



# TEACHERS' RETIREMENT SYSTEM

## of the State of Kentucky

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**GARY L. HARBIN, CPA**  
Executive Secretary

### Quarterly Meeting of the Board of Trustees

### A G E N D A

March 21, 2022, 12:30 p.m. ET

Board Called to Order  
Roll Call

1. Reports for Consent
  - 1.1. Consideration/Approval of Minutes
    - 1.1.1. Quarterly Meeting, Board of Trustees, December 20, 2021
    - 1.1.2. Special Meeting, Scholarship Committee, December 20, 2021
  - 1.2. Applications for Retirement and Annuity
  - 1.3. Survivor Benefits
  - 1.4. Life Insurance Benefits
  - 1.5. Refunds
  - 1.6. Interim Financial Statements

2. Report of the Investment Committee

3. Report of the Governance and Audit Committee

4. Legislative Update

5. Annual Review of Disability Earnings Limitation

6. Executive Secretary's Observations and Comments

General Discussion

Adjournment

The meeting will be conducted by live video teleconference.  
Information on accessing the meeting will be provided on TRS's website at:  
<https://trs.ky.gov/administration>

TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

SUBJECT: Reports for Consent

1. Reports for Consent

1.1. Consideration/Approval of Minutes

1.1.1. Quarterly Meeting, Board of Trustees, December 20, 2021

1.1.2. Special Meeting, Scholarship Committee, December 20, 2021

1.2. Applications for Retirement and Annuity

The list of members who retired December 2021, January and February 2022 is included in the board materials. Attached is a summary of the payments and a comparison to the same period last year. Initial retirements for the period included 341 retirees with monthly payments totaling \$1,011,688.26. During the same period last year, 316 retirements resulted in monthly payments totaling \$885,058.92.

Recommendation: The board is requested to approve the initial payments listed as reported.

1.3. Survivor Benefits

The list of persons qualifying for survivor benefit payments for the quarter ended December 31, 2021, is included in the board materials. During the period, 24 survivor benefits commenced with a total monthly payment of \$7,363.08.

Recommendation: The board is requested to approve the survivor benefit payments as reported.

1.4. Life Insurance Benefits

The list of payments of life insurance benefits due to death of active and retired teachers for the quarter ended December 31, 2021, is included in the board materials. Fifteen payments to the estates or beneficiaries of active teachers and 281 payments to the estates or beneficiaries of retired teachers combined for total payments of \$1,435,000.00. During the same quarter in 2020, 258 payments amounted to \$1,257,000.00.

Recommendation: The board is requested to approve the payment of life insurance benefits as reported.

1.5. Refunds

The report of refunds for the quarter ended December 31, 2021, also is attached. During the quarter, 763 refunds totaled \$6,692,031.64. The refunds are for the following:

Regular withdrawals	733	\$6,207,180.85
Deaths	<u>30</u>	<u>\$484,850.79</u>
Totals	763	\$6,692,031.64

During the same quarter in 2020, 1,034 refunds totaled \$7,376,999.26.

Recommendation: The board is requested to approve the payment of refunds as reported.

1.6. Interim Financial Statements

Attached are the Interim Financial Statements for the quarter ended December 31, 2021.

Recommendation: The Interim Financial Statements are provided for informational purposes only and require no action.

***Teachers' Retirement System of Kentucky***  
**Initial Applications for Retirement and Annuity**  
**2021-2022**

	<b>December</b>	<b>January</b>	<b>February</b>	<b>Total</b>	<b>Same Period 2021</b>
<b>Handicapped Child</b>	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00
<b>Disability Retirement</b>	<i>5</i> \$15,603.71	<i>8</i> \$25,069.76	<i>10</i> \$34,837.61	<i>23</i> \$75,511.08	<i>14</i> \$39,023.45
<b>Service Retirement</b>	<i>63</i> \$160,186.16	<i>166</i> \$521,146.74	<i>86</i> \$247,019.72	<i>315</i> \$928,352.62	<i>300</i> \$840,277.53
<b>Beneficiary of Member Eligible to Retire</b>	<i>0</i> \$0.00	<i>1</i> \$1,998.06	<i>2</i> \$5,826.50	<i>3</i> \$7,824.56	<i>2</i> \$5,757.94
<b>TOTALS</b>	<i>68</i> \$175,789.87	<i>175</i> \$548,214.56	<i>98</i> \$287,683.83	<i>341</i> \$1,011,688.26	<i>316</i> \$885,058.92

**Reports for Consent**  
**Member Account Refunds**  
**For the period October 2021 - December 2021**

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
October	228	1,102,959.59	274,946.04	907,898.87	2,285,804.50
November	311	1,131,823.01	282,804.61	1,167,832.67	2,582,460.29
December	196	632,038.32	155,857.33	551,020.41	1,338,916.06
Total	733				6,207,180.85

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
October	4	30,840.66	3,386.35	0.00	34,227.01
November	15	93,927.17	23,214.93	0.00	117,142.10
December	11	285,673.36	47,808.32	0.00	333,481.68
Total	30				484,850.79

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
October	232	1,133,800.25	278,332.39	907,898.87	2,320,031.51
November	326	1,225,750.18	306,019.54	1,167,832.67	2,699,602.39
December	207	917,711.68	203,665.65	551,020.41	1,672,397.74
Total	763				6,692,031.64

# **TEACHERS' RETIREMENT SYSTEM**

**OF THE STATE OF KENTUCKY**



***INTERIM FINANCIAL STATEMENTS***

**QUARTER ENDED DECEMBER 31, 2021**

**(FAIR VALUE - UNAUDITED)**

**Statements of Changes in Plan Net Assets**  
**For the Six Months Ended December 31, 2021 and 2020**  
(Fair Value - Unadjusted & Unaudited )

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
<b>ADDITIONS</b>										
<b>Contributions</b>										
Employer- State Paid	\$ 525,649,505	\$ 520,869,159	\$ 23,701,882	\$ 41,887,401	\$ 982,611	\$ 817,741	\$ -	\$ -	\$ 550,333,998	\$ 563,574,301
Employer- LSD, Other	55,335,244	37,011,622	53,742,382	52,478,973	271,098	154,047	2,281	144,494	109,351,005	89,789,136
Member- Active	162,511,566	159,044,821	66,068,608	64,734,664					228,580,174	223,779,485
Member- Retired			29,520,617	30,639,421					29,520,617	30,639,421
Recovery Income			67,992,786	45,179,712					67,992,786	45,179,712
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Total Contribution	743,496,315	716,925,602	241,026,275	234,920,171	1,253,709	971,788	2,281	144,494	985,778,580	952,962,055
<b>Investment Income/(Loss)</b>										
<b>Net Appreciation/(Depreciation) in</b>										
Fair Value of Investments	927,888,113	3,718,028,035	103,261,304	296,681,758	2,006,592	15,316,077	48,934	60,953	1,033,204,943	4,030,086,823
Interest	73,053,214	44,911,796	7,626,172	1,723,015	277,659	220,009	4,735	4,759	80,961,780	46,859,579
Dividends	144,676,608	108,690,961	1,385,061	4,640,489	404,117	332,050	3,415	3,123	146,469,201	113,666,623
Rental Income, Net	9,306,125	10,958,109							9,306,125	10,958,109
Securities Lending, Net	2,153,178	1,113,159			35,073	26,405	265	400	2,188,516	1,139,964
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Gross Investment Income	1,157,077,238	3,883,702,060	112,272,537	303,045,262	2,723,441	15,894,541	57,349	69,235	1,272,130,565	4,202,711,098
Less Investment Expense	(37,704,716)	(32,375,457)	(3,336,790)	(3,095,335)	(102,897)	(65,823)	-	-	(41,144,403)	(35,536,615)
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Net Investment Income	1,119,372,522	3,851,326,603	108,935,747	299,949,927	2,620,544	15,828,718	57,349	69,235	1,230,986,162	4,167,174,483
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Total Additions	1,862,868,837	4,568,252,205	349,962,022	534,870,098	3,874,253	16,800,506	59,630	213,729	2,216,764,742	5,120,136,538
<b>DEDUCTIONS</b>										
Benefits	1,153,728,459	1,117,883,998			2,938,000	2,663,000	75,117	75,278	1,156,741,576	1,120,622,276
Refunds of Contributions	14,305,172	14,003,724							14,305,172	14,003,724
Under 65 Insurance Expenses			42,558,940	51,797,404					42,558,940	51,797,404
Over 65 Insurance Expenses			105,998,050	105,556,929					105,998,050	105,556,929
Administrative Expense	6,990,898	6,669,818	-	-	-	-	-	-	6,990,898	6,669,818
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Total Deductions	1,175,024,529	1,138,557,540	148,556,990	157,354,333	2,938,000	2,663,000	75,117	75,278	1,326,594,636	1,298,650,151
<b>Net Increase ( Decrease )</b>										
	687,844,308	3,429,694,665	201,405,032	377,515,765	936,253	14,137,506	(15,487)	138,451	890,170,106	3,821,486,387
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>										
Beginning of year	25,935,779,206	20,717,000,324	2,300,504,416	1,616,675,260	107,426,916	87,367,891	1,365,368	1,052,388	28,345,075,906	22,422,095,863
Ending of period	\$ 26,623,623,514	\$ 24,146,694,989	\$ 2,501,909,448	\$ 1,994,191,025	\$ 108,363,169	\$ 101,505,397	\$ 1,349,881	\$ 1,190,839	\$ 29,235,246,012	\$ 26,243,582,250
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**Statements of Plan Net Assets**  
**as of December 31, 2021 and 2020**  
(Fair Value - Unadjusted & Unaudited )

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021	FY 2022	FY 2021
<b>ASSETS</b>										
Cash	\$ 184,549,188	\$ 162,103,631	\$ 111,362,171	\$ 56,995,446	\$ 509,582	\$ 549,353	\$ 181,852	\$ 104,533	\$ 296,602,793	\$ 219,752,963
Receivables										
Contributions	49,630,590	53,939,286	10,344,680	25,205,437	47,267	13,058			60,022,537	79,157,781
State of Kentucky	-	-	-	-	-	118,031			-	118,031
Investment Income	45,254,996	42,747,821	3,441,069	2,942,288	263,725	273,122	2,645	2,682	48,962,435	45,965,913
Investment Sales Receivable	5,928,748	6,805,656	1,513,370	1,188,125	-	10,525			7,442,118	8,004,306
Installment Account Receivable	70,652	64,002							70,652	64,002
Other Receivables	33,756	40,188	37,953,338	31,412,432					37,987,094	31,452,620
Due from Other Funds	3,848,217	2,084,771							3,848,217	2,084,771
Total Receivables	104,766,959	105,681,724	53,252,457	60,748,282	310,992	414,736	2,645	2,682	158,333,053	166,847,424
Investments at Market Value										
Short Term Investments	1,085,847,095	1,139,770,163	61,795,586	97,483,297	8,972,462	14,758,193	356,894	360,060	1,156,972,037	1,252,371,713
Bonds and Mortgages	3,559,249,569	3,223,752,126	156,638,557	126,812,748	19,145,214	16,402,982	280,304	302,046	3,735,313,644	3,367,269,902
Stocks	16,282,212,342	15,039,473,746	1,415,013,339	1,163,336,067	67,942,321	64,002,362	530,678	423,072	17,765,698,680	16,267,235,247
Alternative Investments	1,941,729,427	1,569,200,833	194,660,571	138,942,462	2,444,990	464,431			2,138,834,988	1,708,607,726
Real Estate	1,549,075,065	1,256,280,200	130,428,051	89,641,010	6,368,179	2,821,420			1,685,871,295	1,348,742,630
Additional Categories	1,955,107,191	1,679,211,235	403,656,311	291,903,820	2,799,525	2,165,901			2,361,563,027	1,973,280,956
Total Investments	26,373,220,689	23,907,688,303	2,362,192,415	1,908,119,404	107,672,691	100,615,289	1,167,876	1,085,178	28,844,253,671	25,917,508,174
Capital Assets ( net of accumulated depreciation )	10,255,925	12,072,094							10,255,925	12,072,094
Total Assets	26,672,792,761	24,187,545,752	2,526,807,043	2,025,863,132	108,493,265	101,579,378	1,352,373	1,192,393	29,309,445,442	26,316,180,655
<b>LIABILITIES</b>										
Liabilities										
Accrued Expenses and Other Liabilities	12,050,058	6,204,100	-	9,039,424					12,050,058	15,243,524
State of Kentucky			15,360,364	15,176,069	7,460				15,367,824	15,176,069
Investment Purchases Payable	18,499,110	18,224,414	4,118,169	2,549,579	-	10,316	-	-	22,617,279	20,784,309
Investment Fees Payable	18,620,079	16,422,249	1,643,815	2,859,798	52,158	27,685	-	-	20,316,052	19,309,732
Due to Other Funds	-	-	3,775,247	2,047,237	70,478	35,980	2,492	1,554	3,848,217	2,084,771
Total Liabilities	49,169,247	40,850,763	24,897,595	31,672,107	130,096	73,981	2,492	1,554	74,199,430	72,598,405
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 26,623,623,514	\$ 24,146,694,989	\$ 2,501,909,448	\$ 1,994,191,025	\$ 108,363,169	\$ 101,505,397	\$ 1,349,881	\$ 1,190,839	\$ 29,235,246,012	\$ 26,243,582,250



TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

RE: Report of the Investment Committee

1. Investment Committee Meeting and Actions: New investments approved at the February 24, 2022, Investment Committee meeting were commitments of up to \$50 million from the Retirement Annuity Trust, up to \$5 million from the Health Insurance Trust and up to \$500,000 from the Life Insurance Trust to Lexington Capital Partners X; up to \$50 million from the retirement trust to Manulife Permanent Cropland Plus Fund; up to \$50 million from the retirement trust, up to \$10 million from the health trust and up to \$500,000 from life insurance to Silver Lake Partners VII; up to \$65 million from the retirement trust, up to \$10 million from the health trust and up to \$500,000 from life insurance to AG Realty Value Fund XI; up to \$65 million from the retirement trust, up to \$10 million from the health trust and up to \$500,000 from life insurance to TA Realty Associates Fund XIII; and up to \$65 million from the retirement trust, up to \$10 million from the health trust and up to \$500,000 from life insurance to Landmark Real Estate Partners IX. Representatives of outside manager Todd Asset Management presented on its portfolios.

2. Purchases and Disposals: During this quarter, 2,233 purchases amounted to \$2,940,593,225.28 and 2,650 disposals amounted to \$2,545,428,324.48. The disposals consisted of 2,301 sales, 302 principal payments and 47 redemptions. While TRS investment staff members initiate each of these transactions, the custodian of securities is responsible for handling and securing each stock, bond or other type of investment. At the end of the quarter, TRS's invested securities had a book value of \$18,181,307,233.46 and a market value of \$26,373,525,187.66.

3. Staff's Comments on Economic and Market Conditions: Inflation in the United States finished December at 7%, according to the year-over-year change in the Consumer Price Index — a level not seen since 1982. An unprecedented \$5 trillion-plus in fiscal stimulus related to pandemic relief buoyed household balance sheets and fueled aggregate demand. As the emergence of new variants prolonged the pandemic, the rise in consumer spending flowed toward durable and non-durable goods, while services spending remained below its pre-pandemic peak in real terms through November. The world economy also experienced a negative supply-side shock from pandemic-related issues such as factories closing in Asia and periodic shortages of available workers in Europe and the United States. These combined supply and demand factors created upward pressure on prices throughout much of the global economy. Faster than anticipated improvement in U.S. labor market conditions, combined with the significant increase in inflation, forced the Federal Open Market Committee (FOMC) to reevaluate its accommodative monetary stance. As recently as the June meeting, the median FOMC member anticipated no interest rate increases until 2024. By the December meeting, the median member anticipated three interest

rate hikes in 2022 alone, significantly pulling forward the path for tightening monetary policy. The FOMC also announced a tapering of its asset purchase program in November — and accelerated the timeline during the December meeting — with market participants now expecting an end to asset purchases by March 2022. Markets are predicting that an initial rate hike might occur as early as March 2022. November also saw significant fiscal policy activity with a \$1.2 trillion infrastructure bill signed into law that had passed with bipartisan support.

U.S. equity markets finished the calendar year with a strong fourth quarter, providing low double-digit returns despite heightened volatility due to the Omicron variant, inflation fears and global growth concerns. Volatility expectations, as measured by the Chicago Board Options Exchange Volatility Index, jumped above 30 in early December for the first time since January 2021. However, research indicating that the variant was less likely to cause severe infections reduced that investor uncertainty. Ultimately, the S&P 500 Index return of 28.7% in calendar 2021 was its third-highest calendar year return since 2000. Early in the fourth calendar year quarter, growth stocks outperformed value across all market capitalizations before a rotation into value stocks occurred later in the period; a trend even more accentuated among small- and mid-cap stocks. Overall, the Russell Top 200 Growth Index returned 13.7% versus 7.4% for the Russell Top 200 Value Index in the quarter. In contrast, the Russell 2000 Value Index was up 4.4% while the Russell 2000 Growth Index was flat. Similarly, the Russell Mid-Cap Value Index returned 8.5% compared to 2.8% for the Russell Mid-Cap Growth Index. Active management generally performed well in the quarter, except for large-cap growth managers, who struggled as stocks with loftier valuations were impacted by the prospect of a rising interest rate environment.

While international markets lagged the U.S. equity market in the quarter, developed international equities continued to participate in the recovery despite the COVID-19 surge led by the new Omicron variant. The MSCI EAFE Index saw a return of 2.7% for the quarter as growth stocks continued to outperform value stocks from the prior quarter resulting in both growth and value performing in line for the calendar year. Large-cap stocks outperformed small-cap stocks. Both Africa/Mideast and Europe led developed market equities higher while Asia/Pacific posted negative returns. Japan was the largest country detractor for the quarter due to its comparatively underwhelming pace of recovery despite the unveiling of a new stimulus package, record high industrial production and a slower pace of COVID-19 infections compared to its developed peers. Emerging markets experienced moderately negative returns in the quarter with the MSCI EM Index declining 1.3% for the period. Value stocks continued their outperformance over growth stocks, while small-cap stocks outperformed large-cap stocks. China continued to be the main drag on regional returns due to the ongoing regulatory and political environment combined with concerns over corporate debt levels within the country. Median manager returns suggest that most active managers outpaced their respective benchmarks over the course of 2021 across the developed and emerging market regions.

The Bloomberg U.S. Aggregate Index ended the quarter flat, capping off the third most negative calendar year on record for the index with an overall annual return that declined 1.5%. Treasury yields were unchanged in the quarter but ended the year up 0.59% relative to the start of the year at 1.52% as measured by the 10-year U.S. Treasury yield. U.S. investment grade credit fell 1.1% in 2021, while U.S. High Yield returned 5.3%, as measured by the Bloomberg U.S. Credit Index and Bloomberg U.S. High Yield Index, respectively. The divergence in returns demonstrates the

recent outperformance of lower quality debt as investors sought yield in a low interest rate environment. In particular, the lowest quality debt was a contributor to performance, as demonstrated by Ca-D rated debt returning 12.5% in 2021.

Core private real estate generated an 8% return in the quarter, as reported by the NFI-ODCE Index, with the total return comprised of 1% income and 7% price appreciation. While the income return continues to trend in line with historical levels, price appreciation returns remain elevated. This positive quarter brought the calendar year preliminary return of the NFI-ODCE Index to 22.2% with price appreciation accounting for a dominant share of the annual return. Preliminary data suggests that transaction volume for the quarter was robust, indicating continued recovery in broad property fundamentals and demand for the asset class as investors put capital to work. Relatedly, cap rates remained below historical levels. The industrial and multifamily property sectors saw the most activity from investors.

4. Performance: Investment performance was strong for the quarter with private and public assets doing well. The Retirement Annuity Trust portfolio returned 4.8% for the quarter and 14.15% for the 12-months ending December 31, underperforming the policy index increases of 5.81% and 16.15%, respectively. TRS's domestic equities returned 8.9%, underperforming the S&P 500 that increased 10.71% for the quarter. TRS's international stocks declined 0.35% and trailed the MSCI All Country ex-U.S. index that returned 1.88% for the quarter. Alternatives and real estate made strong contributions in the quarter as private equity was up 8.68% while real estate was up 7.18%. TRS's fixed income returned 0.48%, outperforming the Bloomberg Barclays Gov/Credit Bond index that returned 0.18% for the quarter. Additional categories returned 1.65% for the quarter.

Recommendation: The executive secretary recommends that the board accept and ratify the Report of the Investment Committee.

*Teachers' Retirement System of the State of Kentucky*  
*Retirement Annuity Trust*  
*Quarterly Investment Performance*  
*Gross Returns*  
*For the Period Ended December 31, 2021*

FINAL

	<u>Market Value</u>	<u>Last Qtr</u>	<u>FYTD</u>	<u>1-Year</u>	<u>3-Year*</u>	<u>5-Year*</u>	<u>10-Year*</u>	<u>20-Year*</u>
<b>TOTAL PLAN</b>	\$ 26,373,525,187.66	4.80	4.50	14.15	17.60	12.94	11.24	7.74
<i>Policy Benchmark</i>		5.81	6.05	16.49	17.13	12.53	10.89	-
<b>Total Equity</b>	\$ 16,388,842,559.98	5.86	3.76	17.14	23.67	16.26	14.21	8.48
<b>Domestic Equity</b>	\$ 11,225,105,147.95	8.90	7.99	25.39	26.50	17.96	16.34	9.62
<i>S&amp;P 1500 Index</i>		10.71	11.10	28.44	25.63	17.95	16.35	-
<b>All-Cap Equities</b>	\$ 604,239,640.94	6.98	8.33	28.04	27.78	18.21	-	-
<i>Russell 3000 Index</i>		9.28	9.17	25.66	25.79	17.97	16.30	-
<b>Large-Cap Equities</b>	\$ 9,150,465,110.41	9.54	8.73	26.49	27.14	18.54	16.49	-
<i>S&amp;P 500 Index</i>		11.03	11.67	28.71	26.07	18.47	16.55	-
<b>Mid-Cap Equities</b>	\$ 894,944,844.98	6.39	3.60	16.46	22.21	15.00	15.46	-
<i>S&amp;P 400 Index</i>		8.00	6.09	24.76	21.41	13.09	14.20	-
<b>Small-Cap Equities</b>	\$ 575,455,551.62	4.62	2.81	20.11	21.48	12.85	14.87	-
<i>S&amp;P 600 Index</i>		5.64	2.64	26.82	20.11	12.42	14.50	-
<b>International Equity</b>	\$ 5,163,737,412.03	-0.35	-4.58	2.06	18.07	13.08	9.55	-
<i>MSCI AC World Ex US</i>		1.88	-1.05	8.29	13.70	10.12	7.78	-
<b>Fixed Income</b>	\$ 3,904,888,556.00	0.48	0.41	-1.43	5.76	4.30	3.73	5.10
<i>Bloomberg Barclays Govt/Credit Index</i>		0.18	0.22	-1.75	5.50	3.99	3.13	4.49
<b>Real Estate</b>	\$ 1,549,075,064.58	7.18	12.41	17.48	9.18	9.87	10.26	9.44
<b>In House Real Estate Equity</b>	\$ 402,120,071.65	1.03	2.26	4.79	4.15	7.18	7.71	8.22
<i>CPI plus 2%</i>		2.72	4.43	9.27	5.60	4.98	4.16	4.31
<b>Core Real Estate</b>	\$ 706,818,088.26	8.74	13.91	18.50	9.54	9.08	10.62	-
<i>NCREIF ODCE (VW) Index</i>		7.97	15.12	22.17	9.20	8.71	10.45	-
<b>Non-Core Real Estate</b>	\$ 440,136,904.67	10.76	20.69	29.86	14.13	13.58	15.78	-
<i>NCREIF Property Index</i>		6.15	11.70	17.70	8.37	7.75	9.32	-
<b>Private Equity</b>	\$ 1,737,697,844.07	8.68	17.93	41.47	19.02	19.00	14.68	-
<b>Mature Private Equity</b>	\$ 956,594,711.31	8.41	16.13	39.62	15.75	16.35	12.33	-
<i>S&amp;P 500 Index plus 3%</i>		11.85	13.34	32.57	29.85	22.03	20.05	-
<b>Private Equity &lt; 5 Years</b>	\$ 781,103,132.76	9.91	21.06	46.24	23.07	22.03	-	-
<b>Timberland</b>	\$ 204,031,583.05	1.66	2.55	-8.45	0.84	0.65	2.80	-
<i>NCREIF Timberland Index</i>		4.56	6.54	9.17	3.69	3.58	5.30	-
<b>Additional Categories</b>	\$ 1,990,335,545.97	1.65	4.58	10.89	8.02	6.64	7.37	-
<i>B of A Merrill Lynch U.S. High Yield Master II Index</i>		0.64	1.59	5.35	8.57	6.09	6.72	-
<b>Cash (Unallocated)</b>	\$ 598,654,034.01	0.01	0.01	0.03	0.84	1.08	0.62	1.40
<i>90 Day T-Bill</i>		0.01	0.03	0.05	0.99	1.14	0.61	1.23

**Total Trust Gross Return for 30-year period\* 8.38**

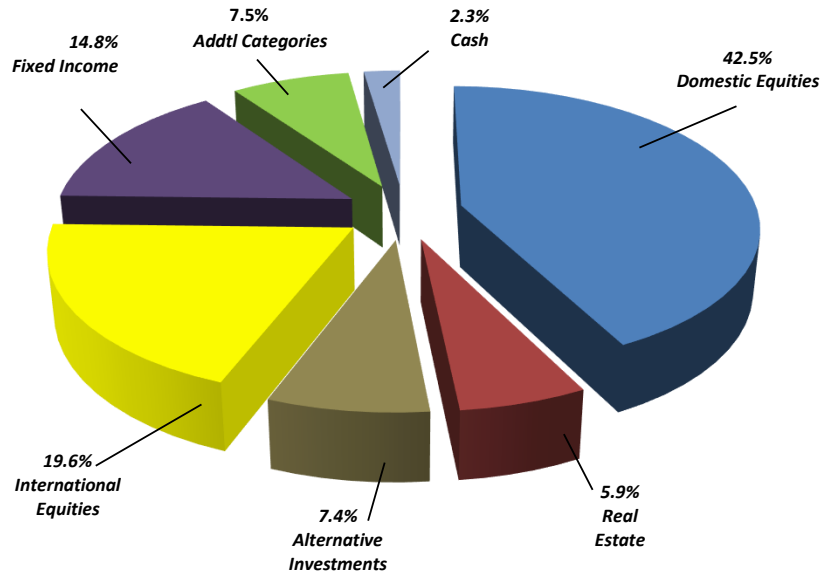
\*Returns are annualized for periods longer than one year

\*\* Prior to July 1, 2008, TRS did not benchmark overall fund performance. Effective July 1, 2008, the Board of Trustees approved a Policy Index that represents the returns of appropriate benchmarks for the various asset classes weighted by the mid-point of the strategic range for the current fiscal year.

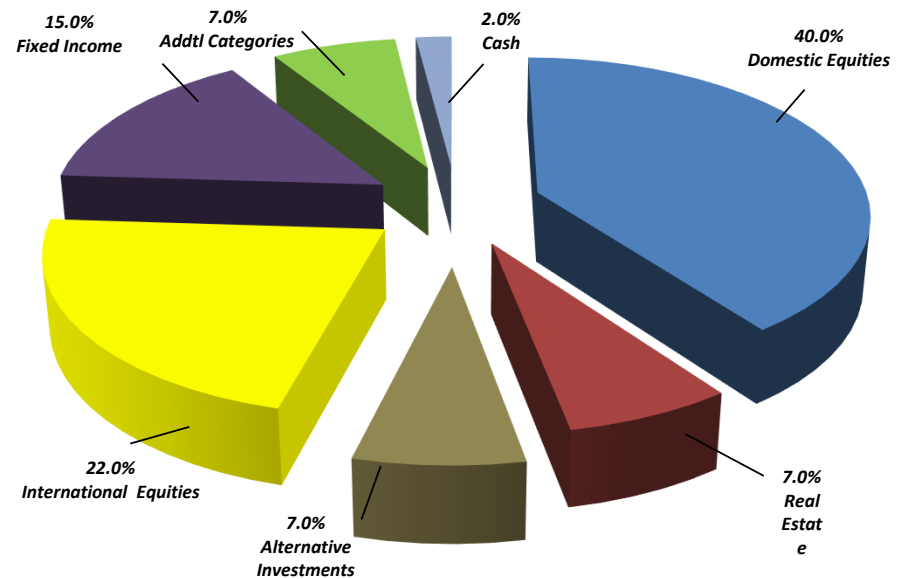
**Teachers' Retirement System of Kentucky**  
Quarterly Investment Update  
For the period ended December 31, 2021

(\$ in millions)	\$'s	12/31/2021 Actual %	9/30/2021 Actual %	Target %	Strategic Ranges
Domestic Equities	\$11,225.1	42.5%	41.8%	40.0%	34.0 - 48.0%
Real Estate	1,549.1	5.9%	5.9%	7.0%	4.0 - 10.0%
Alternative Inv.	1,941.7	7.4%	7.2%	7.0%	4.0 - 10.0%
International Equities	5,163.7	19.6%	20.4%	22.0%	18.0 - 25.0%
Fixed Income	3,904.9	14.8%	15.2%	15.0%	8.0 - 22.0%
Addtl Categories	1,990.3	7.5%	7.8%	7.0%	4.0 - 15.0%
Cash	598.7	2.3%	1.7%	2.0%	1.0 - 5.0%
<b>Total</b>	<b>\$26,373.5</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

**ACTUAL %**



**TARGET %**



*Teachers' Retirement System of the State of Kentucky*  
*Health Insurance Trust*  
*Quarterly Investment Performance*  
*Gross Returns*  
*For the Period Ended December 31, 2021*

FINAL

	<u>Market Value</u>	<u>Last Qtr</u>	<u>FYTD</u>	<u>1-Year</u>	<u>3-Year*</u>	<u>5-Year*</u>	<u>10-Year*</u>
<b><u>TOTAL PLAN</u></b>	\$ 2,362,192,415.08	4.34	4.99	15.92	16.46	12.22	9.50
<i>Policy Benchmark</i>		5.12	5.61	16.58	16.43	12.02	-
<b><u>Total Equity</u></b>	\$ 1,417,757,991.12	4.83	3.18	16.86	21.30	14.84	12.43
<b><u>Domestic Equity</u></b>	\$ 158,560,727.84	-2.88	-7.61	6.47	27.96	-	-
<i>S&amp;P 500 Index</i>		11.03	11.67	28.71	26.07	-	-
<i>Russell 3000</i>		9.28	9.17	25.66	25.79		
<b><u>Global Equities</u></b>	\$ 1,259,197,263.28	5.89	4.75	18.37	20.45	14.41	12.24
<i>MSCI AC World IMI (Net)</i>		6.10	4.92	18.22	20.20	14.12	11.84
<b><u>Fixed Income</u></b>	\$ 191,856,155.26	0.03	-0.07	-1.82	5.30	3.72	2.42
<i>Barclays Government Credit</i>		0.18	0.22	-1.75	5.50	3.99	3.13
<b><u>Real Estate</u></b>	\$ 130,428,050.64	10.46	19.25	27.07	13.77	12.59	-
<b><u>Core Real Estate</u></b>	\$ 63,904,118.44	9.58	15.77	21.23	11.12	9.96	-
<i>NCREIF ODCE (VW)</i>		7.97	15.12	22.17	9.20	8.71	-
<b><u>Non-Core Real Estate</u></b>	\$ 66,523,932.20	11.33	22.70	32.99	16.21	14.91	-
<i>NCREIF Property Index</i>		6.15	11.70	17.70	8.37	7.75	-
<b><u>Alternative Investments</u></b>							
<b><u>Private Equity</u></b>	\$ 194,660,571.12	10.13	20.45	50.95	20.48	19.98	-
<b><u>Mature Private Equity</u></b>	\$ 76,841,060.21	10.60	20.77	55.52	18.70	18.14	-
<i>S&amp;P 500 plus 3%</i>		11.85	13.34	32.57	29.85	22.03	-
<b><u>Private Equity &lt; 5 Years</u></b>	\$ 117,819,510.91	6.15	12.30	42.07	19.28	19.20	-
<b><u>Additional Categories</u></b>	\$ 415,250,577.68	1.41	4.02	9.49	8.22	6.41	6.38
<i>B of A Merrill Lynch High Yield Master II</i>		0.64	1.59	5.35	8.57	6.09	6.72
<b><u>Cash (Unallocated)</u></b>	\$ 12,239,069.26	0.01	0.02	0.03	0.93	1.12	0.64
<i>90 Day T-Bill</i>		0.01	0.03	0.05	0.99	1.14	0.61

\*Returns are annualized for periods longer than one year

\*\* Prior to July 1, 2015, TRS did not benchmark overall fund performance. Effective July 1, 2015, the Board of Trustees approved a Policy Index that represents the returns of ap for the various asset classes weighted by the mid point of the strategic range for the current fiscal year.

# Teachers' Retirement System of Kentucky

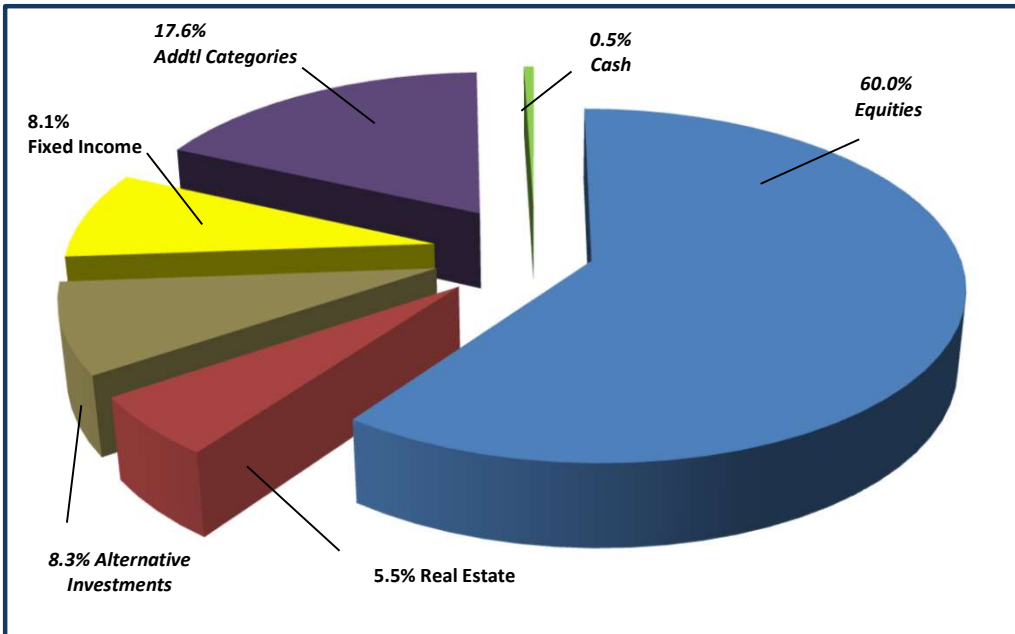
## Insurance Trust Fund

### Quarterly Investment Update

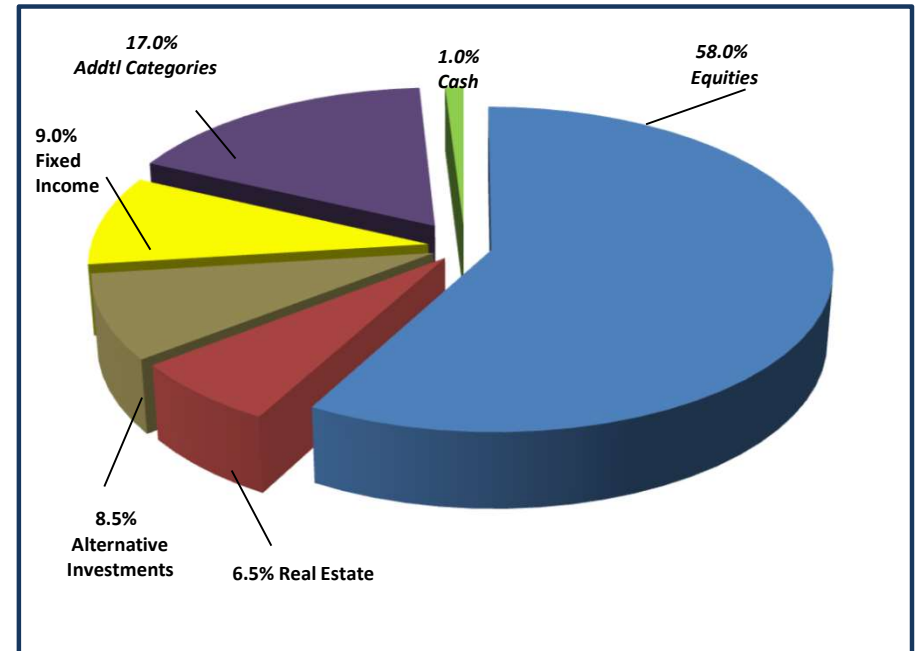
For the period ended December 31, 2021

(\$ in thousands)	\$'s	12/31/2021 Actual %	9/30/2021 Actual %	Target %	Strategic Ranges
Equities	\$1,417,758.0	60.0%	55.0%	58.0%	51.0 - 64.0%
Real Estate	\$130,428.0	5.5%	5.3%	6.5%	4.0 - 12.0%
Alternative Inv.	\$194,660.6	8.3%	7.9%	8.5%	5.0 - 12.0%
Fixed Income	\$191,856.1	8.1%	8.4%	9.0%	6.0 - 12.0%
Addtl Categories	\$415,250.6	17.6%	17.2%	17.0%	14.0 - 21.0%
Cash	\$12,239.1	0.5%	6.2%	1.0%	0.0 - 4.0%
<b>Total</b>	<b><u>\$2,362,192.4</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	<b><u>100.0%</u></b>	

**ACTUAL %**



**TARGET %**



TOTAL BV INVESTED AT 09/30/21

\$ 17,786,142,332.66

October Activity

Purchases	602,834,552.61	
Disposals	(524,596,722.33)	
Paydowns	(1,962,671.07)	
Redemptions	(17,805,556.27)	
Short-Term Pool Net	<u>72,394,134.56</u>	130,863,737.50

November Activity

Purchases	434,490,671.47	
Disposals	(297,958,426.56)	
Paydowns	(5,593,617.28)	
Redemptions	(33,535,197.23)	
Short-Term Pool Net	<u>(130,173,744.34)</u>	(32,770,313.94)

December Activity

Purchases	807,843,608.38	
Disposals	(727,684,221.03)	
Paydowns	(5,136,859.40)	
Redemptions	(10,684,932.02)	
Short-Term Pool Net	<u>232,733,881.31</u>	297,071,477.24

TOTAL BV INVESTED AT 12/31/21

\$ 18,181,307,233.46

\* TRS recognizes investment transactions on the date they occur. Transaction settlements, generally, occur days following transactions. The interim period between transaction date and settlement date represents a "pending period". At the time this statement was produced, (\$34,840,128.76) in net transactions had occurred but had not settled. The statement does not include either expected cash receipts or disbursements associated with these pending trades. Upon settlement of these pending transactions, the net effect would be as follows:

Total Short Term	1,086,151,593
- Pending Payable	<u>12,570,356</u>
Net	<u><u>1,073,581,237</u></u>



# INVESTMENT ACTIVITY

## October 1, 2021 -- December 31, 2021

**Total Book Value Invested @ 10/1/21** \$ 17,786,142,332.66

**Purchases:**

370	Cash Equivalents	\$ 1,095,424,392.37	
98	Fixed Income Securities	322,740,259.59	
3	Principal Paydowns	0.45	
0	Redemptions / Maturities	-	
1479	Equity Securities	1,051,521,040.39	
25	Real Estate	30,651,048.20	
101	Alternative Investments	190,392,551.80	
157	Additional Categories	249,863,932.48	
<u>2233</u>	<b>Total Purchases</b>		<b>\$ 2,940,593,225.28</b>

**Disposals:**

304	Cash Equivalents	\$ 920,470,120.84	
62	Fixed Income Securities	265,547,650.53	
302	Principal Paydowns	12,693,148.20	
36	Redemptions / Maturities	49,019,782.90	
1564	Equity Securities	823,568,626.43	
43	Real Estate	49,297,532.13	
174	Alternative Investments	175,123,697.68	
154	Additional Categories	236,701,863.15	
0	Additional Principal Paydowns	-	
11	Additional Redemptions / Maturities	13,005,902.62	
<u>2650</u>	<b>Total Disposals</b>		<b>\$ 2,545,428,324.48</b>

**Total Book Value Invested @ 12/31/21** \$ 18,181,307,233.46

**Total Par Value Invested @ 12/31/21** \$ 18,174,386,921.15

**Total Market Value Invested @ 12/31/21** \$ 26,373,525,187.66

\* TRS recognizes investment transactions on the date they occur. Transaction settlements, generally, occur days following transactions. The interim period between transaction date and settlement date represents a "pending period". At the time this statement was produced, (\$34,840,128.76 in net transactions had occurred but had not settled. The statement does not include either expected cash receipts or disbursements associated with these pending trades. Upon settlement of these pending transactions, the net effect would be as follows:

Total Short Term	1,086,151,593
- Pending Payable	<u>12,570,356</u>
Net	<u><u>1,073,581,237</u></u>

TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

SUBJECT: Report of the Governance and Audit Committee

The Governance and Audit Committee will have a special meeting on March 21, 2022, prior to the quarterly board meeting. The committee will present a report to the board during the quarterly meeting.

TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

SUBJECT: Legislative Update

During the meeting, staff will report on the 2022 Regular Session of the Kentucky General Assembly.

Recommendation: this report is provided for informational purposes.

TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

SUBJECT: Annual Review of Disability Earnings Limitation

KRS 161.661(12) allows the board to increase the disability earnings limitation by the percentage increase in the annual average of the Consumer Price Index (CPI) for all urban consumers for the most recent calendar year as published by the Federal Bureau of Labor Statistics (BLS) not to exceed 5%. The board periodically reviews whether the limitation should be increased to account for inflation. Most recently, the board authorized increasing the disability earnings limitation to \$42,740 effective January 1, 2021. In January 2022, the BLS published the CPI for all urban consumers for calendar 2021 as a 7.0% increase.

Recommendation: The executive secretary recommends that the disability earnings limitation be increased by 5% to \$44,877 effective for calendar year 2022 as allowed under KRS 161.661(12).

TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA  
Executive Secretary

DATE: March 21, 2022

SUBJECT: Executive Secretary's Observations and Comments

1. Statement of Financial Disclosure Due Friday, April 15: Each member of the Board of Trustees must file a Statement of Financial Disclosure with the Executive Branch Ethics Commission by Friday, April 15.

2. Member Nominating Committee for Board of Trustees Positions: The Member Nominating Committee, consisting of representatives from the 12 KEA districts and one retiree representative, met via live videoconference on February 19. The committee nominated candidates for two positions on the board with terms beginning on July 1. The positions on the board are for an active teacher and lay member.

In the election for the active teacher seat, Ben Littlepage, of Murray, was nominated for the first position on the ballot, and Denise Watkins of Morehead, was nominated for the second position.

In the election for the lay member seat, current trustee Hollis Gritton, of Union, was nominated for the first position on the ballot, and Paul Bruce, of Louisville, was nominated for the second position on the ballot. Tommy Turner, of Hodgenville, was nominated as the alternate.

Again, this year, members of TRS will be able to vote electronically for the trustee positions. The electronic ballot will be available on Pathway to members from April 1 through April 17. Thereafter, paper ballots will be mailed to all active and retired members who did not vote by electronic ballot. The paper ballots must be postmarked by May 31. Electronic and paper ballots will be tallied by the state education commissioner, and the results will be announced at the board's June 20 quarterly meeting.

3. Junita Losey Scholarship Fund Update: Checks for scholarships in the amount of \$2,000 have been sent to each of the eight public universities in Kentucky. TRS is expecting responses from the universities that the scholarship money has been received. Recipients may apply scholarship funds toward tuition, books or fees.

In addition, the Campbell County Schools district selects a student in May who intends to enroll in one of Kentucky's public universities and major in education to receive the Losey Scholarship. The student must enroll in a Kentucky public university in the fall and then notify TRS to verify enrollment. At that time, a check in the amount of \$1,000 is sent to the university where the student is enrolled. Upon completing the first university semester, the student is to inform TRS whether the student remains in compliance with the scholarship criteria. If so, TRS then will distribute another \$1,000 check to the university.

4. Executive Secretary's Meetings: Staff has had meetings with several persons and groups recently. The board will receive reports concerning the following meetings:

January 13-26, 2022	Presented TRS 101 in 12 sessions to staff
January 21, 2022	Meeting with Ice Miller
January 25, 2022	Meeting with prospective investment manager
February 14, 2022	Meeting with communications consultant
February 14, 2022	Meeting with Ice Miller
February 17, 2022	Meeting with Todd Asset Management
February 19, 2022	Attended Member Nominating Committee meeting
February 25, 2022	Meeting with Ice Miller
March 1, 2022	Attended Know Your Rx Coalition Board Meeting
March 7, 2022	Meeting with communications consultant
March 7, 2022	Presentation to Calloway County RTA
March 9, 2022	Attended Public Sector Healthcare Roundtable board meeting

5. Next Meeting: The next quarterly meeting of the board will be Monday, June 20.