



TEACHERS' RETIREMENT SYSTEM

of the State of Kentucky

BOARD OF TRUSTEES

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Bowling Green

JOHN BOARDMAN, Vice Chair
Lexington

PAUL BRUCE
Louisville

HOLLIS GRITTON
Union

BEN LITTLEPAGE, Ed.D.
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LAURA SCHNEIDER
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LOUIS STRAUB
Louisville

JOSH UNDERWOOD
Tollesboro

ALISON WRIGHT
Georgetown

MARK METCALF
State Treasurer

ROBIN FIELDS KINNEY
Interim Education Commissioner

GARY L. HARBIN, CPA
Executive Secretary

Regular Quarterly Meeting

TRS Board of Trustees

A G E N D A

June 17, 2024, 12:30 p.m. ET

- Board Called to Order
 - Roll Call
1. Reports for Consent
 - 1.1. Consideration/Approval of Minutes
 - 1.1.1. Quarterly Meeting, Board of Trustees, March 18, 2024
 - 1.1.2. Special Meeting, Governance and Audit Committee, March 18, 2024
 - 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 Election
 - 2.2. Election of 2024-2025 Board Chair and Vice Chair
 - 2.3. 2024-2025 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. Fiscal 2025 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 of the Legislative Committee
 5. Report of the Benefits and Funding Committee
 6. Report of the Governance and Audit Committee
 7. Executive Secretary's Observations and Comments
- General Discussion
 - Adjournment

The meeting will be 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 17, 2024

SUBJECT: Reports for Consent

1.1. Consideration/Approval of Minutes

1.1.1. Quarterly Meeting of the Board of Trustees, March 18, 2024

1.1.2. Governance and Audit Committee Special Meeting, March 18, 2024

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 is included in the board materials. Attached is a summary of the payments and a comparison to the same period last year. The 125 initial retirements for the period resulted in monthly payments totaling \$311,293.98. During the same period last year, 156 retirements resulted in \$362,528.31 in monthly payments.

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, is included in the board materials. During the period, eight survivor benefits commenced with a total monthly payment of \$2,705.40.

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 is included in the board materials. Ten payments to the estates or beneficiaries of active teachers and 332 payments to the estates or beneficiaries of retired teachers totaled \$1,680,000. During the same quarter last year, 342 payments totaled \$1,677,000.

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 is included in the board materials. During the quarter, the refunds paid consisted of:

Regular withdrawals	719	\$8,773,275.06
Deaths	<u>33</u>	<u>\$589,048.84</u>
Totals	752	\$9,362,323.90

During the same quarter last year, 627 refunds totaled \$7,340,662.07.

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 are included in the board materials.

Recommendation: The Interim Financial Statements are for information and require no action.

Teachers' Retirement System of the State of Kentucky
Initial Applications for Retirement and Annuity
2024

	March	April	May	Total	Same Period 2023
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>6</i> \$17,889.22	<i>7</i> \$20,108.80	<i>5</i> \$17,769.34	<i>18</i> \$55,767.36	<i>24</i> \$76,683.66
Service Retirement	<i>30</i> \$88,027.71	<i>44</i> \$122,073.19	<i>33</i> \$45,425.72	<i>107</i> \$255,526.62	<i>130</i> \$282,838.19
Beneficiary of Member Eligible to Retire	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>0</i> \$0.00	<i>2</i> \$3,006.46
TOTALS	<i>36</i> \$105,916.93	<i>51</i> \$142,181.99	<i>38</i> \$63,195.06	<i>125</i> \$311,293.98	<i>156</i> \$362,528.31

Reports for Consent
Member Account Refunds
For the period January 2024 - March 2024

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	335	1,978,826.17	494,626.78	1,180,335.16	3,653,788.11
February	193	1,369,941.76	342,483.56	973,917.49	2,686,342.81
March	191	1,269,067.33	316,907.35	847,169.46	2,433,144.14
Total	719				8,773,275.06

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	8	115,563.60	17,381.40	12,167.14	145,112.14
February	15	162,012.85	39,297.02	0.00	201,309.87
March	10	188,551.71	46,999.55	7,075.57	242,626.83
Total	33				589,048.84

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
January	343	2,094,389.77	512,008.18	1,192,502.30	3,798,900.25
February	208	1,531,954.61	381,780.58	973,917.49	2,887,652.68
March	201	1,457,619.04	363,906.90	854,245.03	2,675,770.97
Total	752				9,362,323.90

TEACHERS' RETIREMENT SYSTEM

OF THE STATE OF KENTUCKY



INTERIM FINANCIAL STATEMENTS

QUARTER ENDED MARCH 31, 2024
(FAIR VALUE - UNAUDITED)

Statements of Plan Net Assets
as of March 31, 2024 and 2023
(Fair Value - Unadjusted & Unaudited)

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
ASSETS										
Cash	\$ 209,002,407	\$ 122,979,863	\$ 277,823,919	\$ 220,671,267	\$ 437,467	\$ 520,409	\$ 197,210	\$ 225,526	\$ 487,461,003	\$ 344,397,065
Receivables										
Contributions	48,576,918	50,526,572	12,068,376	14,111,640	60,464	54,426			60,705,758	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	88,468,462	29,416,056	7,048,291	2,659,855	107,251	815			95,624,004	32,076,726
Installment Account Receivable	14,902	21,334							14,902	21,334
Other Receivables	19,296	24,667	46,971,209	37,308,327					46,990,505	37,332,994
Due from Other Funds	7,977,382	5,964,536							7,977,382	5,964,536
Total Receivables	204,100,250	135,607,932	71,512,608	57,178,846	486,862	345,416	4,380	3,160	276,104,100	193,135,354
Investments at Market Value										
Short Term Investments	618,808,228	610,730,075	132,658,237	126,112,108	5,729,062	5,168,229	362,490	346,079	757,558,017	742,356,491
Bonds and Mortgages	3,215,832,834	3,075,823,174	215,724,659	157,208,807	16,887,463	18,651,158	206,554	221,554	3,448,651,510	3,251,904,693
Stocks	15,491,993,755	13,604,681,508	1,710,168,220	1,270,796,699	61,571,970	52,881,002	575,797	457,902	17,264,309,742	14,928,817,111
Alternative Investments	2,059,022,197	1,846,186,864	239,052,602	212,814,314	6,233,512	4,547,500			2,304,308,311	2,063,548,678
Real Estate	1,684,404,874	1,798,236,400	150,650,680	161,635,335	6,612,628	6,474,014			1,841,668,182	1,966,345,749
Additional Categories	2,657,221,452	2,462,376,843	447,959,288	394,997,957	2,995,323	2,817,559			3,108,176,063	2,860,192,359
Total Investments	25,727,283,340	23,398,034,864	2,896,213,686	2,323,565,220	100,029,958	90,539,462	1,144,841	1,025,535	28,724,671,825	25,813,165,081
Capital Assets	7,466,047	9,255,981							7,466,047	9,255,981
(net of accumulated depreciation)										
Total Assets	26,147,852,044	23,665,878,640	3,245,550,213	2,601,415,333	100,954,287	91,405,287	1,346,431	1,254,221	29,495,702,975	26,359,953,481
LIABILITIES										
Liabilities										
Accrued Expenses and Other Liabilities	2,296,131	2,110,479	13,062,293	5,769,356					15,358,424	7,879,835
State of Kentucky	29,211,585	26,943,547	10,443,709	119,901	39,839	62,105			39,695,133	27,125,553
Investment Purchases Payable	62,650,595	39,624,118	14,911,411	4,852,858	141,184	405	-	-	77,703,190	44,477,381
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	113,627,503	83,751,237	48,531,282	18,202,396	402,788	223,307	4,480	3,585	162,566,053	102,180,525
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 26,034,224,541	\$ 23,582,127,403	\$ 3,197,018,931	\$ 2,583,212,937	\$ 100,551,499	\$ 91,181,980	\$ 1,341,951	\$ 1,250,636	\$ 29,333,136,922	\$ 26,257,772,956

Statements of Changes in Plan Net Assets
For the Nine Months Ended March 31, 2024 and 2023
(Fair Value - Unadjusted & Unaudited)

	Retirement Annuity Trust		Health Insurance Trust		Life Insurance Trust		Other Funds		TOTAL	
	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023	FY 2024	FY 2023
ADDITIONS										
Contributions										
Employer- State Paid	\$ 785,235,083	\$ 783,598,057	\$ 76,078,124	\$ 70,012,029	\$ 1,785,138	\$ 1,690,680	\$ -	\$ -	\$ 863,098,345	\$ 855,300,766
Employer- LSD, Other	68,513,368	72,443,287	90,025,000	85,766,638	537,702	482,734	-	218,241	159,076,070	158,910,900
Member- Active	268,949,163	253,564,339	107,979,159	102,975,899			11,379	5,881	376,939,701	356,546,119
Member- Retired			47,366,172	47,802,601					47,366,172	47,802,601
Recovery Income			111,953,197	100,870,332					111,953,197	100,870,332
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Total Contribution	1,122,697,614	1,109,605,683	433,401,652	407,427,499	2,322,840	2,173,414	11,379	224,122	1,558,433,485	1,519,430,718
Investment Income/(Loss)										
Net Appreciation/(Depreciation) in										
Fair Value of Investments	2,247,900,239	1,123,219,264	246,430,801	129,395,337	7,616,190	4,373,478	73,659	20,672	2,502,020,889	1,257,008,751
Interest	164,517,492	139,516,652	30,649,711	16,709,005	743,355	615,246	24,412	12,127	195,934,970	156,853,030
Dividends	183,129,357	172,111,307	13,056,783	8,680,338	526,898	520,720	6,335	5,422	196,719,373	181,317,787
Rental Income, Net	18,654,214	16,538,346							18,654,214	16,538,346
Securities Lending, Net	1,773,393	1,899,982			31,278	41,189	382	504	1,805,053	1,941,675
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Gross Investment Income	2,615,974,695	1,453,285,551	290,137,295	154,784,680	8,917,721	5,550,633	104,788	38,725	2,915,134,499	1,613,659,589
Less Investment Expense	(58,169,434)	(50,816,758)	(6,440,436)	(5,448,518)	(211,977)	(163,040)	-	-	(64,821,847)	(56,428,316)
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Net Investment Income	2,557,805,261	1,402,468,793	283,696,859	149,336,162	8,705,744	5,387,593	104,788	38,725	2,850,312,652	1,557,231,273
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Total Additions	3,680,502,875	2,512,074,476	717,098,511	556,763,661	11,028,584	7,561,007	116,167	262,847	4,408,746,137	3,076,661,991
DEDUCTIONS										
Benefits	1,852,028,576	1,795,472,610			4,507,000	4,759,530	51,026	128,569	1,856,586,602	1,800,360,709
Refunds of Contributions	25,467,301	21,691,690							25,467,301	21,691,690
Under 65 Insurance Expenses			81,233,046	77,504,582					81,233,046	77,504,582
Over 65 Insurance Expenses			182,259,615	165,221,831					182,259,615	165,221,831
Administrative Expense	13,336,582	12,735,143	-	-	-	-	-	-	13,336,582	12,735,143
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Total Deductions	1,890,832,459	1,829,899,443	263,492,661	242,726,413	4,507,000	4,759,530	51,026	128,569	2,158,883,146	2,077,513,955
Net Increase (Decrease)										
	1,789,670,416	682,175,033	453,605,850	314,037,248	6,521,584	2,801,477	65,141	134,278	2,249,862,991	999,148,036
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS										
Beginning of year	24,244,554,125	22,899,952,370	2,743,413,081	2,269,175,689	94,029,915	88,380,503	1,276,810	1,116,358	27,083,273,931	25,258,624,920
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Ending of period	\$ 26,034,224,541	\$ 23,582,127,403	\$ 3,197,018,931	\$ 2,583,212,937	\$ 100,551,499	\$ 91,181,980	\$ 1,341,951	\$ 1,250,636	\$ 29,333,136,922	\$ 26,257,772,956
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TO: Board of Trustees of the Teachers' Retirement System of the State of Kentucky

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

SUBJECT: Report of Results of Trustee Election

In accordance with KRS 161.260, the results of the election of one active teacher 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 17, 2024

SUBJECT: Election of 2024-2025 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 by law 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 17, 2024

SUBJECT: 2024-2025 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 2023-24 committees and their members are as follows:

Administrative Appeals

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

Governance & Audit

Hollis Gritton, Chair
Ben Littlepage, Vice Chair
Louis Straub
Paul Bruce, Alternate
Marshall Smith, Alternate

Insurance

John Boardman, Chair
Josh Underwood, Vice Chair
Brenda McGown
Louis Straub
Laura Schneider, Alternate
Marshall Smith, Alternate

Investment

Hollis Gritton, Chair
Brenda McGown, Vice Chair
John Boardman
Paul Bruce
Ben Littlepage
Louis Straub
Josh Underwood
Laura Schneider, Alternate
Alison Wright, Alternate

Legislative

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

Nominating

Laura Schneider, Chair
Alison Wright, Vice Chair
Hollis Gritton
Paul Bruce, Alternate

Personnel

Alison Wright, Chair
Brenda McGown, Vice Chair
Paul Bruce
Hollis Gritton
Ben Littlepage
Louis Straub, Alternate

Scholarship

Josh Underwood, Chair
Alison Wright, Vice Chair
Paul Bruce
Laura Schneider
Brenda McGown, Alternate

Benefits & Funding

Alison Wright, Chair
Mark Metcalf
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 17, 2024

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, a 2017 law 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 2025 and ask the board to act on those.

Recommendation: The chair will provide a recommendation at the meeting for the Investment Committee for fiscal 2025.

For reference, the fiscal 2024 membership of the committee is:

Hollis Gritton, Chair
Brenda McGown, Vice chair
John Boardman
Paul Bruce
Dr. Ben Littlepage
Louis Straub
Josh Underwood

Laura Schneider, Alternate
Alison Wright, 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 2025.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

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:

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:

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. At times, TRS staff members must present proof of authorization 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. A copy of the resolution is presented 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 17, 2024

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, 2024.

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, 2024.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

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 2025 fiscal year as follows:

The executive secretary is directed to determine the aggregate amount of the accumulated accounts of teachers retiring during fiscal year 2025 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 17, 2024

SUBJECT: 2024-2025 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 \$20,818,700 was approved by the legislature for the 2025 fiscal year.

A copy of the proposed fiscal 2025 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 2025 administrative budget as presented.

Teachers' Retirement System of the State of Kentucky

Administrative Budget

	Final Budget <u>2023-2024</u>	Proposed Budget <u>2024-2025</u>
PERSONNEL COSTS		
Salaries & Wages	\$ 10,450,000	\$ 10,754,500
FICA/Medicare	231,800	239,100
Retirement	2,675,000	2,707,200
Health/Life Insurance	<u>1,134,900</u>	<u>1,283,900</u>
SUB TOTAL PERSONNEL	14,491,700	14,984,700
Worker's Compensation	12,500	12,500
Unemployment Compensation	5,000	5,000
Employee Training	59,500	59,500
Legal Services	162,300	162,300
Auditing	122,800	202,800
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	15,487,100	16,060,100
OPERATING EXPENSES		
Natural Gas	19,700	19,700
Electricity	70,200	75,200
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	524,900	654,900
Printing	178,900	198,900
Insurance	209,500	209,500
Other	10,900	10,900
Telephone	28,200	29,200
Computer Services	38,000	47,800
Office Supplies	63,900	63,900
Furniture under \$5,000	14,100	14,100
Computer Software	2,068,900	2,783,700

Teachers' Retirement System of the State of Kentucky
Administrative Budget

	Final Budget <u>2023-2024</u>	Proposed Budget <u>2024-2025</u>
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	 3,802,100	 4,682,700
 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><u>\$ 19,365,100</u></u>	 <u><u>\$ 20,818,700</u></u>

TEACHERS RETIREMENT SYSTEM KENTUCKY
ADMINISTRATIVE EXPENSES COMPARISON TO ASSETS

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
<i>Fiscal Year to date as of 4/30/24</i>		<i>14,847,946</i>			<i>16,137,584</i>	<i>92.01%</i>	
Fiscal Year 6/30/23	27,083,273,931	16,483,579	0.0609%		18,553,300	88.84%	585,367
Fiscal Year 6/30/22	25,258,624,920	14,121,414	0.0559%	16,369,600	16,823,700	83.94%	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

Actual expenses compared to similar size systems	Assets End of Year	Actual Expenses	Basis Points
KPPA 6/30/23	16,939,836,000	41,875,000	0.2472%
Indiana Public Employees 6/30/23	14,885,915,000	21,695,000	0.1457%
New Mexico Public Employees 6/30/23	16,598,829,757	15,593,783	0.0939%
Kansas Public Employees 6/30/23	25,800,659,628	24,252,656	0.0940%
Ohio Teachers Retirement System 6/30/23	91,031,372,000	76,314,000	0.0838%
Georgia Employees 6/30/23	17,911,487,000	13,588,000	0.0759%
Louisiana Teachers 6/30/23	26,125,186,904	14,937,155	0.0572%
Kentucky Teachers 6/30/23	25,258,624,920	16,483,579	0.0653%

TEACHERS RETIREMENT SYSTEM KENTUCKY
ADMINISTRATIVE EXPENSES COMPARISON TO LIABILITIES

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>Fiscal Year to date as of 4/30/24</i>		<i>14,847,946</i>		<i>16,137,584</i>	<i>92.01%</i>	
Fiscal Year 6/30/23	46,212,111,000	16,483,579	0.0357%	18,553,300	88.84%	585,367.00
Fiscal Year 6/30/22	44,858,351,000	14,121,414	0.0315%	16,823,700	83.94%	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

Actual expenses compared to similar size systems	Actuarial Liabilities End of Year	Actual Expenses	Basis Points
KPPA 6/30/23	18,002,194,000	41,875,000	0.2326%
Indiana Public Employees 6/30/23	50,800,088,000	21,695,000	0.0427%
New Mexico Public Employees 6/30/23	25,200,187,392	15,593,783	0.0619%
Ohio Teachers Retirement System 6/30/23	107,782,905,000	76,314,000	0.0708%
Kansas Public Employees 6/30/23	36,016,132,936	24,252,656	0.0673%
Georgia Employees 6/30/23	20,893,936,000	13,588,000	0.0650%
Louisiana Teachers 6/30/23	35,159,100,000	14,937,155	0.0425%
<i>Kentucky Teachers 6/30/23</i>	<i>46,212,111,000</i>	<i>16,483,579</i>	<i>0.0357%</i>

**ACTUAL SPENDING V. BUDGET
FOR PERIOD ENDING APRIL 2024**

	ACTUAL	BUDGET	VARIANCE
	Y T D	Y T D	
Regular Salaries & Wages	\$ 8,103,961.59	\$ 8,708,333.34	604,371.75
Employers FICA	177,187.75	193,166.66	15,978.91
Employers Retirement Credit	1,885,418.41	2,229,166.66	343,748.25
Employer Health Insurance	898,923.41	942,749.60	43,826.19
Employer Life Insurance	1,067.00	3,000.00	1,933.00
Worker's Compensation	10,309.45	10,416.66	107.21
Unemployment Compensation	-	4,166.66	4,166.66
Employee Training	42,824.90	49,583.30	6,758.40
Employee Uniforms	-	833.30	833.30
Legal Services	58,723.20	135,250.00	76,526.80
Auditing Service	76,000.00	102,333.30	26,333.30
Medical & Dental Services	63,500.00	133,416.66	69,916.66
Consulting Services	85,000.00	85,000.00	-
Misc. Services	32,504.81	33,916.60	1,411.79
Court Reporting	-	1,000.00	1,000.00
Actuarial Services	198,448.00	240,083.34	41,635.34
Janitorial Services	33,250.00	33,500.00	250.00
Natural Gas	12,111.19	16,416.70	4,305.51
Electricity	53,965.98	58,500.00	4,534.02
Water & Sewage	-	10,666.60	10,666.60
Rent of Non-St Owned Build/Land	2,804.85	3,500.00	695.15
Rent of State Owned Build/Land	428.90	3,833.30	3,404.40
Rent of Equipment	-	416.70	416.70
Copy Machine Rental	14,656.35	14,999.90	343.55
State Carpool Rental	-	4,750.00	4,750.00
Maintenance-Buildings & Grounds	47,044.42	84,084.70	37,040.28
Maintenance of Equipment	5,955.47	6,166.60	211.13
Computer Maintenance	-	25,500.00	25,500.00
Postage & Postage Meters	516,863.30	432,000.00	(84,863.30)
Other Parcel Delivery Services	859.05	5,416.70	4,557.65
Printing Pd to State Agency	-	2,916.70	2,916.70
Printing Pd to Vendor	156,163.68	146,166.66	(9,997.02)
Insurance Premium	177,424.94	174,583.30	(2,841.64)
Garbage Collection	1,236.87	2,500.00	1,263.13
Service Not Otherwise Classified	5,106.80	6,583.34	1,476.54
Telephone Paid to Vendor	29,338.73	23,500.00	(5,838.73)
Dept Tech Serv Computer Charges	8,020.98	31,666.66	23,645.68
Comp Modem-Line Chg	-	3,333.30	3,333.30
Computer Equip Under \$5000	9,393.30	65,583.30	56,190.00
MARS Charges	20,700.00	17,083.30	(3,616.70)
Office Supplies	20,328.28	52,083.30	31,755.02
Motor Vehicle Supplies & Parts	999.91	1,000.00	0.09
Building Material & Supplies	261.81	2,583.30	2,321.49
Motor Fuel & Lube	859.89	1,750.00	890.11
Furn/Fixtures/Equip Under \$5000	2,216.00	11,750.00	9,534.00
Books for Dept Use	469.50	1,166.70	697.20
Computer Software	1,908,556.22	1,724,083.34	(184,472.88)
Banking Service & Fees	-	-	-
Storage	37,628.64	44,916.66	7,288.02
In-State Travel	11,473.23	19,666.60	8,193.37
Out-of-State Travel	18,633.92	25,000.00	6,366.08
Travel Non-State Employees	1,090.62	4,166.60	3,075.98
Dues & Subscriptions	115,831.74	130,833.34	15,001.60
Other	402.47	9,250.00	8,847.53
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>\$ 14,847,945.56</u>	<u>\$ 16,137,583.68</u>	<u>\$ 1,289,638.12</u>

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

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 2025.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

SUBJECT: Report of the Investment Committee

1. Investment Committee Meeting and Actions: The Investment Committee met May 23 and approved new investments of \$50 million from the Retirement Annuity Trust, \$10 million from the Health Insurance Trust and \$500,000 from the Life Insurance Trust into Audax Strategic Capital Private Equity Solutions; \$50 million from the Retirement Annuity Trust, \$10 million from the Health Insurance Trust and \$1 million from the Life Insurance Trust into Carlyle Realty Partners X; and \$200 million from the Retirement Annuity Trust, \$50 million from the Health Insurance Trust and \$5 million from the Life Insurance Trust into an internally managed equity fund.

The committee approved fiscal year 2025 contract renewals for TRS managers Baillie Gifford, Fort Washington, Galliard, State Street, Todd, UBS and Wellington. After a staff report, the committee approved continuing contracts through fiscal 2025 for Baillie Gifford International, Baring International, BlackRock MSCI ACWI ex-U.S., Columbia Threadneedle, Deerpath Direct Lending, Monroe Capital, Lord Abbett, Marathon Credit, Prudential PRISA and Shenkman. For the internally managed real estate portfolio, the committee approved a fiscal 2025 contract renewal for Bellwether. The committee also approved contract renewals of service providers Aon Investments USA, Seyfarth Shaw and Reinhart Boerner Van Deuren.

The committee approved the proxy voting report for the quarter ended March 31, 2024, and reported it to the board (report). As required by law, the report will be published on the TRS website.

Wellington Management reported on its portfolios.

2. Purchases and Disposals: During the quarter ended March 31, 1,701 purchases amounted to \$3,209,443,337.78 and 3,215 disposals amounted to \$2,958,803,911.30. Disposals consisted of 2,874 sales, 306 principal payments and 35 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 \$19,039,697,940.55 and a market value of \$25,727,606,200.60.

3. Staff's Comments on Economic and Market Conditions: In the quarter ended March 31, risk assets built on their impressive performance in calendar 2023 despite uncertainty regarding the timing of future monetary policy changes and elevated geopolitical tensions. U.S. and developed international equities, across all capitalizations and styles,

posted gains. The public fixed income market was mixed as strong economic data and moderating expectations for future rate cuts contributed to increasing yields. The broad fixed income market declined as shorter-duration bonds outperforming longer-maturity bonds, representing a trend change from late calendar 2023. The more credit sensitive sectors, such as bank loans and high yield bonds, gained. Commodity markets were mixed as rising oil, gold and copper prices pushed results higher for the group, while grains experienced declines. In late March, the Federal Open Markets Committee (FOMC) kept its plan for three rate cuts during the year. Strong economic data in February and March reinforced the view that future interest rate declines could be more incremental and measured in nature. Notably, according to recent guidance from the U.S. Federal Reserve, the rate at which assets are allowed to decline off its balance sheet will be reduced in coming months, indicating a more accommodative policy. Overall, indicators point to stable economic activity as purchasing manager indexes for manufacturing and services expanded in the quarter. The Organization for Economic Co-operation and Development forecasted world gross domestic product growth of 2.9% and 3% in calendar 2024 and 2025, respectively. Geopolitical instability and potential inflationary shocks continue to represent risks to these forecasts. While other central banks maintained policy rate levels, the Swiss National Bank reduced policy rates in the quarter, acting sooner than expected by market participants. Japan remains an outlier as it exited a negative interest environment in the quarter with its first rate hike since 2007. Asset classes within emerging markets delivered mixed results compared to the United States and other developed countries.

In the quarter, U.S. equity markets posted significant gains with the Russell 3000 Index returning 10%. The largest U.S. stocks, commonly referred to as the “Magnificent 7” (Nvidia, Meta Platforms, Tesla, Amazon, Alphabet, Microsoft and Apple), saw increased dispersion with Meta and Nvidia delivering the highest returns. In contrast, Apple and Tesla failed to keep pace. In general, companies that directly contribute to, or are related to, the development of artificial intelligence (AI) have benefited from a sentiment tailwind. Large-cap stocks outperformed small-cap stocks with the Russell 1000 Index returning 10.3% compared to the Russell 2000 Index returning 5.2%. The most significant contributors to returns within U.S. equity were momentum and growth factors. The Russell 3000 Growth Index generated a return of 11.2% compared to 8.6% for the Russell 3000 Value Index. Reversing a recent trend, median manager excess returns were positive for active large-cap growth managers, suggesting the increased dispersion among the Magnificent 7 has provided increased opportunities for higher-than-benchmark returns without additional risk. The best benchmark relative results were reported by active small-cap value managers while active-growth managers in the mid-cap and small-cap spaces had more difficulty outpacing strong benchmark returns.

Developed international markets trailed U.S. counterparts with the MSCI EAFE returning 5.8%. Similar to U.S. markets, large-cap stocks outpaced small-cap stocks with the MSCI EAFE Index returning 5.8% compared to the MSCI EAFE Small Cap Index returning 2.4%. Growth stocks broadly outperformed value stocks with the MSCI EAFE Growth Index returning 7% compared to the MSCI EAFE Value Index returning 4.5%. Emerging

market equity lagged developed markets with the MSCI Emerging Market Index returning 2.4%.

Investor expectations related to monetary policy actions shifted due to stable economic conditions. Market expectations of rate cuts now align with that of FOMC members, anticipating three rate cuts totaling 0.75% by the end of the calendar year, although the probability of the first cut occurring in June has continued to decline. U.S. Treasury yields increased steadily across the curve, with the 10-year yield rising by 0.32% to end the quarter at 4.2%. The yield curve remained inverted with the spread between 2-year and 10-year Treasury yields standing at 0.39% at quarter-end. This marked 21 months since the inversion began, the longest span in history. Against this backdrop, the Bloomberg U.S. Aggregate Bond Index fell 0.8% in the quarter. Risk assets weathered rising rates, with lower-rated bonds outperforming. The Bloomberg U.S. Corporate Investment Grade Index declined 0.4%, while the Bloomberg U.S. Corporate High Yield Index returned 1.5%.

Core private real estate fell 2.4%, as reported by the NFI-ODCE Index. The total return consisted of a 1% gain from income and a 3.3% loss from price appreciation. Income returns continued at the lower end of historical levels because of elevated borrowing costs and expenses. This marks the sixth consecutive quarter of price declines. Additionally, activity in transaction markets remains muted leading to limited liquidity and valuation comparisons.

4. Performance: Investment performance for the quarter ended March 31 was strong with public assets outperforming private assets. The Retirement Annuity Trust returned 5.21%, compared to the Policy Index's 5.43% return. TRS's domestic equity returned 10.78%, outperforming the S&P 1500 Stock index's 10.31%. TRS's international stocks returned 3.86%, underperforming the MSCI All Country ex-U.S. index that returned 4.81%. Real estate declined 2.64%. TRS's fixed income declined 0.36%, outperforming the Bloomberg Barclays Gov/Credit Bond index that declined 0.72%. Additional categories returned 2.12% and private equity returned 1.45%.

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

Teachers' Retirement System of the State of Kentucky
Retirement Annuity Trust
Quarterly Investment Performance
Gross Returns
For the Period Ended March 31, 2024

Preliminary

	<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	\$ 25,727,606,200.60	5.21	11.13	15.33	5.06	9.34	8.25	7.52
<i>Policy Benchmark</i>		5.43	11.65	16.40	6.28	9.48	8.31	-
<u>Total Equity</u>	\$ 15,605,795,633.72	8.52	16.63	23.87	5.62	12.02	10.02	8.66
<u>Domestic Equity</u>	\$ 10,471,498,527.77	10.78	20.70	30.65	9.11	14.58	12.20	10.06
<i>S&P 1500 Index</i>		10.31	19.16	29.15	10.99	14.70	12.65	10.17
<u>All-Cap Equities</u>	\$ 587,387,737.93	7.94	14.47	25.42	9.30	15.80	-	-
<i>Russell 3000 Index</i>		10.02	19.29	29.29	9.78	14.34	-	-
<u>Large-Cap Equities</u>	\$ 8,468,336,003.54	11.50	22.03	32.74	10.15	15.31	12.61	10.22
<i>S&P 500 Index</i>		10.56	19.44	29.80	11.49	15.05	12.96	10.15
<u>Mid-Cap Equities</u>	\$ 825,747,028.44	9.91	15.76	19.81	2.87	9.57	9.81	-
<i>S&P 400 Index</i>		9.95	17.63	23.33	6.96	11.71	9.99	-
<u>Small-Cap Equities</u>	\$ 590,027,757.86	4.51	13.98	20.29	2.37	9.51	8.98	-
<i>S&P 600 Index</i>		2.46	12.14	15.93	2.28	9.15	8.80	-
<u>International Equity</u>	\$ 5,134,297,105.95	3.86	8.37	10.55	-1.37	6.84	5.49	-
<i>MSCI AC World Ex US</i>		4.81	10.87	13.83	2.44	6.48	4.75	-
<u>Fixed Income</u>	\$ 3,284,763,928.60	-0.36	3.14	2.49	-1.74	1.04	2.13	3.71
<i>Bloomberg Barclays Govt/Credit Index</i>		-0.72	2.69	1.74	-2.35	0.62	1.70	3.04
<u>Real Estate</u>	\$ 1,684,404,874.15	-2.64	-4.70	-5.43	7.38	6.56	8.88	8.18
<u>In House Real Estate Equity</u>	\$ 400,230,070.32	1.73	4.46	6.05	5.18	4.50	7.21	7.87
<i>CPI plus 2%</i>		1.63	4.24	5.54	7.74	6.28	4.89	4.65
<u>Core Real Estate</u>	\$ 822,315,191.56	-4.43	-7.83	-9.00	7.20	6.41	8.53	-
<i>NCREIF ODCE (VW) Index</i>		-2.37	-8.85	-11.29	3.37	3.46	6.76	-
<u>Non-Core Real Estate</u>	\$ 461,859,612.27	-3.05	-6.36	-7.94	10.65	9.52	12.43	-
<i>NCREIF Property Index</i>		-0.98	-5.29	-7.16	3.63	3.76	6.41	-
<u>Private Equity</u>	\$ 2,059,022,197.25	1.45	5.30	7.37	15.25	14.60	13.48	-
<u>Mature Private Equity</u>	\$ 1,220,487,657.82	0.57	1.16	5.38	14.83	13.37	11.79	-
<i>S&P 500 Index plus 3%</i>		11.38	22.12	33.78	14.84	18.50	16.35	-
<u>Private Equity < 5 Years</u>	\$ 838,534,539.43	2.73	4.13	10.23	17.18	17.21	-	-
<u>Timberland</u>	\$ 496,969,993.95	2.70	6.85	7.68	7.61	4.02	4.08	-
<i>NCREIF Timberland Index</i>		2.12	8.00	9.85	10.99	7.04	5.83	-
<u>Additional Categories</u>	\$ 2,210,254,661.23	2.12	7.67	8.85	4.50	5.08	4.60	-
<i>B of A Merrill Lynch U.S. High Yield Master II Constrained</i>		1.51	9.27	11.06	2.21	4.01	4.36	-
<u>Cash (Unallocated)</u>	\$ 386,394,911.70	1.39	4.27	5.27	2.68	1.99	1.39	1.70
<i>90 Day T-Bill</i>		1.29	4.03	5.24	2.58	2.02	1.37	1.48

Total Trust Gross Return for 30-year period*

8.06

*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.

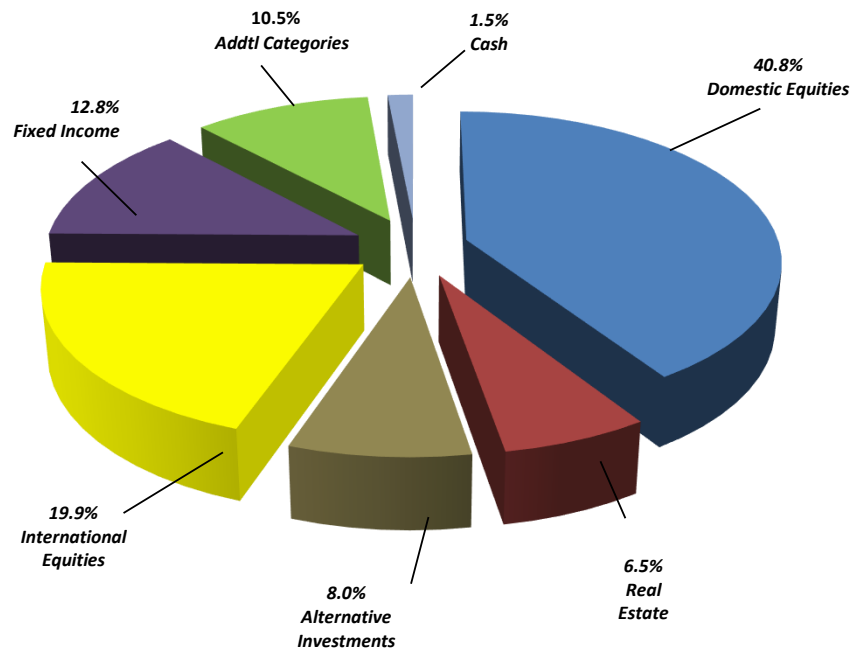
Teachers' Retirement System of Kentucky

Quarterly Investment Update

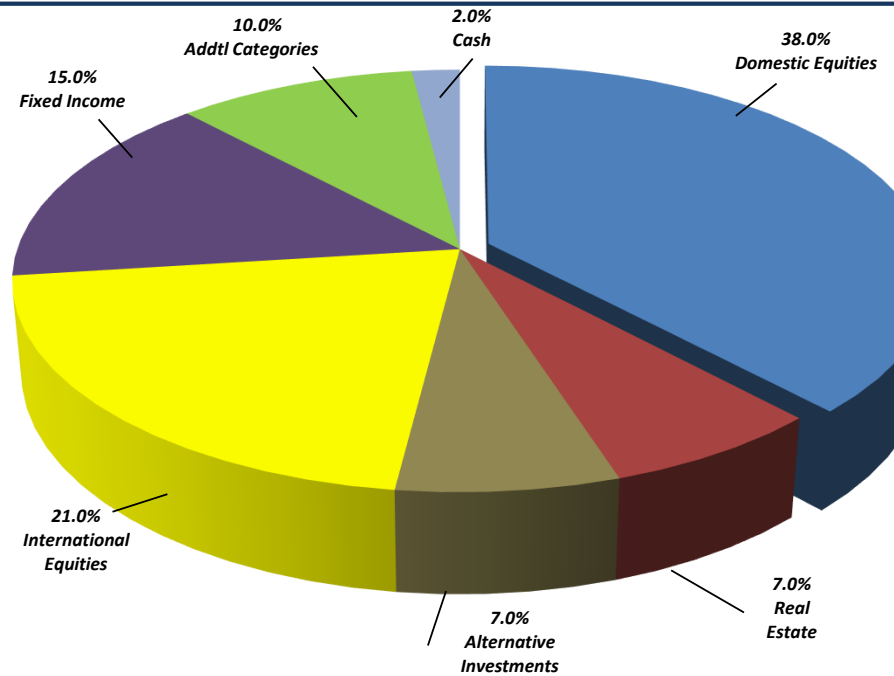
For the period ended March 31, 2024

(\$ in millions)	\$'s	3/31/2024 Actual %	12/31/2023 Actual %	Target %	Strategic Ranges
Domestic Equities	\$10,471.5	40.8%	41.0%	38.0%	29.0 - 40.0%
Real Estate	1,684.4	6.5%	7.0%	7.0%	4.0 - 10.0%
Alternative Inv.	2,059.0	8.0%	8.1%	7.0%	4.0 - 10.0%
International Equities	5,134.3	19.9%	19.2%	21.0%	16.0 - 27.0%
Fixed Income	3,284.8	12.8%	13.1%	15.0%	8.0 - 22.0%
Addtl Categories	2,707.2	10.5%	10.7%	10.0%	4.0 - 15.0%
Cash	386.4	1.5%	0.9%	2.0%	1.0 - 5.0%
Total	\$25,727.6	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 March 31, 2024

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>
<u>TOTAL PLAN</u>	\$ 2,896,213,684.92	4.96	10.81	15.23	6.13	9.38	7.62	-
<i>Policy Benchmark</i>		5.43	11.91	16.49	6.03	9.08	-	-
<u>Total Equity</u>	\$ 1,722,849,718.82	7.93	15.70	23.27	6.25	11.35	-	-
<u>Domestic Equity</u>	\$ 1,154,091,422.05	9.86	18.48	28.73	-2.78	10.53	-	-
<i>S&P 500 Index</i>		10.56	19.44	29.88	11.49	15.05	-	-
<i>Russell 3000</i>		10.02	19.29	29.29	9.78	14.34	-	-
<u>International Equities</u>	\$ 568,758,296.77	4.21	10.37	12.99	-	-	-	-
<i>MSCI AC World ex USA IMI Index</i>		4.45	10.87	13.77	-	-	-	-
<u>Fixed Income</u>	\$ 233,872,530.12	0.00	3.72	3.29	-0.81	1.65	1.86	-
<i>Barclays Government Credit</i>		-0.72	2.69	1.74	-2.35	0.62	1.70	-
<u>Real Estate</u>	\$ 150,650,680.28	-3.91	-7.04	-8.42	10.33	9.43	-	-
<u>Core Real Estate</u>	\$ 77,872,951.00	-4.36	-6.93	-7.77	9.29	8.17	-	-
<i>NCREIF ODCE (VW)</i>		-2.37	-8.85	-11.29	3.37	3.46	-	-
<u>Non-Core Real Estate</u>	\$ 72,777,729.28	-3.42	-7.16	-9.14	11.31	10.53	-	-
<i>NCREIF Property Index</i>		-0.98	-5.29	-7.16	3.63	3.76	-	-
<u>Private Equity</u>	\$ 239,052,600.66	2.03	5.44	7.01	17.03	15.65	15.74	-
<u>Mature Private Equity</u>	\$ 123,612,158.57	0.87	3.75	4.52	19.96	15.53	15.58	-
<i>S&P 500 plus 3%</i>		11.38	22.12	33.78	14.84	18.50	16.35	-
<u>Private Equity < 5 Years</u>	\$ 115,440,442.09	3.23	7.30	9.55	12.81	14.20	-	-
<u>Additional Categories</u>	\$ 469,805,141.90	2.08	8.13	9.45	3.88	4.81	4.41	-
<i>B of A Merrill Lynch High Yield Master II</i>		1.51	9.27	11.06	2.21	4.01	4.36	-
<u>Cash (Unallocated)</u>	\$ 79,983,013.14	1.34	4.07	5.08	2.94	2.14	1.49	-
<i>90 Day T-Bill</i>		1.29	4.03	5.24	2.58	2.02	1.37	-

*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

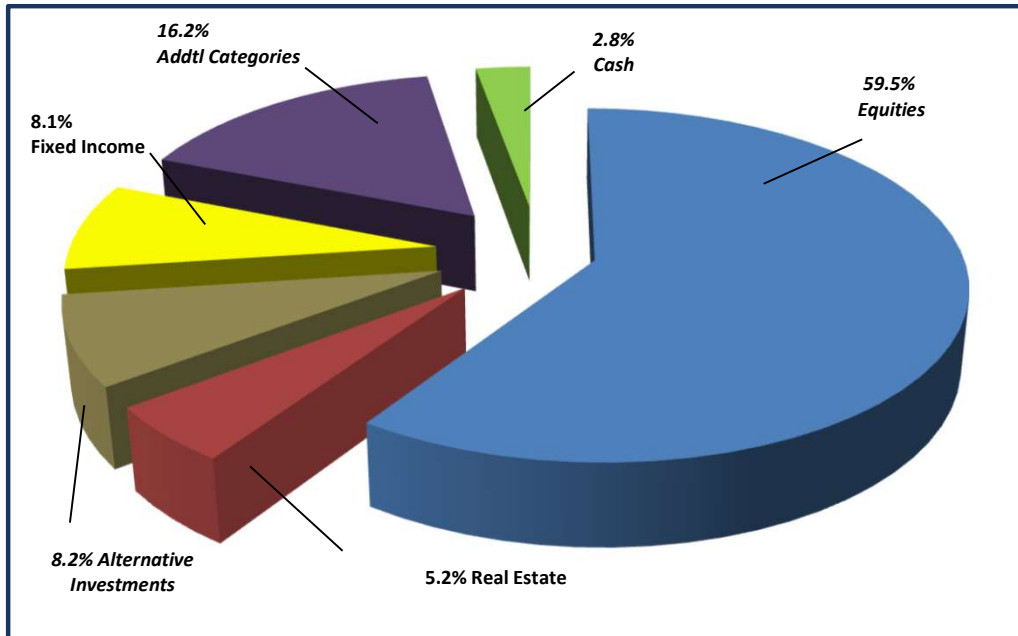
Insurance Trust Fund

Quarterly Investment Update

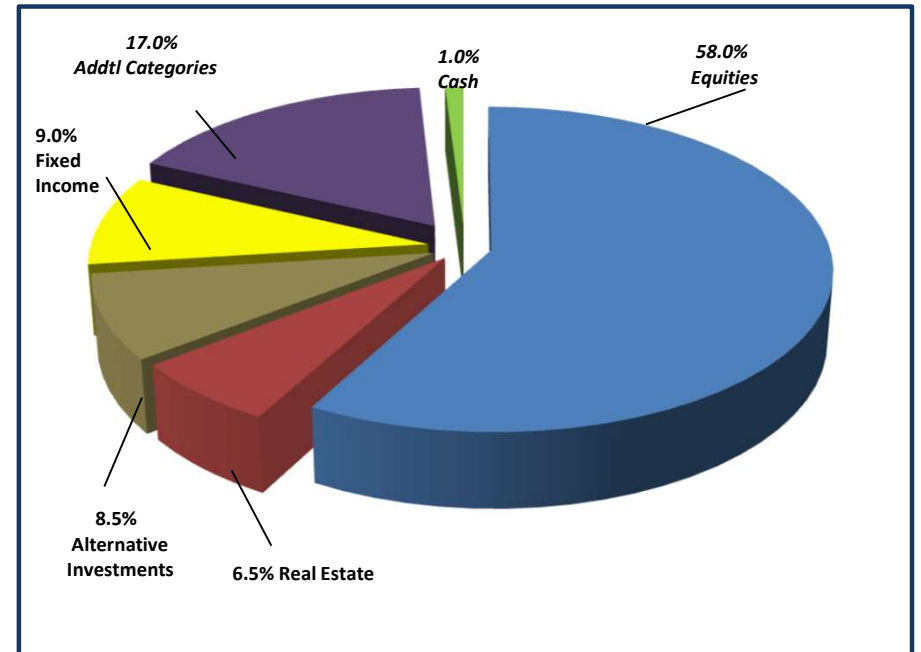
For the period ended March 31, 2024

(\$ in thousands)	\$'s	3/31/2024 Actual %	12/31/2023 Actual %	Target %	Strategic Ranges
Equities	\$1,722,849.7	59.5%	57.8%	58.0%	51.0 - 64.0%
Real Estate	\$150,650.7	5.2%	5.7%	6.5%	4.0 - 12.0%
Alternative Inv.	\$239,052.6	8.2%	8.4%	8.5%	5.0 - 12.0%
Fixed Income	\$233,872.5	8.1%	6.6%	9.0%	6.0 - 14.0%
Addtl Categories	\$469,805.1	16.2%	16.5%	17.0%	14.0 - 25.0%
Cash	\$79,983.0	2.8%	5.0%	1.0%	0.0 - 5.0%
Total	<u>\$2,896,213.6</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

ACTUAL %



TARGET %



TOTAL BV INVESTED AT 12/31/23	\$ 18,789,058,514.07
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January Activity

Purchases	735,805,707.06	
Disposals	(783,634,434.41)	
Paydowns	(1,021,226.51)	
Redemptions	(9,667,971.07)	
Short-Term Pool Net	<u>6,777,774.90</u>	(51,740,150.03)

February Activity

Purchases	794,744,836.85	
Disposals	(522,073,352.99)	
Paydowns	(1,197,891.89)	
Redemptions	(12,588,531.24)	
Short-Term Pool Net	<u>15,896,543.00</u>	274,781,603.73

March Activity

Purchases	541,053,070.00	
Disposals	(568,891,227.30)	
Paydowns	(2,610,532.98)	
Redemptions	(10,346,053.20)	
Short-Term Pool Net	<u>68,392,716.26</u>	27,597,972.78

TOTAL BV INVESTED AT 03/31/24	<u>\$ 19,039,697,940.55</u>
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* 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, \$25,817,872.68 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	\$ 669,131,094
+ Pending Receivable	<u>25,817,873</u>
Net	<u>\$ 694,948,967</u>

INVESTMENT ACTIVITY

January 1, 2024 -- March 31, 2024

Total Book Value Invested @ 1/1/24 \$ 18,789,058,514.07

Purchases:

364	Cash Equivalents	\$ 1,137,839,723.84	
192	Fixed Income Securities	632,930,738.08	
1	Principal Paydowns	0.03	
0	Additional Redemptions / Maturities	-	
861	Equity Securities	962,203,100.23	
30	Real Estate	24,489,008.91	
88	Alternative Investments	119,739,712.16	
165	Additional Categories	332,241,054.53	
<u>1701</u>	Total Purchases		\$ 3,209,443,337.78

Disposals:

342	Cash Equivalents	\$ 1,046,772,689.68	
131	Fixed Income Securities	478,696,659.26	
306	Principal Paydowns	4,829,651.41	
30	Redemptions / Maturities	27,416,206.43	
2064	Equity Securities	1,014,925,711.94	
48	Real Estate	22,345,766.99	
155	Alternative Investments	81,575,581.95	
134	Additional Categories	277,055,294.56	
0	Additional Principal Paydowns	-	
5	Additional Redemptions / Maturities	5,186,349.08	
<u>3215</u>	Total Disposals		\$ 2,958,803,911.30

Total Book Value Invested @ 03/31/24 \$ 19,039,697,940.55

Total Par Value Invested @ 03/31/24 \$ 18,700,385,048.42

Total Market Value Invested @ 03/31/24 \$ 25,727,606,200.60

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Total Short Term	\$ 669,131,094
+ Pending Receivable	25,817,873
Net	\$ 694,948,967

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

SUBJECT: Report of the Legislative Committee

The Legislative Committee is scheduled to meet June 17 prior to the quarterly Board of Trustees meeting to discuss administrative regulations and recap the General Assembly's 2024 regular session. A report from the committee will be provided.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

SUBJECT: Report of the Benefits and Funding Committee

The Benefits and Funding Committee will have a special meeting on June 17 prior to the quarterly board meeting to begin discussions of a disability benefit program for TRS 4 members as directed by KRS 161.661(13). The law reads:

Notwithstanding any other provision of this section to the contrary, individuals who become members on or after January 1, 2022, shall be eligible for an actuarially determined disability benefit as prescribed by the board of trustees via administrative regulations promulgated by the board. The board of trustees shall arrange by appropriate contract or on a self-insured basis a disability plan to provide the disability benefits and may adjust the benefits in accordance with KRS 161.633(3) or 161.634(3).

The committee's report will be presented to the board.

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: June 17, 2024

SUBJECT: Report of the Governance and Audit Committee

The Governance and Audit Committee will have a special meeting June 17 prior to the quarterly board meeting to consider the internal auditor's annual report. 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 17, 2024

SUBJECT: Executive Secretary's Observations and Comments

1. Retirements Update: The preliminary number of retirements for June/July this year is 1,215. These are the peak months annually for retirements. Since 2006, retirements for these two months have averaged 1,216 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>
2024	1,215
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

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 19	Meeting with Baptist Health Services
March 22	Meeting with new board member for Know Your Rx Coalition (KYRx)
March 29	Meeting with Bellwether
April 5	Meeting with state auditor's staff
April 9	Meeting with Healthspieren
April 18	Meeting with Fort Washington Capital Investors
April 23	Presented at Kentucky Retired Teachers Association annual convention
May 1	Meeting with KYRx
May 2	National Institute for Public Employee Health Care Policy board meeting
May 7	Meeting with Todd Asset Management
May 14	Meeting with Fort Washington advisory committee
May 29	Meeting with Molpus
June 4	Quarterly KYRx board meeting
June 5-6	Meeting with Public Sector Health Care Roundtable
June 13	Meeting with Public Sector Health Care Roundtable

4. Service on Kentuckiana Health Collaborative board: Jane Gilbert, the senior federal strategy liaison, 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. Service 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 the employers' 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 16.