



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

BOARD OF TRUSTEES

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GARY L. HARBIN, CPA
Executive Secretary

Regular Quarterly Meeting of the TRS Board of Trustees

A G E N D A

September 18, 2023, 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 of the Board of Trustees, June 19, 2023

1.1.2. Special Meeting of the Governance and Audit Committee,
June 19, 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. Report of the Investment Committee

3. Report of the Insurance Committee

4. Executive Secretary's Observations and Comments

General Discussion

Adjournment

The meeting will take place in the boardroom at the offices of the
Teachers' Retirement System of the State of Kentucky
479 Versailles Road, Frankfort, Kentucky.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 18, 2023

SUBJECT: Reports for Consent

1.1. Consideration/Approval of Minutes

1.1.1. Regular Quarterly Meeting of the Board of Trustees, June 19, 2023

1.1.2. Governance and Audit Committee Special Meeting, June 19, 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 June, July and August 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 1,239 retirees with monthly payments totaling \$4,601,060.72. During the same period last year, 1,430 retirements resulted in monthly payments totaling \$5,174,033.34.

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 June 30 is included in the board materials. Ten survivor benefits commenced with a total monthly payment of \$2,593.93.

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 June 30 is included in the board materials. Ten payments to the estates or beneficiaries of active teachers and 287 payments to the estates or beneficiaries of retired teachers combined for total payments of \$1,455,000. During the same quarter last year, 264 payments amounted to \$1,348,000.

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 June 30 is included in the board materials. During the quarter, 436 refunds totaled \$5,167,542.89, divided as follows:

Regular withdrawals	412	\$4,809,859.13
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Deaths	<u>24</u>	<u>\$ 357,683.76</u>
Totals	436	\$5,167,542.89

During the same quarter last year, 436 refunds totaled \$4,966,373.02.

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 June 30 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

	June	July	August	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> \$20,192.91	<i>9</i> \$27,716.71	<i>13</i> \$37,819.80	<i>29</i> \$85,729.42	<i>22</i> \$68,243.18
Service Retirement	<i>238</i> \$846,901.91	<i>588</i> \$2,187,917.61	<i>382</i> \$1,473,302.48	<i>1,208</i> \$4,508,122.00	<i>1,405</i> \$5,095,655.15
Beneficiary of Member Eligible to Retire	<i>1</i> \$4,216.39	<i>1</i> \$2,992.91	<i>0</i> \$0.00	<i>2</i> \$7,209.30	<i>3</i> \$10,135.01
TOTALS	<i>246</i> \$871,311.21	<i>598</i> \$2,218,627.23	<i>395</i> \$1,511,122.28	<i>1,239</i> \$4,601,060.72	<i>1,430</i> \$5,174,033.34

**Reports for Consent
Member Account Refunds
For the period April 2023 - June 2023**

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	159	964,850.58	241,212.63	842,822.78	2,048,885.99
May	156	758,575.89	180,668.88	625,605.79	1,564,850.56
June	100	490,473.95	119,974.63	585,674.00	1,196,122.58
Total	412				4,809,859.13

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	5	26,290.17	6,536.63	102,230.61	135,057.41
May	10	135,644.87	33,832.62	0.00	169,477.49
June	9	50,259.85	2,889.01	0.00	53,148.86
Total	24				357,683.76

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	164	991,140.75	247,749.26	945,053.39	2,183,943.40
May	166	894,220.76	214,501.50	625,605.79	1,734,328.05
June	109	540,733.80	122,863.64	585,674.00	1,249,271.44
Total	436				5,167,542.89

TEACHERS' RETIREMENT SYSTEM

OF THE STATE OF KENTUCKY



INTERIM FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2023

(FAIR VALUE - UNAUDITED)

Statements of Plan Net Assets
as of June 30, 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	\$ 256,051,652	\$ 420,661,588	\$ 300,227,790	\$ 196,003,639	\$ 86,697	\$ 392,045	\$ 211,699	\$ 110,372	\$ 556,577,838	\$ 617,167,644
Receivables										
Contributions	50,526,572	50,526,572	14,111,640	14,111,640	54,426	54,426			64,692,638	64,692,638
Investment Income	59,043,290	49,654,767	5,424,732	3,099,024	319,147	290,175	4,380	3,160	64,791,549	53,047,126
Investment Sales Receivable	12,850,729	16,636,770	1,682,228	3,270,138	-	1,206			14,532,957	19,908,114
Installment Account Receivable	18,987	57,753							18,987	57,753
Other Receivables	21,638	24,667	37,304,978	37,312,574					37,326,616	37,337,241
Due from Other Funds	7,977,382	5,964,536							7,977,382	5,964,536
Total Receivables	130,438,598	122,865,065	58,523,578	57,793,376	373,573	345,807	4,380	3,160	189,340,129	181,007,408
Investments at Market Value										
Short Term Investments	568,572,723	1,018,196,544	77,221,128	67,213,821	5,069,152	8,345,378	356,519	347,626	651,219,522	1,094,103,369
Bonds and Mortgages	2,971,945,560	3,244,560,222	153,143,085	144,284,024	17,942,483	17,872,069	214,946	236,796	3,143,246,074	3,406,953,111
Stocks	14,287,643,121	12,267,081,370	1,406,514,939	1,095,262,160	56,182,952	48,063,588	493,746	421,988	15,750,834,758	13,410,829,106
Alternative Investments	1,915,329,613	2,292,264,807	220,197,307	204,919,107	4,921,166	3,283,908			2,140,448,086	2,500,467,822
Real Estate	1,777,282,982	1,693,627,935	159,444,210	150,214,503	6,513,394	7,489,602			1,943,240,586	1,851,332,040
Additional Categories	2,412,438,221	1,910,112,687	397,083,937	371,942,317	2,795,704	2,811,693			2,812,317,862	2,284,866,697
Total Investments	23,933,212,220	22,425,843,565	2,413,604,606	2,033,835,932	93,424,851	87,866,238	1,065,211	1,006,410	26,441,306,888	24,548,552,145
Capital Assets (net of accumulated depreciation)	7,466,047	9,255,981							7,466,047	9,255,981
Total Assets	24,327,168,517	22,978,626,199	2,772,355,974	2,287,632,947	93,885,121	88,604,090	1,281,290	1,119,942	27,194,690,902	25,355,983,178
LIABILITIES										
Liabilities										
Accrued Expenses and Other Liabilities	2,966,452	2,742,889	13,062,293	5,769,356					16,028,745	8,512,245
State of Kentucky	26,943,547	26,943,547	11,078,011	119,901	62,105	62,105			38,083,663	27,125,553
Investment Purchases Payable	29,031,867	33,914,300	3,187,796	5,107,720	3,363	685	-	-	32,223,026	39,022,705
Investment Fees Payable	19,469,192	15,073,093	2,290,078	1,610,807	72,654	49,320	-	-	21,831,924	16,733,220
Due to Other Funds	-	-	7,823,791	5,849,474	149,111	111,477	4,480	3,585	7,977,382	5,964,536
Total Liabilities	78,411,058	78,673,829	37,441,969	18,457,258	287,233	223,587	4,480	3,585	116,144,740	97,358,259
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 24,248,757,459	\$ 22,899,952,370	\$ 2,734,914,005	\$ 2,269,175,689	\$ 93,597,888	\$ 88,380,503	\$ 1,276,810	\$ 1,116,357	\$ 27,078,546,162	\$ 25,258,624,919

Statements of Changes in Plan Net Assets
For the Twelve Months Ended June 30, 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	\$ 1,044,028,918	\$ 1,570,796,690	\$ 84,693,974	\$ 31,400,674	\$ 2,494,475	\$ 2,194,049	\$ -	\$ -	\$ 1,131,217,367	\$ 1,604,391,413
Employer- LSD, Other	102,598,828	108,787,978	124,901,094	120,364,471	700,785	560,814	218,241	2,281	228,418,948	229,715,544
Member- Active	368,155,513	356,966,620	149,851,149	145,738,053			9,575		518,016,237	502,704,673
Member- Retired			63,317,475	60,624,196					63,317,475	60,624,196
Recovery Income			135,690,536	144,675,514					135,690,536	144,675,514
Total Contribution	1,514,783,259	2,036,551,288	558,454,228	502,802,908	3,195,260	2,754,863	227,816	2,281	2,076,660,563	2,542,111,340
Investment Income/(Loss)										
Net Appreciation/(Depreciation) in Fair Value of Investments										
Fair Value of Investments	1,883,455,471	(3,087,370,552)	211,338,355	(232,131,185)	7,393,136	(16,493,405)	49,908	(103,264)	2,102,236,870	(3,336,098,406)
Interest	199,435,778	152,692,923	26,865,804	16,095,897	858,773	616,005	23,270	9,830	227,183,625	169,414,655
Dividends	236,967,990	250,357,857	13,255,682	3,035,184	665,226	727,170	7,527	7,309	250,896,425	254,127,520
Rental Income, Net	22,628,975	16,230,826							22,628,975	16,230,826
Securities Lending, Net	2,490,789	4,286,340			50,505	70,024	693	589	2,541,987	4,356,953
Gross Investment Income	2,344,979,003	(2,663,802,606)	251,459,841	(213,000,104)	8,967,640	(15,080,206)	81,398	(85,536)	2,605,487,882	(2,891,968,452)
Less Investment Expense	(78,250,458)	(63,972,448)	(8,647,257)	(6,499,956)	(688,882)	(502,071)	-	-	(87,586,597)	(70,974,475)
Net Investment Income	2,266,728,545	(2,727,775,054)	242,812,584	(219,500,060)	8,278,758	(15,582,277)	81,398	(85,536)	2,517,901,285	(2,962,942,927)
Total Additions	3,781,511,804	(691,223,766)	801,266,812	283,302,848	11,474,018	(12,827,414)	309,214	(83,255)	4,594,561,848	(420,831,587)
DEDUCTIONS										
Benefits	2,391,326,201	2,305,852,772			6,219,000	6,178,000	147,867	164,663	2,397,693,068	2,312,195,435
Refunds of Contributions	26,909,781	26,745,203							26,909,781	26,745,203
Under 65 Insurance Expenses			110,701,357	106,170,919					110,701,357	106,170,919
Over 65 Insurance Expenses			222,852,821	206,386,429					222,852,821	206,386,429
Administrative Expense	14,470,733	12,005,095	1,974,318	2,074,227	37,633	40,999	895	1,093	16,483,579	14,121,414
Total Deductions	2,432,706,715	2,344,603,070	335,528,496	314,631,575	6,256,633	6,218,999	148,762	165,756	2,774,640,606	2,665,619,400
Net Increase (Decrease)	1,348,805,089	(3,035,826,836)	465,738,316	(31,328,727)	5,217,385	(19,046,413)	160,452	(249,011)	1,819,921,242	(3,086,450,987)
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	\$ 24,248,757,459	\$ 22,899,952,370	\$ 2,734,914,005	\$ 2,269,175,689	\$ 93,597,888	\$ 88,380,503	\$ 1,276,810	\$ 1,116,357	\$ 27,078,546,162	\$ 25,258,624,919

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 18, 2023

RE: Report of the Investment Committee

1. Investment Committee Meeting and Actions: New investments approved at the August 24, 2023, Investment Committee meeting were: a commitment of up to \$50 million from the Retirement Annuity Trust, up to \$10 million from the Health Insurance Trust and up to \$500,000 from the Life Insurance Trust to Macquarie Infrastructure Partners; and a commitment of up to 50 million from the Retirement Annuity Trust, up to \$10 million from the Health Insurance Trust and up to \$500,000 from the Life Insurance Trust to Fort Washington Private Equity Opportunities V.

The committee reviewed and discussed the Proxy Voting Guidelines before approving them for adoption by the board. This year's General Assembly amended KRS 161.430 to define the roles and duties of fiduciaries voting proxies for TRS shares. The law requires the TRS board to develop and adopt proxy voting guidelines. A copy of the guidelines is included, and the committee recommends adoption by the board.

The committee also approved the proxy voting report for the quarter ended June 30 and reported it to the board (report). As required by law, the report will be published on the TRS website.

Outside manager, State Street Global Advisors, presented a review of its fixed income and focused equity portfolios.

The committee heard a preliminary presentation by AE Industrial Partners about its investment opportunities. The committee took no action.

2. Purchases and Disposals: During the quarter 2,315 purchases amounted to \$2,242,687,916.56 and 2,764 disposals amounted to \$2,275,624,586.78. Disposals consisted of 2,470 sales, 264 principal payments and 30 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 \$18,622,335,422.74 and a market value of \$23,933,524,225.26.

3. Staff's Comments on Economic and Market Conditions: During the quarter, investors focused on the timing of further actions by the U.S. Federal Reserve (Fed) and other global central banks. At the start of calendar 2023, the combination of rate hikes and quantitative tightening kept expectations for a near-term U.S. recession embedded in many market forecasts. However, the continued strength of certain indicators, such as consumer spending and job growth, has altered the expected timing of a recession for some market participants. Mid-quarter forecasts and market outlooks were complicated further by the U.S. debt ceiling debate. Ultimately, a deal suspended the ceiling until 2025, keeping non-defense spending growth flat in 2024 and limited

to 1% in 2025. In the June data release, the Consumer Price Index slowed to just under 3% year-over-year, its lowest since March 2021. Recent job growth reports in the United States provided mixed signals. Non-farm payroll growth was 209,000, short of the average estimate of 240,000. The unemployment rate declined to 3.6%, but the jobless rate increased to 6.9%. While the labor force participation rate was steady at 62.6%, it remains depressed compared to pre-pandemic levels. Government jobs were the most significant positive driver of employment growth, followed by the health care sector. U.S. equity markets delivered strong results in the quarter, primarily driven by the largest growth-oriented companies – which represent a significant portion of broad equity market indexes. Another positive equity market driver was bank earnings. During the quarter, banks outpaced depressed expectations following the failure of multiple institutions in February, which had led to heightened volatility and skepticism regarding the health of the industry. Except for below-investment grade debt, U.S. fixed income markets broadly posted negative returns in the quarter, as the yield curve inverted further.

U.S. equity markets continued their recovery in the quarter primarily driven by a handful of mega-cap growth stocks. While most sectors, excluding energy and utilities, in the Russell 1000 Index were positive, roughly half of its returns came from the information technology sector driven by optimism around advancements in artificial intelligence and related technology. Further, roughly two-thirds of the quarter's Russell 1000 returns can be attributed to the 10 largest companies in the index. Growth outperformed value by a significant margin across market caps for the second consecutive quarter. By size, large-cap equity outperformed small-cap equity. Active large-cap managers continued to struggle to generate excess returns as has been the case historically when index concentration rises. Mid-cap managers generally performed well in the quarter while most active small-cap managers failed to outpace their respective benchmarks.

Following two consecutive quarters of outperformance, developed non-us equity underperformed the United States in the quarter, with the MSCI EAFE returning 3%. Value stocks outperformed growth stocks, while developed large-cap stocks outperformed small-cap stocks. While U.S. inflation began to show signs of abatement, inflation continued to climb in Europe. Persistent above-target headline inflation combined with a tight labor market led the European Central Bank to raise its interest rates to 3.5%, the highest level in over 20 years. Japan was the top-performing developed region as the Bank of Japan's loose monetary policy and accelerating wage growth increased investors' optimism that Japan is breaking free from its historical deflationary stagnation. Emerging markets lagged developed markets in the quarter, with the MSCI Emerging Market Index returning 0.9% as value outperformed growth and small-cap stocks outperformed large-cap stocks. The post-COVID recovery in China continued to struggle despite government actions to revitalize growth through interest rate cuts and tax breaks, as declining exports combined with a youth unemployment rate north of 20% caused investors to continue to look elsewhere for potential growth.

In the quarter, the Fed maintained its interest rate range, breaking the streak of consecutive rate hikes. Fed Chair Jerome Powell noted that future rate hikes still could occur based on economic conditions. Treasury yields rose across maturities, with the 10-year yield reaching 3.85%, similar to the beginning of the year. Marking its one-year anniversary, the yield curve inversion between the 2-year and 10-year yields deepened in the quarter. The inversion is nearing the peak observed

in March prior to the bank failures. Against this backdrop, the Bloomberg U.S. Aggregate Bond Index declined 0.8% in the quarter. High-yield issuers outperformed investment-grade issuers due to a risk-on environment and challenges faced by U.S. interest rate duration.

Core private real estate fell 2.7% in the quarter, as reported by the NFI-ODCE Index, with the total return comprising 0.9% from income and a decline of 3.6% from price appreciation. Income returns continue to trend at the lower end of historical levels while price appreciation continues to remain negative. During the quarter, private real estate markets continued to experience similar trends as the prior three quarters. Significant headwinds persisted as a direct result of disruptions in the capital markets from 2022. The industry remained in a period of elevated volatility with increased borrowing costs resulting in a period of resetting pricing expectations. Transaction markets remained muted with wide bid-ask spreads as investors remained cautious leading to limited liquidity. Sectors with resilient underlying fundamentals performed better than the more cyclically sensitive ones. The office sector continued to remain the most challenged with respect to operating fundamentals with weakness in buyer interest, vacancy, leasing velocity and ability to refinance debt in the current environment.

4. Performance: Investment performance was strong for the quarter and fiscal year ending June 30, with public assets outperforming private assets. The Retirement Annuity Trust's portfolio returned 3.78% for quarter, compared to the policy index returned of 4.25%. TRS's domestic equities returned 8.24%, outperforming the S&P 1500 index, which increased 8.39% for the quarter. TRS's international stocks returned 2.01%, underperforming the MSCI All Country ex U.S. index, which returned 2.67% for the quarter. Real estate declined 0.76%. TRS's fixed income fell 0.63%, outperforming the Bloomberg Barclays Gov/Credit Bond index which declined 0.93% for the quarter. Additional categories returned 1.1%, and private equity returned 1.97% for the quarter.

Recommendation: The executive secretary recommends that the board accept and ratify the Report of the Investment Committee, including adopting the Proxy Voting Guidelines.

Teachers' Retirement System of the State of Kentucky
Retirement Annuity Trust
Quarterly Investment Performance
Gross Returns
For the Period Ended June 30, 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	\$ 23,933,524,225.26	3.78	10.61	10.61	8.68	7.54	8.49	7.45
Policy Benchmark		4.25	11.79	11.79	9.31	7.90	8.44	-
Total Equity	\$ 14,444,765,924.18	6.21	17.70	17.70	11.07	8.64	10.26	8.69
Domestic Equity	\$ 9,877,444,011.39	8.24	19.04	19.04	13.83	10.86	12.14	9.90
<i>S&P 1500 Index</i>		8.39	19.24	19.24	14.67	11.83	12.61	10.13
All-Cap Equities	\$ 593,658,986.33	9.57	23.09	23.09	17.23	13.64	-	-
<i>Russell 3000 Index</i>		8.39	18.95	18.95	13.89	11.39	-	-
Large-Cap Equities	\$ 8,008,368,208.18	8.78	19.66	19.66	14.00	11.45	12.39	9.97
<i>S&P 500 Index</i>		8.74	19.59	19.59	14.60	12.31	12.86	10.04
Mid-Cap Equities	\$ 764,212,279.30	3.50	14.52	14.52	10.31	6.68	10.39	-
<i>S&P 400 Index</i>		4.85	17.61	17.61	15.44	7.79	10.21	-
Small-Cap Equities	\$ 511,204,537.58	5.54	11.84	11.84	13.17	5.49	9.84	-
<i>S&P 600 Index</i>		3.38	9.75	9.75	15.19	5.22	9.81	-
International Equity	\$ 4,567,321,912.79	2.01	14.90	14.90	5.56	4.31	6.35	-
<i>MSCI AC World Ex US</i>		2.67	13.33	13.33	7.75	4.01	5.24	-
Fixed Income	\$ 3,121,066,787.60	-0.63	-0.32	-0.32	-3.67	1.40	2.09	3.65
<i>Bloomberg Barclays Govt/Credit Index</i>		-0.93	-0.70	-0.70	-4.11	1.03	1.66	3.03
Real Estate	\$ 1,777,282,981.93	-0.76	-0.13	-0.13	10.60	9.00	10.16	8.83
In House Real Estate Equity	\$ 401,370,071.73	1.53	5.59	5.59	4.50	4.85	7.19	8.03
<i>CPI plus 2%</i>		1.17	5.15	5.15	7.86	5.97	4.77	4.62
Core Real Estate	\$ 897,299,142.19	-1.26	-0.36	-0.36	10.91	9.55	10.57	-
<i>NCREIF ODCE (VW) Index</i>		-2.68	-9.97	-9.97	7.99	6.50	8.74	-
Non-Core Real Estate	\$ 478,613,768.01	-1.69	-3.98	-3.98	16.49	12.59	14.48	-
<i>NCREIF Property Index</i>		-1.98	-6.60	-6.60	6.79	5.90	7.82	-
Private Equity	\$ 1,915,329,612.66	1.97	2.48	2.48	21.65	15.10	14.24	-
Mature Private Equity	\$ 1,062,601,480.74	1.73	2.47	2.47	21.22	13.79	12.51	-
<i>S&P 500 Index plus 3%</i>		9.55	23.18	23.18	18.04	15.68	16.25	-
Private Equity < 5 Years	\$ 852,728,131.92	3.53	4.06	4.06	25.02	17.69	-	-
Timberland	\$ 485,158,413.60	0.78	5.31	5.31	3.00	3.29	3.25	-
<i>NCREIF Timberland Index</i>		1.71	12.06	12.06	4.81	5.38	4.84	-
Additional Categories	\$ 1,978,990,604.16	1.10	4.28	4.28	6.05	4.52	4.67	-
<i>B of A Merrill Lynch U.S. High Yield Master II Constrained</i>		1.64	8.87	8.87	3.20	3.17	4.33	-
Cash (Unallocated)	\$ 210,929,901.13	0.96	3.45	3.45	1.27	1.47	0.97	1.53
<i>90 Day T-Bill</i>		1.17	3.59	3.59	1.27	1.55	0.97	1.32

Total Trust Gross Return for 30-year period*

7.71

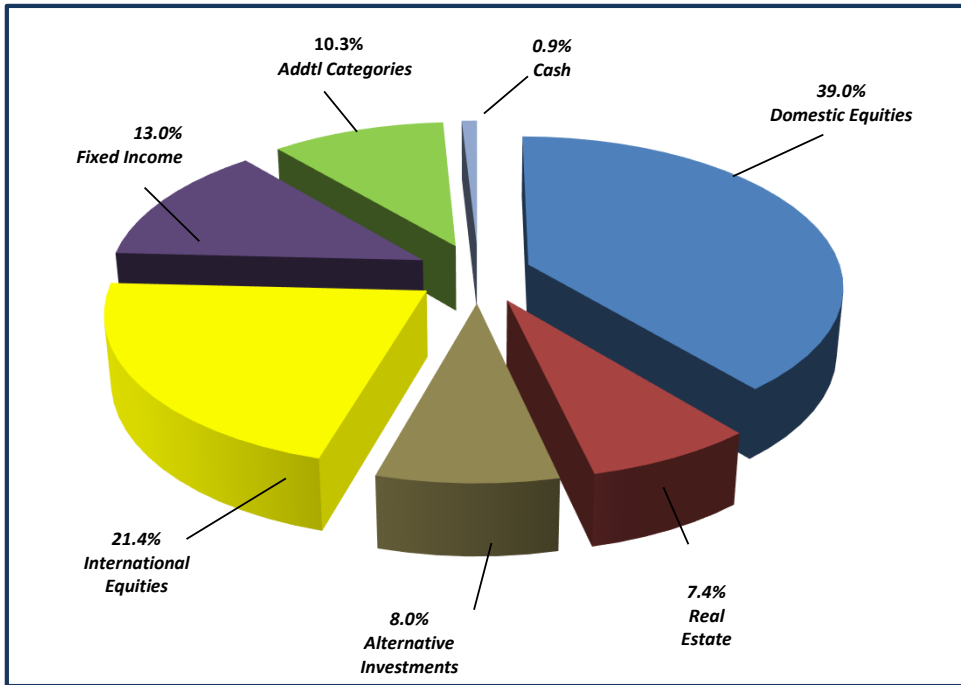
*Returns are annualized for periods longer than one year

** 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.

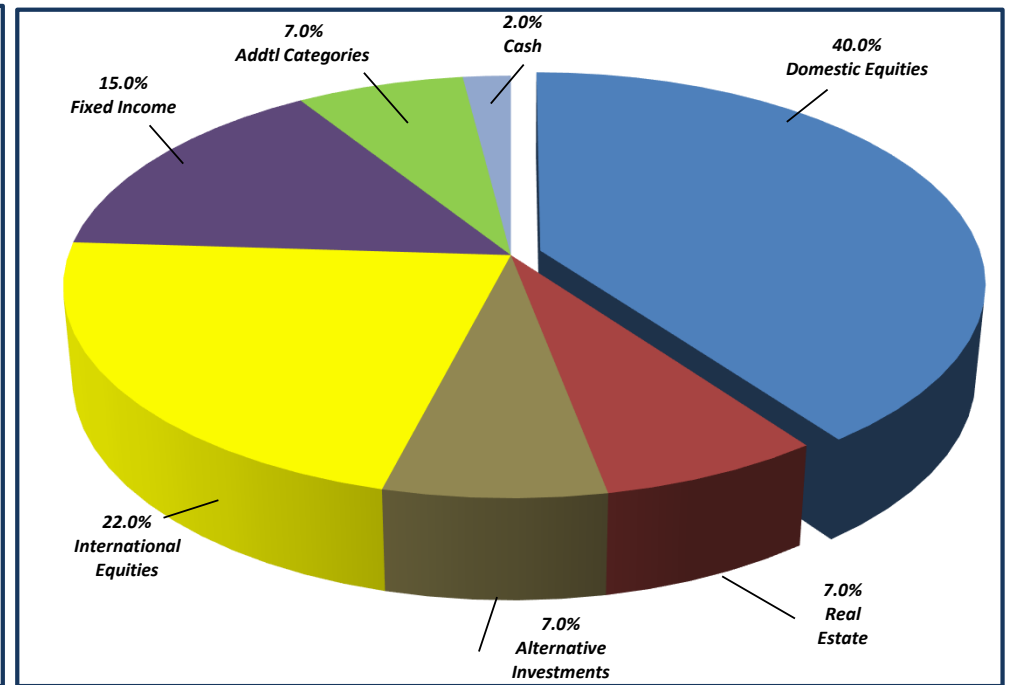
Teachers' Retirement System of Kentucky
 Quarterly Investment Update
 For the period ended June 30, 2023

(\$ in millions)	\$'s	6/30/2023 Actual %	3/31/2023 Actual %	Target %	Strategic Ranges
Domestic Equities	\$9,330.3	39.0%	39.6%	40.0%	32.0 - 48.0%
Real Estate	1,777.3	7.4%	7.7%	7.0%	4.0 - 10.0%
Alternative Inv.	1,915.3	8.0%	7.9%	7.0%	4.0 - 10.0%
International Equities	5,114.4	21.4%	19.2%	22.0%	16.0 - 27.0%
Fixed Income	3,121.1	13.0%	13.9%	15.0%	8.0 - 22.0%
Addtl Categories	2,464.2	10.3%	10.9%	7.0%	4.0 - 15.0%
Cash	210.9	0.9%	0.8%	2.0%	1.0 - 5.0%
Total	\$23,933.5	100.0%	100.0%	100.0%	

ACTUAL %



TARGET %



*Teachers' Retirement System of the State of Kentucky
Health Insurance Trust
Quarterly Investment Performance
Gross Returns
For the Period Ended June 30, 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	\$ 2,413,604,606.14	3.99	11.94	11.94	10.07	7.86	7.71	-
<i>Policy Benchmark</i>		4.09	11.53	11.53	9.24	7.27	-	-
Total Equity	\$ 1,426,960,263.13	6.54	20.12	20.12	11.53	8.46	9.20	
Domestic Equity	\$ 965,242,797.05	8.66	24.26	24.26	4.99	7.33	-	-
<i>S&P 500 Index</i>		8.74	19.59	19.59	14.60	12.31	-	-
<i>Russell 3000</i>		8.39	18.95	18.95	13.89	11.39		
International Equities	\$ 461,717,466.08	2.38	24.80					-
<i>MSCI AC World ex USA IMI Index</i>		2.61	13.08					-
Fixed Income	\$ 176,694,576.88	-0.42	0.39	0.39	-2.76	1.85	1.54	-
<i>Barclays Government Credit</i>		-0.93	-0.70	-0.70	-4.11	1.03	1.66	-
Real Estate	\$ 159,444,210.06	-1.48	-1.82	-1.82	16.00	12.81	-	-
Core Real Estate	\$ 84,177,034.94	-0.90	0.92	0.92	13.44	11.31	-	-
<i>NCREIF ODCE (VW)</i>		-2.68	-9.97	-9.97	7.99	6.50	-	-
Non-Core Real Estate	\$ 75,267,175.12	-2.10	-4.66	-4.66	18.26	14.13	-	-
<i>NCREIF Property Index</i>		-1.98	-6.60	-6.60	6.79	5.90	-	-
Private Equity	\$ 220,197,307.20	1.49	1.68	1.68	23.81	15.88	16.00	-
Mature Private Equity	\$ 108,455,974.33	0.74	1.95	1.95	25.22	18.10	16.10	-
<i>S&P 500 plus 3%</i>		9.55	23.18	23.18	18.04	15.68	16.25	-
Private Equity < 5 Years	\$ 111,741,332.87	2.10	2.11	2.11	20.74	13.77	-	-
Additional Categories	\$ 415,388,542.29	1.22	4.57	4.57	5.44	4.19	4.35	-
<i>B of A Merrill Lynch High Yield Master II</i>		1.64	8.87	8.87	3.20	3.17	4.33	-
Cash (Unallocated)	\$ 14,919,706.58	0.97	3.54	3.54	1.59	1.71	1.09	-
<i>90 Day T-Bill</i>		1.17	3.59	3.59	1.27	1.55	0.97	-

*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

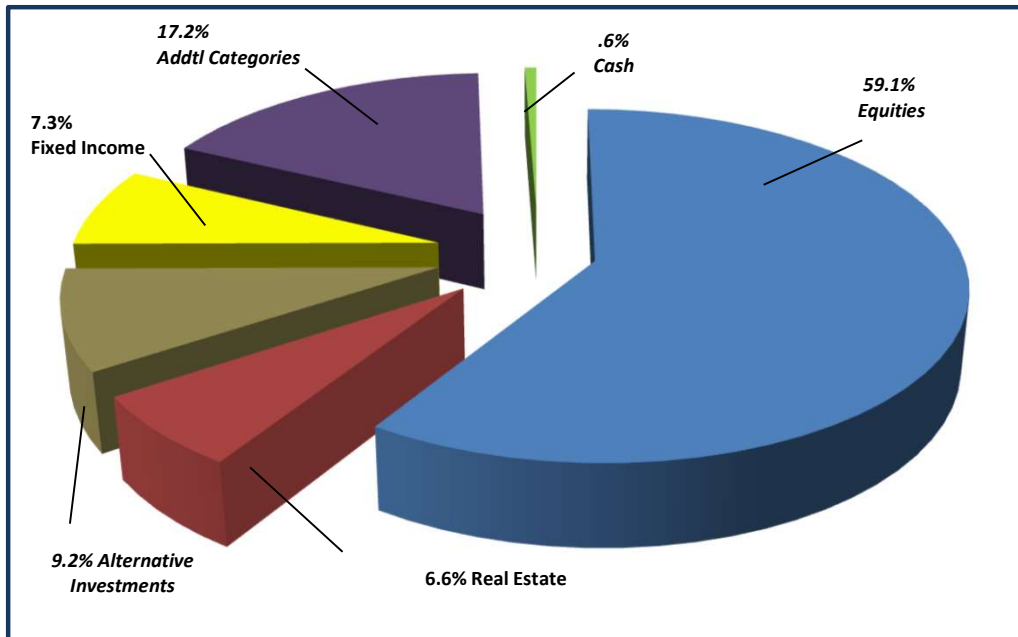
Insurance Trust Fund

Quarterly Investment Update

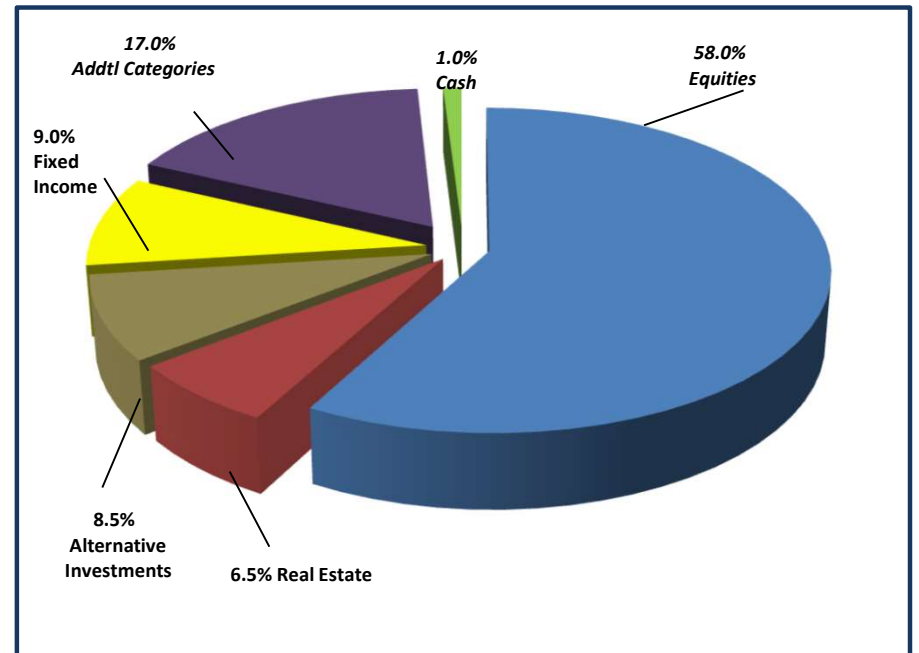
For the period ended June 30, 2023

<i>(\$ in thousands)</i>	<u>\$'s</u>	<u>6/30/2023 Actual %</u>	<u>3/31/2023 Actual %</u>	<u>Target %</u>	<u>Strategic Ranges</u>
Equities	\$1,426,960.3	59.1%	55.4%	58.0%	51.0 - 64.0%
Real Estate	\$159,444.2	6.6%	7.0%	6.5%	4.0 - 12.0%
Alternative Inv.	\$220,197.3	9.2%	9.2%	8.5%	5.0 - 12.0%
Fixed Income	\$176,694.6	7.3%	7.6%	9.0%	6.0 - 14.0%
Addtl Categories	\$415,388.5	17.2%	17.7%	17.0%	14.0 - 25.0%
Cash	\$14,919.7	0.6%	3.1%	1.0%	0.0 - 5.0%
Total	<u>\$2,413,604.6</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

ACTUAL %



TARGET %



TOTAL BV INVESTED AT 03/31/23 \$ 18,655,272,092.96

April Activity

Purchases	525,046,841.91	
Disposals	(425,309,583.79)	
Paydowns	(2,710,117.84)	
Redemptions	(15,771,141.16)	
Short-Term Pool Net	(125,925,981.72)	(44,669,982.60)

May Activity

Purchases	460,393,759.08	
Disposals	(429,851,041.69)	
Paydowns	(1,842,511.30)	
Redemptions	(34,199,248.34)	
Short-Term Pool Net	(30,105,757.04)	(35,604,799.29)

June Activity

Purchases	400,335,246.34	
Disposals	(443,620,156.74)	
Paydowns	(1,083,492.29)	
Redemptions	(20,768,899.96)	
Short-Term Pool Net	112,475,414.32	47,338,111.67

TOTAL BV INVESTED AT 6/30/23 \$ 18,622,335,422.74

* 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, (\$12,181,133.21) 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	\$ 568,884,722	
- Pending Payable	12,181,133	
Net	\$ 556,703,589	

INVESTMENT ACTIVITY
April 1, 2023 -- June 30, 2023

Total Book Value Invested @ 4/1/23 \$ 18,655,272,092.96

Purchases:

365	Cash Equivalents	\$	851,886,763.92	
78	Fixed Income Securities		206,510,364.55	
3	Principal Paydowns		25,305.31	
0	Additional Redemptions / Maturities		-	
1544	Equity Securities		756,396,386.74	
34	Real Estate		33,148,411.73	
102	Alternative Investments		131,542,928.32	
189	Additional Categories		263,177,755.99	
<hr/>				
2315	Total Purchases			\$ 2,242,687,916.56

Disposals:

276	Cash Equivalents	\$	900,443,088.36	
76	Fixed Income Securities		195,889,247.57	
263	Principal Paydowns		5,509,457.30	
27	Redemptions / Maturities		66,122,414.38	
1715	Equity Securities		702,633,973.38	
44	Real Estate		18,146,403.19	
164	Alternative Investments		72,098,529.11	
195	Additional Categories		310,012,628.97	
1	Additional Principal Paydowns		151,969.44	
3	Additional Redemptions / Maturities		4,616,875.08	
<hr/>				
2764	Total Disposals			\$ 2,275,624,586.78

Total Book Value Invested @ 6/30/23 \$ 18,622,335,422.74

Total Par Value Invested @ 6/30/23 \$ 18,254,535,521.56

Total Market Value Invested @ 6/30/23 \$ 23,933,524,225.26

* 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, (\$12,181,133.21) 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	\$	568,884,722
- Pending Payable		12,181,133
Net	<u>\$</u>	<u>556,703,589</u>

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 18, 2023

RE: Report of the Insurance Committee

On September 18, prior to the quarterly board meeting, the Insurance Committee will meet. Thereafter, the committee will report to the board on the following matters:

1. KEHP rates for 2024. A health insurance benefit supplement is being recommended to the committee for the Kentucky Employees' Health Plan (KEHP) up to \$885.30 per month in 2024 for those retirees fulfilling the necessary service requirements. This includes a KEHP administrative fee of \$8 per person per month (PPPM) for plan year 2024.
2. MEHP rate for 2024. A rate is being recommended to the committee of up to \$207 per month for the 2024 TRS Medicare Eligible Health Plan (MEHP), which includes a combined UnitedHealthcare Medicare Advantage plan and Express Scripts Medicare Part D drug plan, for those retirees fulfilling the necessary service requirements.

Any actions by the Insurance Committee will be reported to the board with a request for those actions to be accepted and ratified.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 18, 2023

SUBJECT: Executive Secretary's Observations and Comments

1. Trustee Education Program: The TRS Board of Trustees always has been devoted to gaining timely and relevant training on matters related to the proper administration of TRS. The board expressed its dedication to continuing education on November 17, 2008, when it adopted the Teachers' Retirement System Trustee Education Program in accordance with KRS 161.250(3)(c). The policy is contained in Appendix 9 of the Board Governance Manual. Chapter 3, subparagraph 6 of the policy provides that the executive secretary will report concerning this program each year at the September board meeting.

From July 2022 through June 2023, trustees attended 444 hours of combined approved training in accordance with the program. The approved training activities included a mix of programs and activities presented by national retirement associations, TRS staff and TRS service providers with expertise in investments, law and actuarial concepts. Topics covered a broad range of subjects, including pension and medical benefits administration, investment concepts, legal compliance, fiduciary duty and other matters that enhance the effectiveness of trustees in fulfilling their roles and satisfying their duties under law.

TRS staff also assisted with providing specific training to trustees. TRS staff presented a one-day workshop that focused primarily on investment concepts, ethics and governance matters.

2. Annual Trustee Workshop: TRS staff is planning a one-day trustee workshop that will focus on current issues in the administration of TRS. Staff anticipates presentations on funding, plan design, actuarial issues, investment concepts, ethics, governance and other matters. The trustee workshop tentatively is scheduled for Monday, November 20, 2023.

3. GASB Statement Nos. 67 and 68: In 2012, the Governmental Accounting Standards Board (GASB) approved two statements concerning the accounting and financial reporting of pensions by state and local governments and pension plans. Statement No. 67, *Financial Reporting for Pension Plans*, addresses financial reporting for state and local government pension plans. Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. While the two statements were being developed, TRS took an active role in communicating issues and concerns to GASB through a consortium of similarly situated public pension plans.

Both statements have been in effect for several years now.

Because of some concern expressed previously as to how these accounting standards apply to

Kentucky school districts, particularly whether these new accounting standards would affect the budgets of the districts, two important points should be noted.

First, as a critical reminder, GASB standards generally apply only to financial reporting. They do not mandate how a governmental pension plan is to be funded. In Kentucky, the commonwealth has a statutory obligation to provide pension funding through the employer retirement contributions it makes on behalf of teachers and administrators and payments toward the unfunded liability. As such, the responsibility for making employer contributions and addressing the unfunded liability of TRS 1, TRS 2 and TRS 3 rests with the commonwealth, not the local school districts. These GASB accounting standards do not change the funding responsibility. GASB accounting standards do not require school districts to make employer contributions to TRS.

Second, while these GASB accounting standards impose financial reporting standards on governmental employers regarding pension liability, Kentucky is very different from other states in that Kentucky teachers and administrators generally are treated as employees of the commonwealth for pension and other purposes. Given this circumstance, GASB has confirmed that the commonwealth is responsible for reporting the annual required contributions and pension liabilities. Furthermore, GASB also has confirmed that Kentucky schools are not required to report a share of the pension liability in district financial statements.

TRS GASB 67 and 68 Reports: TRS published the accounting information required under Statement No. 67 in TRS's annual financial report for the fiscal years ending June 30, 2022 and 2021.

TRS has published the "GASB Statement No. 68 Report ... Prepared as of and for the year ended June 30, 2022" for use by the state and other TRS employers. TRS's report was audited by the external auditor, which expressed the opinion that the schedules present fairly, in all material respects, the employer allocation and other matters addressed.

GASB Statement Nos. 74 and 75: In 2015, GASB approved two statements concerning the accounting and financial reporting of other postemployment benefits (OPEB) by state and local governments and benefit plans. Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, addresses financial reporting for OPEB plans. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB.

TRS GASB 74 and 75 Reports: TRS published the accounting information required under Statement No. 74 in TRS's annual financial report for the fiscal years ending June 30, 2022 and 2021.

TRS has published the "GASB Statement No. 75 Report ... Prepared as of and for the fiscal year ended June 30, 2022" for use by the state and other TRS employers. TRS's report was audited by the external auditor, which expressed the opinion that the schedules present fairly, in all material respects, the employer allocation and other matters addressed.

The GASB Statement Nos. 68 and 75 reports and the external audit reports are available for review by the board.

4. Request for Proposals (RFP) for Death Match Audit Services: Staff will be publishing an RFP seeking a vendor for death match audit services. This service is used to ensure that retirement benefits cease upon the death of the member or beneficiary. Staff anticipates recommending contracting with a vendor at the December quarterly meeting.

5. Executive Secretary's Meetings: The executive secretary has had meetings with several groups recently and will report to the board concerning the following:

July 7	Meeting with Todd Asset Management
July 12	Public Sector Health Care Roundtable Federal Advocacy Workshop
July 21	Coalition to Sustain the Education Profession Steering Committee meeting
July 26	Healthcare Policy Institute board meeting
July 31	Meeting with Todd Asset Management
August 9	Attended Spencer County Back to School Bash hosted by retired teachers
August 25	Presented at Kentucky Retired Teachers Association fall workshop in Jefferson County
September 1	Meeting with Fort Washington Investment Advisors
September 8	Meeting with Williams and Jensen
September 12	KYRx September board meeting
September 13	Coalition to Sustain the Education Profession Steering Committee meeting
September 13	Meeting with Public Sector Healthcare Roundtable

6. Next Meeting: The next quarterly meeting of the board will be December 18. This meeting will start at 9:30 a.m.