pension plan fiduciary net position as a % of the total pension liability	111.8%	103.8%	118.2%	91.5%	90.7%	82.9%	78.8%	71.0%	71.3%	66.6%
Covered payroll	27,700,000	29,800,000	29,500,000	30,900,000	30,600,000	30,600,000	30,300,000	31,900,000	31,900,000	32,900,000
Net pension liability/(asset) as a % of covered payroll	-162.8%	-47.7%	-233.9%	101.6%	113.1%	209.5%	260.1%	342.6%	334.5%	371.7%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying report of independent auditors.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

### Kentucky Legislators Retirement Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>										
Service cost	\$ 600,000	\$ 600,000	\$ 500,000	\$ 600,000	\$ 700,000	\$ 700,000	\$ 700,000	\$ 900,000	\$ 1,000,000	\$ 1,000,000
Interest	4,500,000	4,500,000	4,600,000	4,500,000	4,600,000	4,600,000	5,300,000	5,200,000	5,100,000	4,900,000
Changes in benefit terms	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Differences between expected and actual experience	(2,700,000)	-0-	(2,000,000)	-0-	(2,800,000)	-0-	(6,400,000)	-0-	(3,400,000)	-0-
Changes in assumptions	-0-	(1,400,000)	2,600,000	-0-	(300,000)	-0-	(200,000)	-0-	(1,500,000)	3,700,000
Benefit payments/refunds of member contributions	(5,400,000)	(5,200,000)	(5,100,000)	(5,000,000)	(4,700,000)	(4,500,000)	(4,200,000)	(4,000,000)	(3,700,000)	(3,500,000)
Net change in total pension liability	(3,000,000)	(1,500,000)	600,000	100,000	(2,500,000)	800,000	(4,800,000)	2,100,000	(2,500,000)	6,100,000
Total pension liability - beginning	71,100,000	72,600,000	72,000,000	71,900,000	74,400,000	73,600,000	78,400,000	76,200,000	78,700,000	72,600,000
Total pension liability - ending	<u>\$ 68,100,000</u>	<u>\$ 71,100,000</u>	<u>\$ 72,600,000</u>	<u>\$ 72,000,000</u>	<u>\$ 71,900,000</u>	<u>\$ 74,400,000</u>	<u>\$ 73,600,000</u>	<u>\$ 78,300,000</u>	<u>\$ 76,200,000</u>	<u>\$ 78,700,000</u>
<b>Pension plan fiduciary net position</b>										
Contributions - employer	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,400,000	\$ 2,400,000	\$ 3,400,000	\$ 3,400,000	\$ 1,800,000
Contributions - member	200,000	200,000	300,000	200,000	200,000	200,000	300,000	300,000	200,000	200,000
Transfer in payments	-0-	-0-	-0-	-0-	-0-	-0-	100,000	-0-	-0-	-0-
Net investment income	11,900,000	(8,700,000)	26,700,000	4,300,000	8,600,000	6,200,000	7,900,000	2,000,000	5,600,000	7,900,000
Benefit payments/refunds of member contributions	(5,400,000)	(5,200,000)	(5,100,000)	(5,000,000)	(4,700,000)	(4,500,000)	(4,200,000)	(4,000,000)	(3,700,000)	(3,500,000)
Administrative expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net change in plan fiduciary net position	6,700,000	(13,700,000)	21,900,000	(500,000)	4,100,000	4,300,000	6,500,000	1,700,000	5,500,000	6,400,000
Pension plan fiduciary net position - beginning	84,600,000	98,300,000	76,400,000	76,900,000	72,800,000	68,400,000	61,900,000	60,100,000	54,600,000	48,200,000
Pension plan fiduciary net position - ending	<u>\$ 91,300,000</u>	<u>\$ 84,600,000</u>	<u>\$ 98,300,000</u>	<u>\$ 76,400,000</u>	<u>\$ 76,900,000</u>	<u>\$ 72,700,000</u>	<u>\$ 68,400,000</u>	<u>\$ 61,800,000</u>	<u>\$ 60,100,000</u>	<u>\$ 54,600,000</u>
Net pension liability/(asset) - ending	<u>\$ (23,200,000)</u>	<u>\$ (13,500,000)</u>	<u>\$ (25,700,000)</u>	<u>\$ (4,400,000)</u>	<u>\$ (5,000,000)</u>	<u>\$ 1,700,000</u>	<u>\$ 5,200,000</u>	<u>\$ 16,500,000</u>	<u>\$ 16,100,000</u>	<u>\$ 24,100,000</u>
Pension plan fiduciary net position as a % of the total pension liability/(asset)	134.1%	119.0%	135.4%	106.1%	107.0%	97.8%	92.9%	79.0%	78.9%	69.4%
Covered payroll	4,100,000	4,200,000	4,200,000	4,300,000	4,300,000	4,400,000	4,400,000	4,900,000	4,900,000	5,000,000
Net pension liability/(asset) as a % of covered payroll	-565.9%	-321.4%	-611.9%	-102.3%	-116.3%	36.4%	118.2%	336.7%	328.6%	483.2%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

<u>Kentucky Judicial Retirement Plan</u>							
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB liability</u>							
Service cost	\$ 700,000	\$ 600,000	\$ 700,000	\$ 700,000	\$ 900,000	\$ 900,000	\$ 1,200,000
Interest	2,500,000	2,500,000	3,200,000	3,000,000	3,600,000	3,300,000	4,600,000
Changes in benefit terms	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Differences between expected and actual experience	8,500,000	-0-	(9,300,000)	-0-	(9,700,000)	-0-	(22,100,000)
Changes in assumptions	(9,000,000)	-0-	(2,300,000)	-0-	100,000	-0-	5,600,000
Benefit payments/refunds of member contributions	(2,200,000)	(1,900,000)	(1,800,000)	(2,000,000)	(2,000,000)	(2,000,000)	(1,900,000)
Net change in total OPEB liability	500,000	1,200,000	(9,500,000)	1,700,000	(7,100,000)	2,200,000	(12,600,000)
Total OPEB liability - beginning	40,600,000	39,400,000	49,000,000	47,300,000	54,400,000	52,100,000	64,700,000
Total OPEB liability - ending	<u>\$ 41,100,000</u>	<u>\$ 40,600,000</u>	<u>\$ 39,500,000</u>	<u>\$ 49,000,000</u>	<u>\$ 47,300,000</u>	<u>\$ 54,300,000</u>	<u>\$ 52,100,000</u>
<u>Plan fiduciary net position</u>							
Contributions - employer	\$ -0-	\$ 100,000	\$ -0-	\$ -0-	\$ -0-	\$ 1,200,000	\$ 1,200,000
Contributions - member	100,000	100,000	100,000	-0-	-0-	200,000	100,000
Transfer in payments	-0-	-0-	-0-	-0-	-0-	100,000	-0-
Net investment income	17,900,000	(12,900,000)	36,700,000	5,600,000	11,000,000	7,600,000	9,400,000
Benefit payments/refunds of member contributions	(2,200,000)	(1,900,000)	(1,800,000)	(2,000,000)	(2,000,000)	(2,000,000)	(1,900,000)
Administrative expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net change in plan fiduciary net position	15,800,000	(14,600,000)	35,000,000	3,600,000	9,000,000	7,100,000	8,800,000
Plan fiduciary net position - beginning	119,300,000	133,900,000	99,000,000	95,400,000	86,300,000	79,200,000	70,300,000
Plan fiduciary net position - ending	<u>\$ 135,100,000</u>	<u>\$ 119,300,000</u>	<u>\$ 134,000,000</u>	<u>\$ 99,000,000</u>	<u>\$ 95,300,000</u>	<u>\$ 86,300,000</u>	<u>\$ 79,100,000</u>
Net OPEB liability (asset) - ending	<u>\$ (94,000,000)</u>	<u>\$ (78,700,000)</u>	<u>\$ (94,500,000)</u>	<u>\$ (50,000,000)</u>	<u>\$ (48,000,000)</u>	<u>\$ (32,000,000)</u>	<u>\$ (27,000,000)</u>
Plan fiduciary net position as a % of the total OPEB liability	328.7%	293.8%	339.8%	202.0%	201.7%	158.6%	152.0%
Covered payroll	26,700,000	29,800,000	29,500,000	30,900,000	30,600,000	30,600,000	30,300,000
Net OPEB liability/(asset) as a % of covered payroll	-352.1%	-264.1%	-320.3%	-161.8%	-156.9%	-104.6%	-89.1%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying report of independent auditors.



## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### SCHEDULES OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS

<u>Kentucky Legislators Retirement Plan</u>							
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Total OPEB liability</u>							
Service cost	\$ 100,000	\$ 100,000	\$ 200,000	\$ 100,000	\$ 300,000	\$ 300,000	\$ 400,000
Interest	1,000,000	1,000,000	1,300,000	1,200,000	1,500,000	1,400,000	2,000,000
Changes in benefit terms	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Differences between expected and actual experience	2,400,000	-0-	(4,800,000)	-0-	(4,400,000)	-0-	(10,600,000)
Changes in assumptions	(300,000)	-0-	(400,000)	-0-	-0-	-0-	2,300,000
Benefit payments/refunds of member contributions	(900,000)	(900,000)	(800,000)	(800,000)	(800,000)	(800,000)	(700,000)
Net change in total OPEB liability	2,300,000	200,000	(4,500,000)	500,000	(3,400,000)	900,000	(6,600,000)
Total OPEB liability - beginning	15,900,000	15,700,000	20,200,000	19,700,000	23,100,000	22,000,000	28,600,000
Total OPEB liability - ending	<u>\$ 18,200,000</u>	<u>\$ 15,900,000</u>	<u>\$ 15,700,000</u>	<u>\$ 20,200,000</u>	<u>\$ 19,700,000</u>	<u>\$ 22,900,000</u>	<u>\$ 22,000,000</u>
<u>Plan fiduciary net position</u>							
Contributions - employer	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Contributions - member	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Transfer in payments	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net investment income	9,400,000	(6,500,000)	19,200,000	2,900,000	5,700,000	3,900,000	4,900,000
Benefit payments/refunds of member contributions	(900,000)	(900,000)	(800,000)	(800,000)	(800,000)	(800,000)	(700,000)
Administrative expenses	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net change in plan fiduciary net position	8,500,000	(7,400,000)	18,400,000	2,100,000	4,900,000	3,100,000	4,200,000
Plan fiduciary net position - beginning	63,300,000	70,700,000	52,100,000	50,000,000	45,100,000	42,000,000	37,800,000
Plan fiduciary net position - ending	<u>\$ 71,800,000</u>	<u>\$ 63,300,000</u>	<u>\$ 70,500,000</u>	<u>\$ 52,100,000</u>	<u>\$ 50,000,000</u>	<u>\$ 45,100,000</u>	<u>\$ 42,000,000</u>
Net OPEB liability (asset) - ending	<u>\$ (53,600,000)</u>	<u>\$ (47,400,000)</u>	<u>\$ (54,800,000)</u>	<u>\$ (31,900,000)</u>	<u>\$ (30,300,000)</u>	<u>\$ (22,200,000)</u>	<u>\$ (20,000,000)</u>
Plan fiduciary net position as a % of the total OPEB liability	394.5%	398.1%	450.3%	258.9%	254.3%	195.2%	190.9%
Covered payroll	4,000,000	4,200,000	4,200,000	4,300,000	4,300,000	4,400,000	4,400,000
Net OPEB liability/(asset) as a % of covered payroll	-1340.0%	-1128.6%	-1304.8%	-741.9%	-704.7%	-504.5%	-454.5%

Note: This schedule is intended to present 10 years of contributions and related ratios. Currently, only those years with information available are presented. The amounts presented above were determined as of the fiscal year ended above. Amounts rounded to nearest \$100,000.

See accompanying report of independent auditors.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULES OF CONTRIBUTIONS KENTUCKY JUDICIAL RETIREMENT PLAN LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 5,000,000	\$ 7,900,000	\$ 6,700,000	\$ 9,800,000	\$ 9,200,000	\$ 11,900,000	\$ 11,884,797	\$ 15,171,300	\$ 15,142,300	\$ 15,219,761
Contributions in relation to the actuarially determined contribution	\$ 5,000,000	\$ 7,100,000	\$ 6,800,000	\$ 8,600,000	\$ 8,600,000	\$ 11,900,000	\$ 11,884,797	\$ 15,171,300	\$ 15,142,300	\$ 10,804,715
Contribution excess (deficiency)	\$ -0-	\$ 800,000	\$ (100,000)	\$ 1,200,000	\$ 600,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 4,415,046
Covered payroll	\$ 27,700,000	\$ 29,800,000	\$ 29,500,000	\$ 30,009,000	\$ 30,600,000	\$ 30,600,000	\$ 30,300,000	\$ 31,900,000	\$ 31,900,000	\$ 32,930,076
Contributions as a percentage of covered payroll	18.1%	23.8%	23.1%	28.2%	28.4%	39.2%	29.6%	47.6%	47.3%	32.8%
Investment return:	6.50%	6.50%	6.50%	6.50%	6.50%	6.24%	6.24%	6.41%	6.41%	6.15%
Valuation Date:	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method:	Entry Age Normal funding method. Prior to July 1, 2014, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window. Prior to July 1, 2023, the method used for amortization was interest plus 1% of the unfunded past liability.
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method. Prior to July 1, 2023, market value was the method for asset valuation.
Inflation:	2.50%
Projected Salary Increases:	1% for a rolling 5-year period beginning at the valuation date (currently effective through June 30, 2028) and 3.5% thereafter. Prior to July 1, 2014, the future salary increase assumption was 1% for the next year, 1% the following year, and 3.5% thereafter.
Mortality	PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcount weighted version of this table was used. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales).

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions. Amounts rounded to nearest \$100,000.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULES OF CONTRIBUTIONS KENTUCKY LEGISLATORS RETIREMENT PLAN LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 0	\$ 600,000	\$ 400,000	\$ 1,200,000	\$ 1,100,000	\$ 2,400,000	\$ 2,384,500	\$ 3,414,500	\$ 3,408,800	\$ 3,214,854
Contributions in relation to the actuarially determined contribution	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 2,400,000	\$ 2,384,500	\$ 3,414,500	\$ 3,408,800	\$ 1,824,956
Contribution excess (deficiency)	\$ -0-	\$ 600,000	\$ 400,000	\$ 1,200,000	\$ 1,100,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,389,898
Covered payroll	\$ 4,100,000	\$ 4,200,000	\$ 4,200,000	\$ 4,300,000	\$ 4,300,000	\$ 4,400,000	\$ 4,400,000	\$ 4,919,000	\$ 4,919,000	\$ 4,987,823
Contributions as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	54.5%	54.2%	69.4%	69.3%	36.6%
Investment return:	6.50%	6.50%	6.50%	6.50%	6.50%	6.24%	6.24%	6.41%	6.41%	6.15%
Valuation date:	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method:	Entry Age Normal funding method. Prior to July 1, 2014, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window. Prior to July 1, 2023, the method used for amortization was interest plus 1% of the unfunded past liability.
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method. Prior to July 1, 2023, market value was the method for asset valuation.
Inflation:	2.50%
Projected Salary Increases:	1% for a rolling 5-year period beginning at the valuation date (currently effective through June 30, 2028) and 3.5% thereafter. Prior to July 1, 2014, the future salary increase assumption was 1% for the next year, 1% the following year, and 3.5% thereafter.
Mortality	PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcount weighted version of this table was used. For the Hybrid plan, there is no pre-retirement mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales).

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions. Amounts rounded to nearest \$100,000.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULE OF CONTRIBUTIONS KENTUCKY JUDICIAL OPEB PLAN LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 1,200,000	\$ 1,217,903	\$ 1,274,480	\$ 1,274,480	\$ 893,242
Contributions in relation to the actuarially determined contribution	\$ -0-	\$ 100,000	\$ -0-	\$ -0-	\$ -0-	\$ 1,200,000	\$ 1,217,903	\$ 1,274,480	\$ 1,274,480	\$ 634,125
Contribution excess (deficiency)	\$ -0-	\$ (100,000)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 259,117
Covered payroll	\$ 26,700,000	\$ 29,800,000	\$ 29,500,000	\$ 30,900,000	\$ 30,600,000	\$ 30,600,000	\$ 27,600,000	\$ 31,945,000	\$ 31,945,000	\$ 32,930,000
Contributions as a percentage of covered payroll	0.0%	0.3%	0.0%	0.0%	0.0%	3.9%	4.4%	4.0%	4.0%	1.9%
Investment return:	6.50%	6.50%	6.50%	6.50%	6.50%	6.24%	6.24%	6.41%	6.41%	6.15%
Valuation date:	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method:	Entry Age Normal funding method. Prior to July 1, 2013, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window. Prior to July 1, 2023, the method used for amortization was interest plus 1% of the unfunded past liability.
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method. Prior to July 1, 2023, market value was the method for asset valuation.
Inflation:	2.50%
Projected Salary Increases:	1% for a rolling 5-year period beginning at the valuation date (currently effective through June 30, 2028) and 3.5% thereafter. Prior to July 1, 2014, the future salary increase assumption was 1% for the next year, 1% the following year, and 3.5% thereafter. Prior to July 1, 2013, an investment return of 7.0% was used.
Healthcare cost trend rates:	6.25% level for 2 years, then 5.75% and following the Getzen model thereafter until reaching an ultimate rate of 4.04% in the year 2075.
Mortality	PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales). Prior to July 1, 2021, RP-2000 Mortality Tables with white collar adjustment with Pre and Post Commencement Rates with projected mortality improvements after year 2000 under Projection Scale AA (male and female scales); i.e., full generational mortality. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales).

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions. Amounts rounded to nearest \$100,000.

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULE OF CONTRIBUTIONS KENTUCKY LEGISLATORS OPEB PLAN LAST 10 FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Contributions in relation to the actuarially determined contribution	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Contribution excess (deficiency)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 4,000,000	\$ 4,200,000	\$ 4,200,000	\$ 4,300,000	\$ 4,300,000	\$ 4,400,000	\$ 4,400,000	\$ 5,300,000	\$ 5,300,000	\$ 4,987,823
Contributions as a percentage of covered payroll	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Investment return:	6.50%	6.50%	6.50%	6.50%	6.50%	6.45%	6.45%	6.85%	6.85%	6.45%
Valuation date:	July 1, 2022	July 1, 2021	July 1, 2020	July 1, 2019	July 1, 2019	July 1, 2017	July 1, 2015	July 1, 2013	July 1, 2013	July 1, 2011

**Methods and assumptions used to determine contributions:**

Actuarial Cost Method:	Entry Age Normal funding method. Prior to July 1, 2013, the actuarial accrued liability was calculated using the projected unit credit cost method.
Amortization Method:	Gains and losses over 20-year closed bases. If the Plan has surplus assets, all bases are consolidated and surplus is consolidated over a 20-year open window. Prior to July 1, 2023, the method used for amortization was interest plus 1% of the unfunded past liability.
Asset Valuation Method:	Market Value, adjusted for a 5-year smoothing method. Prior to July 1, 2023, market value was the method for asset valuation.
Inflation:	2.50%
Projected Salary Increases:	1% for a rolling 5-year period beginning at the valuation date (currently effective through June 30, 2028) and 3.5% thereafter. Prior to July 1, 2014, the future salary increase assumption was 1% for the next year, 1% the following year, and 3.5% thereafter. Prior to July 1, 2013, an investment return of 7.0% was used.
Healthcare cost trend rates:	6.25% grading to 5.20% over 2 years and following the Getzen model thereafter until reaching an ultimate rate of 3.94% in the year 2075.
Mortality	PubG-2010 (A) Table with Pre and Post Commencement Rates with projected mortality improvements after year 2010 under Projection Scale MP-2020 (male and female scales); i.e., full generational mortality. For the OPEB Plan, the headcount weighted version of this table was used. Prior to July 1, 2015, mortality rates were based on IRS 2008 Mortality Tables without collar adjustments with Pre and Post Commencement Rates with projected mortality improvements after year 200 under Projection Scale AA (male and female scales).

Note: Effective for the year ended June 30, 2008, medical insurance employer contributions have been segregated from defined benefit contributions. Amounts rounded to nearest \$100,000.

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### SCHEDULES OF INVESTMENT RETURNS – RETIREMENT LAST 10 FISCAL YEARS

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<u>Kentucky Judicial Retirement Plan</u>										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.1%	-9.9%	37.2%	6.0%	12.9%	9.4%	12.8%	3.2%	10.2%	15.0%

<u>Kentucky Legislators Retirement Plan</u>										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.5%	-9.9%	37.3%	6.0%	12.6%	9.4%	12.7%	3.6%	10.1%	16.7%

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See accompanying report of independent auditors

## KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

### SCHEDULES OF INVESTMENT RETURNS – OPEB LAST 10 FISCAL YEARS

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<u>Kentucky Judicial Retirement Plan</u>										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.1%	-9.9%	37.2%	6.0%	12.9%	9.4%	12.8%	3.2%	10.2%	15.0%

<u>Kentucky Legislators Retirement Plan</u>										
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	15.5%	-9.9%	37.3%	6.0%	12.6%	9.4%	12.7%	3.6%	10.1%	16.7%

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See accompanying report of independent auditors

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

To the Board of Trustees  
Kentucky Judicial Form Retirement System  
Frankfort, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Kentucky Judicial Form Retirement System (the System), a component unit of the Commonwealth of Kentucky, which comprise the statement of fiduciary net position as of June 30, 2023, and the statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, a material weaknesses or significant deficiency may exist that have not been identified.



## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blue & Co., LLC*

Lexington, Kentucky  
November 14, 2023

# KENTUCKY JUDICIAL FORM RETIREMENT SYSTEM

## SCHEDULE OF FINDINGS AND RESPONSES YEAR ENDED JUNE 30, 2022

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### Summary of Auditor's Results

- 1) We have issued an unmodified opinion, dated November 14, 2023, on the financial statements of the System as of and for the year ended June 30, 2023.
- 2) Our audit disclosed no findings that are required to be communicated under Government Auditing Standards for the year ended June 30, 2023.

### Summary of Prior Year Findings

The prior year audit disclosed no findings that are required to be reported in accordance with *Government Auditing Standards*.