



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

Regular Quarterly Meeting

TRS Board of Trustees

A G E N D A

June 19, 2023, 12:30 p.m. ET

BOARD OF TRUSTEES

BRENDA MCGOWN, Chair
Bowling Green

JOHN BOARDMAN, Vice Chair
Lexington

WILLIAM ALVERSON
Paris

FRANK COLLECCHIA
Louisville

HOLLIS GRITTON
Union

BEN LITTLEPAGE, Ed.D.
Murray

LAURA SCHNEIDER
Walton

JOSH UNDERWOOD
Tollesboro

ALISON WRIGHT
Georgetown

ALLISON BALL
State Treasurer

JASON GLASS, Ed.D.
Education Commissioner

GARY L. HARBIN, CPA
Executive Secretary

- Board Called to Order
 - Roll Call
1. Reports for Consent
 - 1.1. Consideration/Approval of Minutes
 - 1.1.1. Quarterly Meeting, Board of Trustees, March 20, 2023
 - 1.1.2. Special Meeting, Governance and Audit Committee, March 20, 2023
 - 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. Standard Annual Board Actions
 - 2.1. Report of Results of Trustee Elections
 - 2.2. Election of 2023-2024 Board Chair and Vice Chair
 - 2.3. 2023-2024 Committee Appointments
 - 2.4. Board Appointment of Investment Committee
 - 2.5. Resolution Regarding Purchases or Sales of Investment Instruments
 - 2.6. Transfer of Interest
 - 2.7. Transfer of Reserve Funds
 - 2.8. 2023-2024 Administrative Expense Fund Budget
 - 2.9. Internal Revenue Code Section 415(b) Limit
 - 2.10. Personnel Matters
 3. Report of the Investment Committee
 4. Report on 2023 Regular Session of the General Assembly
 5. Report of the Governance and Audit Committee
 6. Executive Secretary's Observations and Comments
 - General Discussion
 - Adjournment

The meeting will be held in the TRS boardroom at 479 Versailles Road, Frankfort, KY

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Reports for Consent

1.1. Consideration/Approval of Minutes

1.1.1. Regular Quarterly Meeting of the Board of Trustees, March 20, 2023

1.1.2. Governance and Audit Committee Special Meeting, March 20, 2023

Recommendation: The board is requested to approve the minutes as presented.

1.2. Applications for Retirement and Annuity

The list of members who retired in March, April and May 2023 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 156 retirees with monthly payments totaling \$362,528.31. During the same period last year, 143 retirements resulted in monthly payments totaling \$336,862.07.

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

1.3. Survivor Benefits

The list of persons qualifying for survivor benefit payments for the quarter ended March 31, 2023, is included in the board materials. During the period, nine survivor benefits commenced with a total monthly payment of \$1,500.00.

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 March 31, 2023, is included in the board materials. Eleven payments to the estates or beneficiaries of active teachers and 331 payments to the estates or beneficiaries of retired teachers combined for total payments of \$1,677,000. During the same quarter last year, 395 payments amounted to \$1,927,000.

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 March 31, 2023, is included in the board materials. During the quarter, 627 refunds totaled \$7,340,662.07. The refunds are for the following categories:

Regular withdrawals	596	\$7,149,775.52
Deaths	<u>31</u>	<u>\$190,886.55</u>
Totals	627	\$7,340,662.07

During the same quarter last year, 577 refunds totaled \$6,500,865.78.

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

1.6. Interim Financial Statements

The Interim Financial Statements for the quarter ended March 31, 2023, are included in the board materials.

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
2023

	March	April	May	Total	Same Period 2022
Handicapped Child	<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
Disability Retirement	<i>7</i> \$20,866.84	<i>9</i> \$31,564.60	<i>8</i> \$24,252.22	<i>16</i> \$76,683.66	<i>16</i> \$42,487.88
Service Retirement	<i>52</i> \$131,157.91	<i>35</i> \$68,883.28	<i>43</i> \$82,797.00	<i>124</i> \$282,838.19	<i>124</i> \$287,779.65
Beneficiary of Member Eligible to Retire	<i>0</i> \$0.00	<i>2</i> \$3,006.46	<i>0</i> \$0.00	<i>3</i> \$3,006.46	<i>3</i> \$6,594.54
TOTALS	<i>59</i> \$152,024.75	<i>46</i> \$103,454.34	<i>51</i> \$107,049.22	<i>156</i> \$362,528.31	<i>143</i> \$336,862.07

**Reports for Consent
Member Account Refunds
For the period January 2023 - March 2023**

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	328	2,144,543.05	531,199.92	1,362,239.18	4,037,982.15
February	131	718,474.91	179,593.67	569,563.90	1,467,632.48
March	137	926,830.20	231,574.28	485,756.41	1,644,160.89
Total	596				7,149,775.52

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	15	54,568.81	9,223.45	36,772.40	100,564.66
February	7	36,798.87	9,077.37	980.82	46,857.06
March	9	31,616.20	6,929.63	4,919.00	43,464.83
Total	31				190,886.55

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	343	2,199,111.86	540,423.37	1,399,011.58	4,138,546.81
February	138	755,273.78	188,671.04	570,544.72	1,514,489.54
March	146	958,446.40	238,503.91	490,675.41	1,687,625.72
Total	627				7,340,662.07

TEACHERS' RETIREMENT SYSTEM

OF THE STATE OF KENTUCKY



INTERIM FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2023

(FAIR VALUE - UNAUDITED)

Statements of Plan Net Assets
as of March 31, 2023 and 2022
(Fair Value - Unadjusted & Unaudited)

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
ASSETS										
Cash	\$ 122,979,863	\$ 287,905,710	\$ 220,671,267	\$ 155,530,600	\$ 520,409	\$ 220,629	\$ 225,526	\$ 146,328	\$ 344,397,065	\$ 443,803,267
Receivables										
Contributions	50,526,572	49,630,590	14,111,640	10,344,680	54,426	47,267			64,692,638	60,022,537
Investment Income	49,654,767	45,254,996	3,099,024	3,441,069	290,175	263,725	3,160	2,645	53,047,126	48,962,435
Investment Sales Receivable	29,416,056	179,411,175	2,659,855	4,042,915	815	3,865			32,076,726	183,457,955
Installment Account Receivable	21,334	64,906							21,334	64,906
Other Receivables	24,667	33,756	37,308,327	37,955,663					37,332,994	37,989,419
Due from Other Funds	5,964,536	3,848,217							5,964,536	3,848,217
Total Receivables	135,607,932	278,243,640	57,178,846	55,784,327	345,416	314,857	3,160	2,645	193,135,354	334,345,469
Investments at Market Value										
Short Term Investments	610,730,075	951,056,561	126,112,108	77,929,225	5,168,229	7,741,312	346,079	341,289	742,356,491	1,037,068,387
Bonds and Mortgages	3,075,823,174	3,349,947,747	157,208,807	145,313,001	18,651,158	17,838,911	221,554	256,554	3,251,904,693	3,513,356,213
Stocks	13,604,681,508	14,819,568,725	1,270,796,699	1,320,096,924	52,881,002	62,181,677	457,902	504,277	14,928,817,111	16,202,351,603
Alternative Investments	1,846,186,864	1,944,010,373	212,814,314	195,366,299	4,547,500	2,780,203			2,063,548,678	2,142,156,875
Real Estate	1,798,236,400	1,618,990,493	161,635,335	138,936,914	6,474,014	6,896,799			1,966,345,749	1,764,824,206
Additional Categories	2,462,376,843	1,953,739,501	394,997,957	393,924,005	2,817,559	2,851,284			2,860,192,359	2,350,514,790
Total Investments	23,398,034,864	24,637,313,400	2,323,565,220	2,271,566,368	90,539,462	100,290,186	1,025,535	1,102,120	25,813,165,081	27,010,272,074
Capital Assets (net of accumulated depreciation)	9,255,981	10,255,925							9,255,981	10,255,925
Total Assets	23,665,878,640	25,213,718,675	2,601,415,333	2,482,881,295	91,405,287	100,825,672	1,254,221	1,251,093	26,359,953,481	27,798,676,735
LIABILITIES										
Liabilities										
Accrued Expenses and Other Liabilities	2,110,479	1,585,425	5,769,356	-					7,879,835	1,585,425
State of Kentucky	56,437,397	9,353,101	119,901	11,669,764	62,105	51,960			56,619,403	21,074,825
Investment Purchases Payable	39,624,118	84,981,066	4,852,858	6,867,655	405	3,318	-	-	44,477,381	91,852,039
Investment Fees Payable	15,073,093	18,620,079	1,610,807	1,643,815	49,320	52,158	-	-	16,733,220	20,316,052
Due to Other Funds	-	-	5,849,474	3,775,247	111,477	70,478	3,585	2,492	5,964,536	3,848,217
Total Liabilities	113,245,087	114,539,671	18,202,396	23,956,481	223,307	177,914	3,585	2,492	131,674,375	138,676,558
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS										
	\$ 23,552,633,553	\$ 25,099,179,004	\$ 2,583,212,937	\$ 2,458,924,814	\$ 91,181,980	\$ 100,647,758	\$ 1,250,636	\$ 1,248,601	\$ 26,228,279,106	\$ 27,660,000,177

Statements of Changes in Plan Net Assets
For the Nine Months Ended March 31, 2023 and 2022
(Fair Value - Unadjusted & Unaudited)

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022	FY 2023	FY 2022
ADDITIONS										
Contributions										
Employer- State Paid	\$ 754,104,207	\$ 785,284,594	\$ 70,012,029	\$ 33,223,421	\$ 1,690,680	\$ 1,471,517	\$ -	\$ -	\$ 825,806,916	\$ 819,979,532
Employer- LSD, Other	72,443,287	77,650,217	85,766,638	80,683,452	482,734	383,929	218,241	2,281	158,910,900	158,719,879
Member- Active	253,564,339	244,272,760	102,975,899	99,327,794			5,881		356,546,119	343,600,554
Member- Retired			47,802,601	45,241,509					47,802,601	45,241,509
Recovery Income			100,870,332	112,148,524					100,870,332	112,148,524
Total Contribution	1,080,111,833	1,107,207,571	407,427,499	370,624,700	2,173,414	1,855,446	224,122	2,281	1,489,936,868	1,479,689,998
Investment Income/(Loss)										
Net Appreciation/(Depreciation) in Fair Value of Investments										
Interest	1,123,219,264	(442,138,381)	129,395,337	9,018,442	4,373,478	(4,664,135)	20,672	(1,217)	1,257,008,751	(437,785,291)
Dividends	139,516,652	109,209,618	16,709,005	11,767,255	615,246	424,911	12,127	4,761	156,853,030	121,406,545
Rental Income, Net	172,111,307	190,411,494	8,680,338	2,164,520	520,720	565,404	5,422	5,182	181,317,787	193,146,600
Securities Lending, Net	16,538,346	12,379,698							16,538,346	12,379,698
	1,899,982	3,021,193			41,189	51,235	504	399	1,941,675	3,072,827
Gross Investment Income	1,453,285,551	(127,116,378)	154,784,680	22,950,217	5,550,633	(3,622,585)	38,725	9,125	1,613,659,589	(107,779,621)
Less Investment Expense	(50,816,758)	(53,266,863)	(5,448,518)	(4,935,369)	(163,040)	(161,716)	-	-	(56,428,316)	(58,363,948)
Net Investment Income	1,402,468,793	(180,383,241)	149,336,162	18,014,848	5,387,593	(3,784,301)	38,725	9,125	1,557,231,273	(166,143,569)
Total Additions	2,482,580,626	926,824,330	556,763,661	388,639,548	7,561,007	(1,928,855)	262,847	11,406	3,047,168,141	1,313,546,429
DEDUCTIONS										
Benefits	1,795,472,610	1,731,064,943			4,759,530	4,850,303	128,569	128,173	1,800,360,709	1,736,043,419
Refunds of Contributions	21,691,690	21,206,494							21,691,690	21,206,494
Under 65 Insurance Expenses			77,504,582	75,807,156					77,504,582	75,807,156
Over 65 Insurance Expenses			165,221,831	154,411,994					165,221,831	154,411,994
Administrative Expense	12,735,143	11,153,095	-	-	-	-	-	-	12,735,143	11,153,095
Total Deductions	1,829,899,443	1,763,424,532	242,726,413	230,219,150	4,759,530	4,850,303	128,569	128,173	2,077,513,955	1,998,622,158
Net Increase (Decrease)	652,681,183	(836,600,202)	314,037,248	158,420,398	2,801,477	(6,779,158)	134,278	(116,767)	969,654,186	(685,075,729)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS										
Beginning of year	22,899,952,370	25,935,779,206	2,269,175,689	2,300,504,416	88,380,503	107,426,916	1,116,358	1,365,368	25,258,624,920	28,345,075,906
Ending of period	\$ 23,552,633,553	\$ 25,099,179,004	\$ 2,583,212,937	\$ 2,458,924,814	\$ 91,181,980	\$ 100,647,758	\$ 1,250,636	\$ 1,248,601	\$ 26,228,279,106	\$ 27,660,000,177

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Report of Results of Trustee Elections

In accordance with KRS 161.260, the results of the elections of one active teacher trustee and one lay trustee, as certified by the Department of Education, will be announced at the board meeting.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Election of 2023-2024 Board Chair and Vice Chair

KRS 161.340 provides that the Board of Trustees annually shall elect from its membership a chair and a vice chair. Additionally, 102 KAR 2:010, Section 1 provides that the election will be conducted for the succeeding fiscal year at the last meeting of the current fiscal year (the June meeting).

A trustee is limited, under the amendments in House Bill 300 (2012 RS), to no more than four consecutive years serving as chair or vice chair.

Recommendation: The executive secretary recommends that the board elect a chair and vice chair consistent with KRS 161.340 and 102 KAR 2:010.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: 2023-2024 Committee Appointments

The board chair identifies standing committees that are to report and make recommendations to the full board. The chair also appoints board members to the committees for terms that correspond to the term of the chair. The chair will make committee appointments for the coming year and will notify those appointed. Notify the chair if you have any interest in serving on a particular committee. The 2022-23 committees and their members are as follows:

Administrative Appeals

Laura Schneider, Chair
Hollis Gritton, Vice Chair
Dr. Ben Littlepage
John Boardman, Alternate

Governance & Audit

Hollis Gritton, Chair
William Alverson, Vice Chair
Frank Collecchia
Dr. Ben Littlepage, Alternate

Insurance

Brenda McGown, Chair
Josh Underwood, Vice Chair
John Boardman
Laura Schneider, Alternate
Matt Ross, Alternate

Investment

Hollis Gritton, Chair
Brenda McGown, Vice Chair
William Alverson
John Boardman
Frank Collecchia
Josh Underwood
Alison Wright
Dr. Ben Littlepage, Alternate
Laura Schneider, Alternate

Legislative

Brenda McGown, Chair
Alison Wright, Vice Chair
Josh Underwood
Hollis Gritton, Alternate

Nominating

Laura Schneider, Chair
Alison Wright, Vice Chair
Hollis Gritton
William Alverson, Alternate

Personnel

Alison Wright, Chair
Brenda McGown, Vice Chair
William Alverson
Hollis Gritton
Dr. Ben Littlepage
Frank Collecchia, Alternate

Scholarship

Josh Underwood, Chair
Alison Wright, Vice Chair
William Alverson
Laura Schneider
Brenda McGown, Alternate

Benefits & Funding

Alison Wright, Chair
Allison Ball
Brenda McGown

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Board Appointment of Investment Committee

The Investment Committee is authorized under KRS 161.430, which provides that the board may appoint an investment committee to "... act for the board in all matters of investment, subject to approval of the board of trustees"

On December 15, 2008, the board adopted recommendations concerning the TRS investment program, which were promoted by a coalition of constituency groups and others. At the same time, the board delegated authority to the Investment Committee to implement these recommendations.

Later, Senate Bill 2 (2017 RS) provided for two trustees with investment experience appointed by the governor.

1. The chair at the meeting will review recommendations for seven trustees and two alternates to serve on the Investment Committee for fiscal year 2024 and ask the board to act on those.

Recommendation: The chair will provide a recommendation at the meeting for the Investment Committee for fiscal 2024.

For reference, the fiscal 2023 membership of the committee is:

Hollis Gritton, Chair
Brenda McGown, Vice chair
William Alverson
John Boardman
Frank Collecchia
Alison Wright
Josh Underwood

Dr. Ben Littlepage, Alternate
Laura Schneider, Alternate

2. Pursuant to the board's previously referenced recommendations, two nationally recognized, investment experts were appointed in 2009 to serve as non-voting members of the Investment Committee. Both investment experts have been reappointed annually.

Recommendation: The executive secretary recommends that the board ratify the appointment of Bevis Longstreth and George Philip to serve on the Investment Committee for fiscal 2024.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Resolution Regarding Purchases or Sales of Investment Instruments

The laws and regulations governing the administration of TRS authorize the board to delegate authority to the executive secretary and chief investment officer to execute purchases and sales of investment instruments on the board's behalf.

KRS 161.430 reads as follows:

No investment or disbursement of funds shall be made unless authorized by the board of trustees, except that the board, in order to ensure timely market transactions, shall establish investment guidelines, by administrative regulation, and may permit its staff ... to execute purchases and sales of investment instruments within those guidelines without prior board approval.

102 KAR 1:175, Section 1. (1)(c) reads as follows:

To ensure a timely market transaction, the executive secretary and the chief investment officer may make a purchase or sale of an investment instrument without prior board approval if the action conforms to the provisions established in this administrative regulation.

The statute and regulation cover the retirement annuity and life insurance trusts, and, in accordance with KRS 161.677(3), the Health Insurance Trust is to be managed in the same general manner. Occasionally, TRS staff members must present proof that they are authorized to execute purchases and sales of investment instruments on the board's behalf. Historically, the board adopts a resolution annually for this purpose, which is copied into the board minutes. Staff presents a copy of the resolution to interested parties, when necessary, to execute purchases or sales of investment instruments on the board's behalf.

Recommendation: The executive secretary recommends that the board adopt the following resolution to confirm the authority granted to the executive secretary and the chief investment officer to execute purchases or sales of investment instruments on the board's behalf.

BE IT RESOLVED, by the Board of Trustees of the Teachers' Retirement System of the State of Kentucky, that the executive secretary or chief investment officer be, and they hereby are, authorized and empowered to execute purchases or sales of all investment instruments in the name of, or belonging to, the Teachers' Retirement System of the State of Kentucky, or in its nominee name "KENTRES," in any capacity and includes all investment instruments of the retirement system provided for in KRS 161.220 to 161.716 and KRS 161.990, whether designated retirement annuity, life insurance, health insurance trust or the Kentucky Teachers' Retirement System insurance trust.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Transfer of Interest

KRS 161.440 requires that a transfer of interest be made from the Guarantee Fund to other funds, except the Expense Fund and Health Insurance Trust. The executive secretary requests authority from the board to make the required transfer of funds as of July 1, 2023.

Recommendation: The executive secretary recommends that the board issue a directive as follows:

In accordance with KRS 161.440, the executive secretary is authorized and directed to credit the required interest on average monthly balances to (1) the Teachers' Savings Fund, (2) the State Accumulation Fund and (3) the Allowance Reserve Fund, with such credits to be transferred from the Guarantee Fund and credited on July 1, 2023.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Transfer of Reserve Funds

KRS 161.420 requires TRS each year to transfer an amount equal to the accounts of members retiring on July 1, along with an equal amount from the State Accumulation Fund, to the Allowance Reserve Fund. In addition, sufficient sums must be transferred during the year at the time of retirement of individual teachers.

Recommendation: The executive secretary recommends that the board issue a directive authorizing the transfer of reserve funds and requests that the authorization cover the transfer of accounts of teachers who will retire during the 2024 fiscal year as follows:

The executive secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during fiscal year 2024 and to transfer from the Teachers' Savings Fund to the Allowance Reserve Fund a sum equal to that amount; and, further, to transfer a matching amount from the State Accumulation Fund to the Allowance Reserve Fund, both of which transfers are authorized by KRS 161.420(2) and (3).

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: 2023-2024 Administrative Expense Fund Budget

Administrative Expense Fund Budget: The state budget adopted by the legislature sets amounts that the retirement system may expend for administration during a fiscal year. The allowable budget of \$19,330,200 was approved by the legislature for the 2024 fiscal year.

A copy of the proposed fiscal 2024 administrative budget is attached. Also attached are additional materials comparing TRS's administrative expenses with those of other retirement systems and a schedule of actual administrative expenses for the current fiscal year through April 30.

Recommendation: The executive secretary recommends that the board approve the proposed fiscal 2024 administrative budget as presented.

Teachers' Retirement System of the State of Kentucky
Administrative Budget

	Final Budget <u>2022-2023</u>	Proposed Budget <u>2023-2024</u>
PERSONNEL COSTS		
Salaries & Wages	\$ 9,811,200	\$ 10,450,000
FICA/Medicare	306,800	231,800
Retirement	2,493,300	2,675,000
Health/Life Insurance	<u>1,020,600</u>	<u>1,100,000</u>
SUB TOTAL PERSONNEL	13,631,900	14,456,800
Worker's Compensation	10,500	12,500
Unemployment Compensation	5,000	5,000
Employee Training	59,500	59,500
Legal Services	162,300	162,300
Auditing	122,800	122,800
Medical Review	160,100	160,100
Consulting Services	102,000	102,000
Actuarial	288,100	288,100
Investigative Services	40,700	40,700
Janitorial Services	40,200	40,200
Other	<u>2,200</u>	<u>2,200</u>
TOTAL PERSONNEL COSTS	14,625,300	15,452,200
OPERATING EXPENSES		
Natural Gas	19,700	19,700
Electricity	90,200	70,200
Water & Sewage	12,800	12,800
Meeting Room Rentals	9,300	9,300
Copy Machine Rental	18,000	18,000
Motorpool Rental	5,700	5,700
Maintenance-Building & Grounds	100,900	100,900
Equipment Maintenance	13,800	13,800
Computer Maintenance	30,600	30,600
Postage & Delivery Services	474,900	524,900
Printing	198,900	178,900
Insurance	209,500	209,500
Other	10,900	10,900
Telephone	28,200	28,200
Computer Services	98,000	38,000
Office Supplies	63,900	63,900
Furniture under \$5,000	14,100	14,100
Computer Software	2,068,900	2,068,900

Teachers' Retirement System of the State of Kentucky
Administrative Budget

Storage	53,900	53,900
Travel-In State	28,600	28,600
Travel-Out-of-State	30,000	30,000
Subscriptions & Dues	157,000	157,000
Other	11,100	11,100
Computers (PC) Under \$5,000	<u>103,200</u>	<u>103,200</u>
TOTAL OPERATING EXPENSES	3,852,100	3,802,100
CAPITAL OUTLAY		
Furniture/Office Equipment	24,900	24,900
Computers over \$5,000	<u>51,000</u>	<u>51,000</u>
TOTAL CAPITAL OUTLAY	<u>75,900</u>	<u>75,900</u>
TOTAL EXPENDITURES	<u>\$ 18,553,300</u>	<u>\$ 19,330,200</u>

**TEACHERS RETIREMENT SYSTEM KENTUCKY
ADMINISTRATIVE EXPENSES ANALYSIS**

Our actual expenses vs. Budget	Assets End of Year	Actual Expenses	Basis Points	Budget Request	Budgeted Expenses	Percent Expended	Amount returned to Pension Fund at year end
Through Current Year 4/30/23		14,293,888			15,461,084	92.45%	
Fiscal Year 6/30/22	25,258,624,920	14,554,420	0.0576%	16,369,600	16,823,700	86.51%	1,602,947
Fiscal Year 6/30/21	28,345,075,906	14,365,286	0.0507%	15,973,100	16,100,300	89.22%	1,173,493
Fiscal Year 6/30/20	22,422,095,863	14,251,423	0.0636%	15,857,800	15,439,000	92.31%	905,376
Fiscal Year 6/30/19	21,872,888,268	13,711,337	0.0627%	15,625,200	13,949,200	98.29%	168,176
Fiscal Year 6/30/18	21,257,498,478	13,168,116	0.0619%	14,554,000	13,515,000	97.43%	86,312
Fiscal Year 6/30/17	19,754,828,599	11,881,187	0.0601%	13,412,000	12,934,000	91.86%	799,722
Fiscal Year 6/30/16	17,638,549,089	10,960,754	0.0621%	13,873,600	12,196,600	89.87%	785,983
Fiscal Year 6/30/15	18,766,823,240	10,440,118	0.0556%	12,829,400	12,196,600	85.60%	2,020,284
Fiscal Year 6/30/14	18,720,359,574	9,078,009	0.0485%	12,995,600	12,030,300	75.46%	3,814,012
Fiscal Year 6/30/13	16,613,402,131	9,677,241	0.0582%	12,410,000	12,030,300	80.44%	5,179,860
Fiscal Year 6/30/12	15,229,062,321	8,987,875	0.0590%	12,030,300	12,030,300	74.71%	3,208,685
Fiscal Year 6/30/11	15,514,921,656	8,530,724	0.0550%	11,428,700	11,428,700	74.64%	3,104,778
Fiscal Year 6/30/10	12,786,733,551	8,830,054	0.0691%	10,851,000	10,851,000	81.38%	2,187,713
Fiscal Year 6/30/09	11,830,163,585	8,165,757	0.0690%	10,102,600	10,102,600	80.83%	2,118,884
Fiscal Year 6/30/08	14,340,732,528	7,551,936	0.0527%	9,543,500	9,453,500	79.89%	2,044,217

Our expenses compared to similar size systems	Assets End of Year	Actual Expenses	Basis Points
KPPA 6/30/22	15,248,180,000	39,742,000	0.2606%
Indiana Public Employees 6/30/22	14,848,361,000	18,704,000	0.1260%
New Mexico Public Employees 6/30/22	16,354,646,873	16,010,498	0.0979%
Kansas Public Employees 6/30/22	24,472,076,104	19,498,079	0.0797%
Ohio Teachers Retirement System 6/30/22	87,604,239,000	68,648,000	0.0784%
Georgia Employees 6/30/22	16,778,508,000	11,345,000	0.0676%
Louisiana Teachers 6/30/22	25,050,873,120	14,554,420	0.0581%
Kentucky Teachers 6/30/22	25,258,624,920	14,121,414	0.0559%

**TEACHERS RETIREMENT SYSTEM KENTUCKY
ADMINISTRATIVE EXPENSES ANALYSIS**

Our actual expenses vs. Budget	Actuarial Liabilities End of Year	Actual Expenses	Basis Points	Budgeted Expenses	Percent Expended	Amount returned to Pension Fund at year end
<i>Through Current Year 4/30/23</i>		<i>14,293,888</i>		<i>15,461,084</i>	<i>92.45%</i>	
Fiscal Year 6/30/22	44,858,351,000	14,554,420	0.0324%	16,823,700	86.51%	1,602,947.00
Fiscal Year 6/30/21	43,155,037,000	14,365,286	0.0333%	16,100,300	89.22%	1,173,492.52
Fiscal Year 6/30/20	38,462,097,000	14,251,423	0.0371%	15,439,000	92.31%	905,376.25
Fiscal Year 6/30/19	37,927,400,000	13,711,337	0.0362%	13,949,200	98.29%	168,176.39
Fiscal Year 6/30/18	37,325,775,194	13,168,116	0.0353%	13,515,000	97.43%	86,312.25
Fiscal Year 6/30/17	36,696,529,800	11,881,187	0.0324%	12,934,000	91.86%	799,722.32
Fiscal Year 6/30/16	35,768,359,000	10,960,754	0.0306%	12,196,600	89.87%	785,982.95
Fiscal Year 6/30/15	34,774,285,000	10,440,118	0.0300%	12,196,600	85.60%	2,020,284.36
Fiscal Year 6/30/14	33,476,447,000	9,078,009	0.0271%	12,030,300	75.46%	3,814,011.56
Fiscal Year 6/30/13	32,432,630,000	9,677,241	0.0298%	12,030,300	80.44%	5,179,859.68
Fiscal Year 6/30/12	30,659,792,000	8,987,875	0.0293%	12,030,300	74.71%	3,208,685.47
Fiscal Year 6/30/11	29,479,929,000	8,530,724	0.0289%	11,428,700	74.64%	3,104,778.23
Fiscal Year 6/30/10	27,643,213,000	8,830,054	0.0319%	10,851,000	81.38%	2,187,712.93
Fiscal Year 6/30/09	29,945,493,000	8,165,757	0.0273%	10,102,600	80.83%	2,118,883.81
Fiscal Year 6/30/08	28,979,091,000	7,551,936	0.0261%	9,453,500	79.89%	2,044,217.34

Our expenses compared to similar size systems	Actuarial Liabilities End of Year	Actual Expenses	Basis Points
Indiana Public Employees 6/30/22	18,002,194,000	18,704,000	0.1039%
KPPA 6/30/22	46,789,163,028	39,742,000	0.0849%
New Mexico Public Employees 6/30/22	23,924,483,762	16,010,498	0.0669%
Ohio Teachers Retirement System 6/30/22	105,264,324,785	68,648,000	0.0652%
Kansas Public Employees 6/30/22	34,630,796,404	19,498,079	0.0563%
Georgia Employees 6/30/22	20,260,756,000	11,345,000	0.0560%
Louisiana Teachers 6/30/22	34,593,400,000	14,554,420	0.0421%
<i>Kentucky Teachers 6/30/22</i>	<i>44,858,351,000</i>	<i>14,121,414</i>	<i>0.0315%</i>

**ACTUAL SPENDING V. BUDGET
FOR PERIOD ENDING APRIL, 2023**

	ACTUAL	BUDGET	VARIANCE
	Y T D	Y T D	
	Through April		
Regular Salaries & Wages	\$ 7,580,880.05	\$ 8,176,000.00	595,119.95
Employers FICA	166,303.57	255,666.66	89,363.09
Employers Retirement Credit	1,903,965.22	2,077,750.00	173,784.78
Employer Health Insurance	795,379.07	847,500.00	52,120.93
Employer Life Insurance	1,071.00	3,000.00	1,929.00
Worker's Compensation	10,309.45	8,750.00	(1,559.45)
Unemployment Compensation	2,499.72	4,166.66	1,666.94
Employee Training	21,614.00	49,583.30	27,969.30
Employee Uniforms	623.37	833.30	209.93
Legal Services	52,203.09	135,250.00	83,046.91
Auditing Service	79,220.00	102,333.30	23,113.30
Medical & Dental Services	69,200.00	133,416.66	64,216.66
Consulting Services	85,000.00	85,000.00	-
Misc. Services	25,163.11	33,916.60	8,753.49
Court Reporting	-	1,000.00	1,000.00
Actuarial Services	195,184.00	240,083.34	44,899.34
Janitorial Services	33,250.00	33,500.00	250.00
Natural Gas	15,211.00	16,416.70	1,205.70
Electricity	54,707.77	75,166.60	20,458.83
Water & Sewage	-	10,666.60	10,666.60
Rent of Non-St Owned Build/Land	1,036.01	3,500.00	2,463.99
Rent of State Owned Build/Land	376.97	3,833.30	3,456.33
Rent of Equipment	-	416.70	416.70
Copy Machine Rental	12,936.80	14,999.90	2,063.10
State Carpool Rental	-	4,750.00	4,750.00
Maintenance-Buildings & Grounds	53,307.28	84,084.70	30,777.42
Maintenance of Equipment	3,083.14	6,166.60	3,083.46
Computer Maintenance	5,859.11	25,500.00	19,640.89
Postage & Postage Meters	489,633.96	390,333.30	(99,300.66)
Other Parcel Delivery Services	1,053.49	5,416.70	4,363.21
Printing Pd to State Agency	20,487.37	2,916.70	(17,570.67)
Printing Pd to Vendor	95,652.94	162,833.30	67,180.36
Insurance Premium	195,170.99	174,583.30	(20,587.69)
Garbage Collection	1,236.87	2,500.00	1,263.13
Service Not Otherwise Classified	6,055.52	6,583.34	527.82
Telephone Paid to Vendor	16,989.14	23,500.00	6,510.86
Dept Tech Serv Computer Charges	8,038.64	81,666.66	73,628.02
Comp Modem-Line Chg	-	3,333.30	3,333.30
Computer Equip Under \$5000	8,780.86	65,583.30	56,802.44
MARS Charges	20,700.00	17,083.30	(3,616.70)
Office Supplies	19,558.39	52,083.30	32,524.91
Motor Vehicle Supplies & Parts	1,006.07	1,000.00	(6.07)
Building Material & Supplies	256.45	2,583.30	2,326.85
Motor Fuel & Lube	991.29	1,750.00	758.71
Furn/Fixtures/Equip Under \$5000	5,358.78	11,750.00	6,391.22
Books for Dept Use	392.30	1,166.70	774.40
Computer Software	2,058,682.88	1,724,083.34	(334,599.54)
Banking Service & Fees	-	-	-
Storage	39,649.96	44,916.66	5,266.70
In-State Travel	10,869.07	19,666.60	8,797.53
Out-of-State Travel	17,641.67	25,000.00	7,358.33
Travel Non-State Employees	1,158.18	4,166.60	3,008.42
Dues & Subscriptions	107,582.70	130,833.34	23,250.64
Other	(1,443.35)	9,250.00	10,693.35
Furniture/Fixture/Equip Over \$5000	-	20,750.00	20,750.00
Telephone/Telecom Equipment	-	-	-
Computer Equip Over \$5000	-	42,500.00	42,500.00
	<u>\$ 14,293,887.90</u>	<u>\$ 15,461,083.96</u>	<u>\$ 1,167,196.06</u>

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Internal Revenue Code Section 415(b) Limit

KRS 161.611 authorizes a retirement benefit plan for the sole purpose of enabling TRS to apply the same formula for determining benefits payable to all members whose benefits under the retirement system are limited by Section 415 of the Internal Revenue Code. This plan requires annual transfers from employer contributions to fund the limited benefit.

Recommendation: The executive secretary requests authorization to make necessary transfers from employer contributions sufficient to provide the benefits authorized in KRS 161.611 for fiscal year 2024.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Personnel Matters

KRS 161.340(2) provides that the board shall employ all personnel required to transact the business of the retirement system. The law also provides that "... the power over and the control for determining and maintaining an adequate complement of employees in the system shall be under the exclusive jurisdiction of the Board of Trustees"

The personnel system established by the board for employees of the retirement plan is, in many respects, very different than the personnel system for other state employees. The board has established a different system because the board's duty is to attract and retain qualified employees to satisfy trustees' fiduciary obligations. The board's personnel system has helped TRS maintain high employee job satisfaction and very low levels of employee turnover. TRS also over time has exceeded common standards of state's personnel system. For example, TRS uses a 40-hour work week (compared to the 37.5-hour work week for most state employees) because the 40-hour week is a better fit for TRS's obligations.

Although the TRS personnel system is separate and distinct from the state system, the board remains mindful of the state system. The TRS Employee Compensation Plan provides that all employees eligible for annual salary increments shall receive increments equal to the percent funding available for state employees that is provided in the budget approved by the General Assembly. An amendment of the biennial budget passed in the 2023 Regular Session of the General Assembly provides for a fiscal year 2024 increase in salary of 6% for state employees effective July 1.

The executive secretary requests authorization from the board to approve salary advancements for all eligible TRS employees as provided by the TRS's Employee Compensation Plan consistent with the pay increase in the state budget for state employees during fiscal year 2024.

Recommendation: The executive secretary recommends that the board approve salary advancements for all eligible TRS employees as provided by TRS's Employee Compensation Plan consistent with the pay increase in the state budget for state employees during fiscal year 2024.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Report of the Investment Committee

The Report of the Investment Committee for the quarter ended March 31, 2023, is as follows:

1. Investment Committee Meeting and Actions: Investments approved at the Investment Committee's May 25, 2023, meeting were: \$50 million from the Retirement Annuity Trust, \$10 million from the Health Insurance Trust and \$500,000 from the Life Insurance Trust into AlpInvest Secondaries VIII of (AlpInvest is a wholly owned subsidiary of The Carlyle Group); and \$50 million from the Retirement Annuity Trust, \$10 million from the Health Insurance Trust and \$500,000 from the Life Insurance Trust into Angelo Gordon (AG) Net Lease Realty V.

TRS managers contract renewals for fiscal year 2024 were approved for Baillie Gifford, Fort Washington, Galliard, State Street, Todd, UBS and Wellington. Baillie Gifford International, Baring International, BlackRock MSCI ACWI ex-U.S., Columbia Threadneedle, Deerpath Direct Lending, Lord Abbett, Marathon Credit, Prudential PRISA and Shenkman were reviewed and approved to be continued for fiscal 2024. For the internally managed real estate portfolio, the contract renewal for Bellwether was approved for fiscal 2024. Contract renewals of service providers Aon Investments USA, Seyfarth Shaw and Reinhart Boerner Van Deuren also were approved.

Following the enactment of House Bill 236 (2023 RS), TRS published a request for proposals (RFP) to select a firm for proxy adviser and voting services. The Investment Committee approved contracting with Egan-Jones.

Outside manager Galliard Capital Management presented on its TRS portfolio.

2. Purchases and Disposals: During the quarter, 1,989 purchases amounted to \$2,053,503,361.75 and 2,240 disposals amounted to \$2,078,624,767.19. Disposals consisted of 1,910 sales, 296 principal payments and 34 redemptions. While TRS initiates 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 \$18,655,272,092.96 and a market value of \$23,398,343,696.40.

3. Staff's Comments on Economic and Market Conditions: During the quarter, both defensive and risk assets generally provided positive returns, although capital markets continued to experience bouts of volatility. The failure of multiple U.S. banks drove

market price action, investor sentiment and headlines during the last month of the quarter. The most prominent of these were Silicon Valley Bank and Signature Bank, which respectively represented the second- and third-largest bank failures in U.S. history.

Following the collapse of these banks, concerns spread around liquidity, causing sharp declines in market value for other U.S. regional banks and some European banks. The Federal Reserve, U.S. Treasury Department and Federal Deposit Insurance Corp. all intervened to assure depositors of access to their capital and to calm funding markets. Among European banks, investor confidence in Credit Suisse declined most acutely, after which the firm sought liquidity from the Swiss National Bank before agreeing to an acquisition by UBS. Despite the volatility experienced in the second half of the quarter, broad equity market indexes finished the quarter in positive territory. Following the bank failures, the Federal Open Market Committee (FOMC) decided to increase the federal funds rate to a target range between 4.75%-5%, representing a second straight monthly increase of 0.25% after a string of 0.5% to 0.75% increases. The FOMC's actions demonstrated continued focus on combating inflation, although FOMC data indicated that most officials expect only one more rate hike in calendar 2023.

The increase to the federal funds rate was preceded by a Consumer Price Index (CPI) report for February (released in March) estimating year-over-year inflation of 6%, which met market expectations. The March CPI came in slightly below average expectations, with estimated year-over-year inflation of 5%. Labor markets have provided mixed signals in recent months, as payroll growth was revised higher for February (well above expectations), although reports for March indicated moderating levels of payroll growth. Recessionary risks remained a concern, and recent FOMC minutes indicated a view among members that it's increasingly likely the United States will enter a recession later in calendar 2023 because of banking sector stress.

Internationally, moderate winter temperatures helped to ease energy price inflation in Europe, but uncertainty around supply shortages persisted because of the war in Ukraine. In early April, the International Monetary Fund (IMF) revised its global gross domestic product (GDP) growth forecast at the end of the quarter to 2.8%, a decline from its January forecast of 2.9%. While pockets of higher GDP growth are forecasted outside of developed markets, the growth from advanced economies was estimated at 1.3% in 2023.

U.S. equity markets performed well in the quarter, despite market turmoil caused by the banking sector in March and uncertainty regarding the Fed's path for short-term interest rates. The Russell 1000 Index finished the quarter up 7.5%, while the Russell 2000 Index was up 2.7%. At the beginning of the quarter, U.S. stocks were buoyed by investor optimism after economic data indicated that inflation continued to cool, leading to expectations that the Fed's rate hiking cycle could end soon. However, the remainder of the quarter saw significant volatility, especially after regulators took over both Silicon Valley Bank and Signature Bank and multiple federal government agencies backstopped deposits. Concerns around weakening earnings also contributed to market volatility. The quarter saw a strong rotation back into growth stocks across market capitalizations. Active managers across all style groups struggled to outpace their respective benchmarks.

The quarter represented another strong showing for developed international equity markets, with the MSCI EAFE returning 8.5%, which outperformed both U.S. and emerging markets. Growth stocks outperformed value stocks, but they still lagged when measured over the trailing three-year period. Small-cap stocks underperformed large-cap stocks. Active management was broadly additive during the quarter. Concerns about bank stability that began in the United States soon spread to Europe. After turmoil at Credit Suisse, UBS bought the troubled firm at the end of March for \$3.25 billion, averting a major failure. The European Central Bank (ECB) now is forecasting economic growth of 1% due to tamer inflation, as well as improving business and consumer confidence. Emerging markets continued to lag developed markets during the quarter with the MSCI Emerging Market Index returning 4%.

The decline in yields across Treasury notes and bonds produced a tailwind for fixed income markets, as the Bloomberg U.S. Aggregate Bond Index experienced its best quarter in three years, returning 3%. After initially declining in January, intermediate and long-term Treasury yields rose in February before falling again in March, ending the quarter at least 0.3% lower on all Treasury maturities between 2-year and 30-year. Corporate credit rallied to start the year amid expectations for a more dovish Fed. The optimism proved to be short-lived, however, as the banking crisis pushed spreads wider again in March. Nevertheless, corporate credit was resilient over the quarter, boosted by already higher yields and the rally in Treasuries. The Bloomberg U.S. Credit Index returned 3.5% in the quarter, lagging the Bloomberg U.S. High Yield Index's 3.6% return.

Core private real estate fell 3.2% in the quarter, as reported by the ODCE Index, divided between a 0.8% income gain and a 4% price depreciation. Income returns continue to trend at the lower end of historical levels, while the price trend continues to depreciate.. Private real estate markets experienced similar headwinds as the prior two quarters, as elevated volatility and wide bid-ask spreads continue to limit liquidity. Sectors with resilient fundamentals performed better, led by necessity-based retail, industrial and residential. However, all sectors were impacted by slower rent growth and upward revisions to valuation model assumptions. With regional banks comprising 60% to 70% of commercial real estate lending, concerns mounted that continued banking instability amid a rising rate environment could hurt the office sector.

4. Performance: Investment performance was strong for the quarter ending March 31, 2023, with public assets outperforming private assets. The Retirement Annuity Trust's portfolio returned 4.58%, compared to the Policy Index return of 5.38%. TRS's domestic equity returned 6.16%, underperforming the S&P 1500 index that increased 7.16%. TRS's international stocks returned 7.74% and outperformed the MSCI All Country ex U.S. index, which had a 7% return. Real estate declined 2.79%. Fixed income returned 3.13%, in line with the Bloomberg Barclays Gov/Credit Bond index, which gained 3.17%. Additional categories returned 2.96%, and private equity returned 2.18%.

Recommendation: The board is recommended to 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 March 31, 2023

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>
TOTAL PLAN	\$ 23,398,343,696.40	4.58	6.58	-4.27	12.30	7.04	8.19	7.68
<i>Policy Benchmark</i>		5.38	7.23	-4.47	12.39	7.29	8.03	-
<u>Total Equity</u>	\$ 13,808,674,156.83	6.66	10.82	-7.34	17.04	7.69	9.82	9.19
<u>Domestic Equity</u>	\$ 9,317,318,572.54	6.16	9.98	-9.27	19.30	9.83	11.63	10.30
<i>S&P 1500 Index</i>		7.16	10.01	-7.61	18.88	10.83	12.01	10.35
<u>All-Cap Equities</u>	\$ 540,607,128.46	8.82	12.34	-6.02	21.16	12.12	-	-
<i>Russell 3000 Index</i>		7.18	9.75	-8.58	18.48	10.45	-	-
<u>Large-Cap Equities</u>	\$ 7,566,309,028.82	6.44	10.01	-9.59	19.36	10.24	11.84	-
<i>S&P 500 Index</i>		7.50	9.98	-7.73	18.60	11.19	12.24	-
<u>Mid-Cap Equities</u>	\$ 733,308,615.93	4.18	10.65	-7.81	17.41	6.82	10.21	-
<i>S&P 400 Index</i>		3.81	12.17	-5.12	22.10	7.67	9.80	-
<u>Small-Cap Equities</u>	\$ 477,093,799.33	1.91	5.97	-10.08	19.25	5.82	9.69	-
<i>S&P 600 Index</i>		2.57	6.17	-8.82	21.71	6.30	9.87	-
<u>International Equity</u>	\$ 4,491,355,584.29	7.74	12.64	-3.01	12.51	3.61	5.97	-
<i>MSCI AC World Ex US</i>		7.00	10.38	-4.56	12.32	2.97	4.65	-
<u>Fixed Income</u>	\$ 3,238,530,841.94	3.13	0.31	-4.57	-2.16	1.51	1.89	3.85
<i>Bloomberg Barclays Govt/Credit Index</i>		3.17	0.23	-4.81	-2.63	1.16	1.50	3.26
<u>Real Estate</u>	\$ 1,798,236,399.51	-2.79	0.63	7.21	10.88	9.65	10.52	9.68
<u>In House Real Estate Equity</u>	\$ 401,370,071.73	1.29	4.00	5.00	4.54	4.91	7.24	8.07
<i>CPI plus 2%</i>		1.44	3.93	7.09	7.46	5.95	4.71	4.50
<u>Core Real Estate</u>	\$ 910,478,956.30	-4.66	0.91	8.14	11.89	10.32	11.07	-
<i>NCREIF ODCE (VW) Index</i>		-3.16	-7.49	-3.07	8.41	7.52	9.45	-
<u>Non-Core Real Estate</u>	\$ 486,387,371.48	-2.49	-2.33	7.92	15.56	13.60	15.27	-
<i>NCREIF Property Index</i>		-1.81	-4.71	-1.63	7.15	6.71	8.34	-
<u>Private Equity</u>	\$ 1,846,186,864.38	2.18	0.50	4.09	17.76	15.33	14.42	-
<u>Mature Private Equity</u>	\$ 1,056,441,218.82	1.90	0.73	7.12	16.94	13.96	12.28	-
<i>S&P 500 Index plus 3%</i>		8.29	12.44	-4.96	22.16	14.52	15.61	-
<u>Private Equity < 5 Years</u>	\$ 789,745,645.56	2.57	0.52	2.89	20.99	17.65	-	-
<u>Timberland</u>	\$ 490,670,059.34	3.79	4.49	6.01	3.09	3.51	3.32	-
<i>NCREIF Timberland Index</i>		1.75	9.27	11.31	8.09	5.59	5.84	-
<u>Additional Categories</u>	\$ 2,022,640,322.67	2.96	3.14	-1.89	6.52	4.47	4.67	-
<i>B of A Merrill Lynch U.S. High Yield Master II Constrained</i>		3.72	7.09	-3.61	5.79	3.02	4.01	-
Cash (Unallocated)	\$ 193,405,051.73	1.09	2.47	2.77	0.96	1.38	0.88	1.44
<i>90 Day T-Bill</i>		1.07	2.40	2.50	0.89	1.41	0.86	1.26

Total Trust Gross Return for 30-year period*

7.64

*Returns are annualized for periods longer than one year

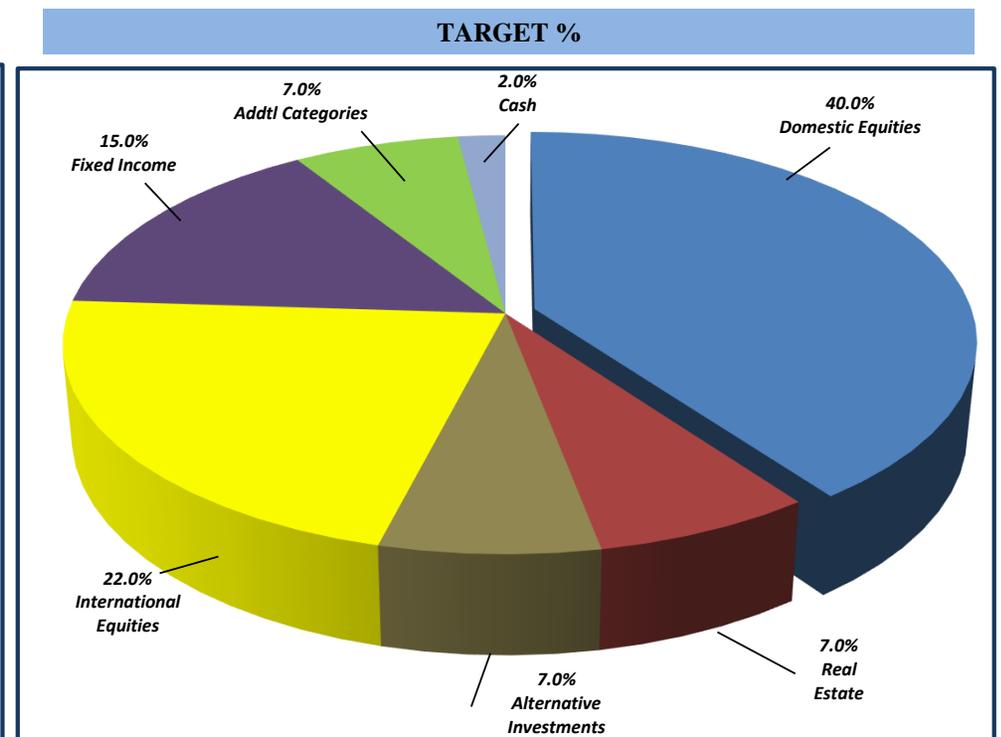
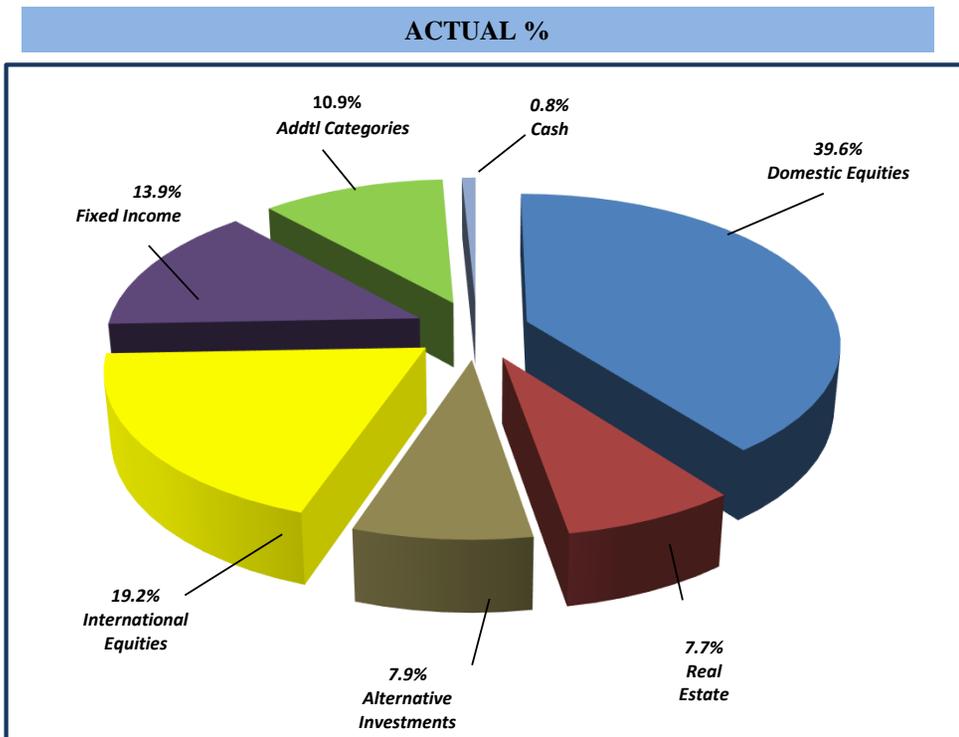
** Prior to July 1, 2008, TRS did not benchmark overall fund performance. Effective July 1, 2008, the Board of Trustees approved a Policy Index that represents the returns of appropriate benchmarks for the various asset classes weighted by the mid-point of the strategic range for the current fiscal year.

Teachers' Retirement System of Kentucky

Quarterly Investment Update

For the period ended March 31, 2023

(\$ in millions)	\$'s	3/31/2023 Actual %	12/31/2022 Actual %	Target %	Strategic Ranges
Domestic Equities	\$9,317.3	39.6%	39.1%	40.0%	32.0 - 48.0%
Real Estate	1,798.2	7.7%	8.2%	7.0%	4.0 - 10.0%
Alternative Inv.	1,846.2	7.9%	8.1%	7.0%	4.0 - 10.0%
International Equities	4,491.4	19.2%	18.5%	22.0%	16.0 - 27.0%
Fixed Income	3,238.5	13.9%	14.6%	15.0%	8.0 - 22.0%
Addtl Categories	2,513.3	10.9%	10.9%	7.0%	4.0 - 15.0%
Cash	193.4	0.8%	0.6%	2.0%	1.0 - 5.0%
Total	\$23,398.3	100.0%	100.0%	100.0%	



*Teachers' Retirement System of the State of Kentucky
Health Insurance Trust
Quarterly Investment Performance
Gross Returns
For the Period Ended March 31, 2023*

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>
TOTAL PLAN	\$ 2,323,565,220.18	4.66	7.65	-3.50	12.91	7.22	7.23	-
<i>Policy Benchmark</i>		5.19	7.15	-5.03	12.29	6.59	-	-
Total Equity	\$ 1,287,975,590.50	7.36	12.74	-6.32	16.65	7.31	8.48	
Domestic Equity	\$ 836,973,076.09	7.78	14.36	-17.24	14.27	6.06	-	-
<i>S&P 500 Index</i>		7.50	9.98	-7.73	18.60	11.19	-	-
<i>Russell 3000</i>		7.18	9.75	-8.58	18.48	10.45		
International Equities	\$ 451,002,514.41	6.59	21.90					-
<i>MSCI AC World ex USA IMI Index</i>		7.00	9.98					-
Fixed Income	\$ 177,403,840.53	2.54	0.81	-2.55	-1.29	1.94	1.56	-
<i>Barclays Government Credit</i>		3.17	0.23	-4.81	-2.63	1.16	1.50	-
Real Estate	\$ 161,635,335.34	-3.56	-0.35	9.14	16.11	13.74	-	-
Core Real Estate	\$ 85,116,127.24	-4.02	1.84	9.84	14.11	11.95	-	-
<i>NCREIF ODCE (VW)</i>		-3.16	-7.49	-3.07	8.41	7.52	-	-
Non-Core Real Estate	\$ 76,519,208.10	-3.02	-2.61	8.33	17.95	15.35	-	-
<i>NCREIF Property Index</i>		-1.81	-4.71	-1.63	7.15	6.71	-	-
Private Equity	\$ 212,814,313.98	2.52	0.19	2.81	19.99	15.97	15.92	-
Mature Private Equity	\$ 109,383,808.82	2.01	1.20	11.21	21.42	18.03	13.51	-
<i>S&P 500 plus 3%</i>		8.29	12.44	-4.96	22.16	14.52	15.61	-
Private Equity < 5 Years	\$ 103,430,505.16	3.10	0.01	-0.29	16.85	13.82	-	-
Additional Categories	\$ 411,804,315.42	2.68	3.31	-2.74	5.99	4.03	4.14	-
<i>B of A Merrill Lynch High Yield Master II</i>		3.72	7.09	-3.61	5.79	3.02	4.01	-
Cash (Unallocated)	\$ 71,931,824.41	1.09	2.54	3.54	1.28	1.62	0.99	-
<i>90 Day T-Bill</i>		1.07	2.40	2.50	0.89	1.41	0.86	-

*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 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

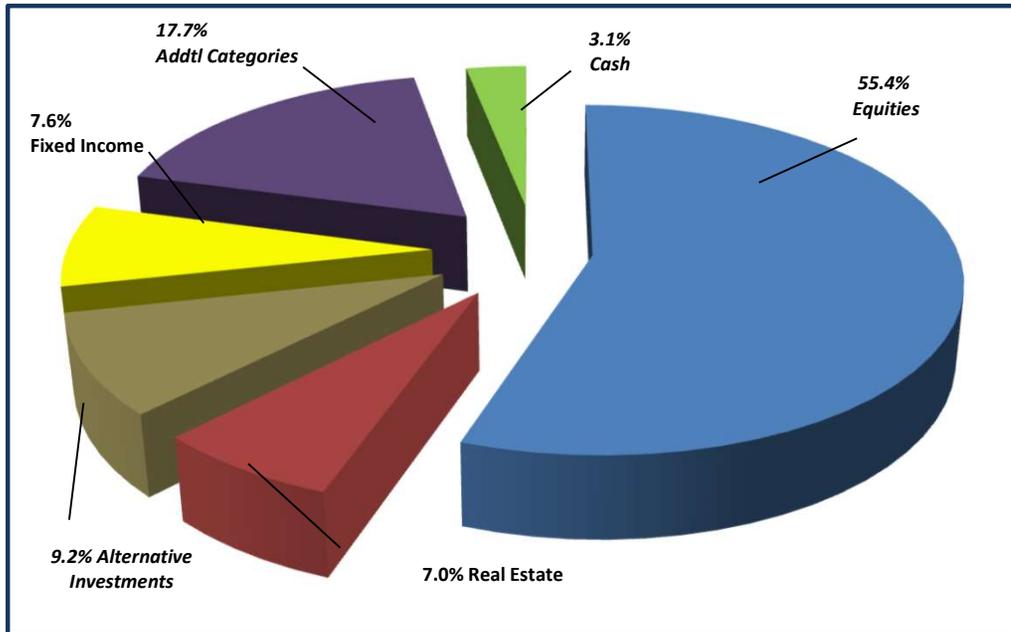
Insurance Trust Fund

Quarterly Investment Update

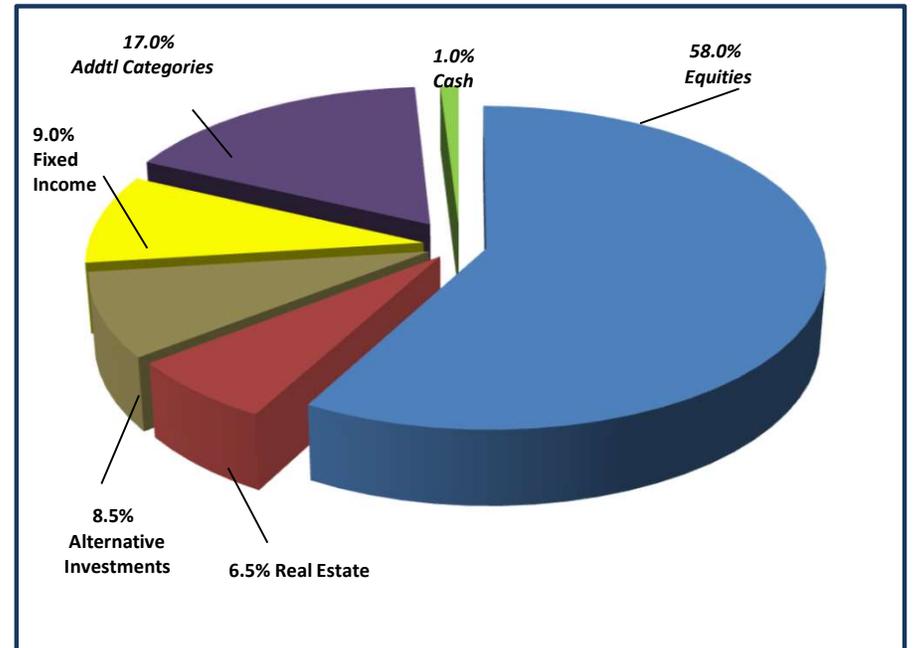
For the period ended March 31, 2023

<i>(\$ in thousands)</i>	<u>\$'s</u>	<u>3/31/2023 Actual %</u>	<u>12/31/2022 Actual %</u>	<u>Target %</u>	<u>Strategic Ranges</u>
Equities	\$1,199,418.0	55.4%	54.0%	58.0%	51.0 - 64.0%
Real Estate	\$167,076.3	7.0%	7.5%	6.5%	4.0 - 12.0%
Alternative Inv.	\$203,999.8	9.2%	9.2%	8.5%	5.0 - 12.0%
Fixed Income	\$173,098.2	7.6%	7.8%	9.0%	6.0 - 14.0%
Addtl Categories	\$399,883.0	17.7%	18.0%	17.0%	14.0 - 25.0%
Cash	\$77,247.8	3.1%	3.5%	1.0%	0.0 - 5.0%
Total	<u>\$2,220,723.1</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

ACTUAL %



TARGET %



TOTAL BV INVESTED AT 12/31/22 \$ 18,680,393,498.40

January Activity

Purchases	576,224,212.09	
Disposals	(520,117,845.53)	
Paydowns	(6,437,116.29)	
Redemptions	(27,926,903.27)	
Short-Term Pool Net	35,293,483.41	57,035,830.41

February Activity

Purchases	352,627,829.77	
Disposals	(315,332,961.00)	
Paydowns	(988,799.98)	
Redemptions	(5,796,066.37)	
Short-Term Pool Net	(75,737,086.00)	(45,227,083.58)

March Activity

Purchases	349,373,917.17	
Disposals	(439,605,951.41)	
Paydowns	(9,100,428.37)	
Redemptions	(19,270,795.00)	
Short-Term Pool Net	81,673,105.34	(36,930,152.27)

TOTAL BV INVESTED AT 3/31/23 \$ 18,655,272,092.96

* 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, (\$10,216,483.81) 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	\$ 611,038,900	
- Pending Payable	10,216,484	
Net	\$ 600,822,416	

INVESTMENT ACTIVITY
January 1, 2023 -- March 31, 2023

Total Book Value Invested @ 1/1/23 \$ 18,680,393,498.40

Purchases:

389	Cash Equivalents	\$	764,356,353.42	
123	Fixed Income Securities		365,193,197.83	
2	Principal Paydowns		0.13	
0	Additional Redemptions / Maturities		-	
1145	Equity Securities		548,643,971.87	
26	Real Estate		26,958,675.30	
69	Alternative Investments		96,488,455.84	
235	Additional Categories		251,862,707.36	
<hr/>				
1989	Total Purchases			\$ 2,053,503,361.75

Disposals:

311	Cash Equivalents	\$	734,047,899.84	
234	Fixed Income Securities		339,326,262.81	
296	Principal Paydowns		16,526,344.77	
32	Redemptions / Maturities		49,973,527.31	
974	Equity Securities		585,612,368.30	
37	Real Estate		11,868,532.17	
136	Alternative Investments		95,181,323.25	
218	Additional Categories		243,068,271.41	
0	Additional Principal Paydowns		-	
2	Additional Redemptions / Maturities		3,020,237.33	
<hr/>				
2240	Total Disposals			\$ 2,078,624,767.19

Total Book Value Invested @ 3/31/23 \$ 18,655,272,092.96

Total Par Value Invested @ 3/31/23 \$ 18,252,886,732.66

Total Market Value Invested @ 3/31/23 \$ 23,398,343,696.40

* 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, (\$10,216,483.81) 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	\$	611,038,900
- Pending Payable		10,216,484
Net	<u>\$</u>	<u>600,822,416</u>

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 19, 2023

SUBJECT: Legislative Update

During the meeting, staff will report on the 2023 Regular Session of the Kentucky General Assembly. This report will be 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: June 19, 2023

SUBJECT: Report of the Governance and Audit Committee

The Governance and Audit Committee will have a special meeting on June 19, 2023, 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: June 19, 2023

SUBJECT: Executive Secretary's Observations and Comments

1. Number of retirements: The preliminary number of retirements for June/July this year was 1,114. Since 2005, retirements for these two months have averaged 1,210 a year. The chart below lists the number of June/July retirements over the timeframe.

<u>School Year Ended</u>	<u>Number of Retirees</u>
2023	1,114
2022	1,289
2021	1,058
2020	962
2019	1,043
2018	1,381
2017	1,269
2016	1,294
2015	1,699
2014	1,267
2013	1,310
2012	1,405
2011	1,159
2010	1,203
2009	1,010
2008	1,353
2007	979
2006	1,098
2005	1,100

2. Executive Secretary serving as president of Public Sector Healthcare Roundtable: I serve as the president of the Public Sector Healthcare Roundtable. The roundtable is a national coalition of public sector health care purchasers that has been formed to ensure the interests of the public sector are represented properly during the formulation and debate of federal health care reform initiatives. The roundtable is governed by a board of directors and is managed by a governmental affairs firm based in Alexandria, Virginia.

3. Executive Secretary’s meetings: I have met with several groups recently listed below:

March 31	Meeting with Mulloy Borland
April 11	Meeting with Fort Washington Capital Partners
April 13	Public Sector Healthcare Roundtable (PSHCR) board meeting
April 13	National Institute for Public Employee Health Care Policy board meeting
April 18	Presented at Kentucky Retired Teachers Association convention
May 10	Quarterly meeting with Todd Asset Management
May 4	Meeting with Jefferson County Teachers Association
May 18	Meeting with Sagitec and New York pension system
May 22	Meeting with TRS investment consultants Bevis Longstreth and George Philip
June 1	PSHCR special board meeting
June 6	Know Your Rx Coalition board meeting
June 15	Meeting with Kentucky Association of School Administrators

4. Director of Retiree Health Care serving on Kentuckiana Health Collaborative board: Director of Retiree Health Care Jane Gilbert serves on the Kentuckiana Health Collaborative (KHC) board and also serves as the board’s co-chair. The KHC is a non-profit coalition of businesses and health care stakeholders working to solve the complex health problems that face Greater Louisville and Kentucky. The KHC works to improve access to high-quality care and drive cost-efficient solutions, enhancing the economic competitiveness of the region.

5. Chief Financial Officer serving in GFOA and P2F2: Chief Financial Officer Mark Whelan serves on the Government Finance Officers Association (GFOA) Special Review Executive Committee. This committee is responsible for setting program policy for the Certificate of Achievement for Excellence in Financial Reporting Program. Also, the CFO serves on GFOA’s Education Advisory Council. The Council identifies learning gaps in GFOA’s offering of educational resources. GFOA is a national organization with more than 20,000 members.

The CFO also serves on the board of the Public Pension Financial Forum (P2F2) and is the board’s president. The membership of P2F2 includes finance directors and professionals from all over the United States. P2F2 is an education and professional networking organization that promotes financial excellence for public pension plans. P2F2 works with the Governmental Accounting Standards Board (GASB), Government Finance Officers Association (GFOA) and the American Institute of Certified Public Accountants (AICPA) with the development and implementation of accounting standards that affect public pension plans.

6. GASB 68 and 75 audit reports: TRS’s external auditor is finishing the audit reports used by employers to include cost allocations for pension and other postemployment benefits on their financial statements. TRS expects that the audit reports will be posted on the website by July 1.

7. Next meeting: The board’s next quarterly meeting will be September 18, 2023.