



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 16, 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 of the Board of Trustees, June 17, 2024

1.1.2. Special Meeting of the Governance and Audit Committee,
June 17, 2024

1.1.3. Special Meeting of the Benefits and Funding Committee, June 17,
2024

1.1.4. Special Meeting of the Legislative Committee, June 17, 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. Report of the Investment Committee

3. Report of the Insurance Committee

4. Report of the Legislative Committee

5. Executive Secretary's Observations and Comments

General Discussion

Adjournment

The meeting will be in the TRS boardroom at 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 16, 2024

SUBJECT: Reports for Consent

1.1. Consideration/Approval of Minutes

- 1.1.1. Regular Quarterly Meeting of the Board of Trustees, June 17, 2024
- 1.1.2. Governance and Audit Committee, Special Meeting, June 17, 2024
- 1.1.3. Benefits and Funding Committee, Special Meeting, June 17, 2024
- 1.1.4. Legislative Committee, Special Meeting, June 17, 2024

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. The 1,364 initial retirements for the period resulted in monthly payments totaling \$5,052,825.23. During the same period last year, 1,239 retirements resulted in monthly payments totaling \$4,601,060.72.

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. Twenty-eight survivor benefits commenced with a total monthly payment of \$6,259.19.

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. Thirteen payments to the estates or beneficiaries of active teachers and 314 payments to the estates or beneficiaries of retired teachers combined for total payments of \$1,596,000. During the same quarter last year, 297 payments amounted to \$1,455,000.

1.5. Refunds

The report of refunds for the quarter ended June 30 is included in the board materials. During the quarter, the refunds paid consisted of:

Regular withdrawals	446	\$6,889,805.20
Deaths	<u>37</u>	<u>\$ 352,399.19</u>
Totals	483	\$7,242,204.39

During the same quarter last year, 436 refunds totaled \$5,167,542.89.

1.6. Interim Financial Statements

The Interim Financial Statements for the quarter ended June 30 are included in the board materials.

Recommendation: The board is requested to approve the minutes and benefit payment reports as presented in the Reports for Consent. The Interim Financial Statements are for information and require no action.

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

	June	July	August	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>8</i> \$18,379.28	<i>12</i> \$36,383.02	<i>8</i> \$21,710.42	<i>28</i> \$76,472.72	<i>29</i> \$85,729.42
Service Retirement	<i>295</i> \$1,026,448.91	<i>762</i> \$2,922,867.55	<i>277</i> \$1,023,211.79	<i>1,334</i> \$4,972,528.25	<i>1,208</i> \$4,508,122.00
Beneficiary of Member Eligible to Retire	<i>1</i> \$2,453.82	<i>1</i> \$1,370.44	<i>0</i> \$0.00	<i>2</i> \$3,824.26	<i>2</i> \$7,209.30
TOTALS	<i>304</i> \$1,047,282.01	<i>775</i> \$2,960,621.01	<i>285</i> \$1,044,922.21	<i>1,364</i> \$5,052,825.23	<i>1,239</i> \$4,601,060.72

**Reports for Consent
Member Account Refunds
For the period April 2024 - June 2024**

Active Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	181	1,280,594.94	300,344.78	1,002,438.48	2,583,378.20
May	146	1,014,029.14	248,939.34	1,043,787.34	2,306,755.82
June	120	797,695.62	196,868.58	1,005,106.98	1,999,671.18
Total	446				6,889,805.20

Deceased Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	9	9,115.66	2,026.19	43,978.96	55,120.81
May	16	17,199.39	3,171.93	98,336.19	118,707.51
June	12	33,798.91	6,187.55	138,584.41	178,570.87
Total	37				352,399.19

Total Refunds	Count	Net Refund	Taxes Withheld	Rollovers	Total
April	190	1,289,710.60	302,370.97	1,046,417.44	2,638,499.01
May	162	1,031,228.53	252,111.27	1,142,123.53	2,425,463.33
June	132	831,494.53	203,056.13	1,143,691.39	2,178,242.05
Total	483				7,242,204.39

TEACHERS' RETIREMENT SYSTEM

OF THE STATE OF KENTUCKY



INTERIM FINANCIAL STATEMENTS

QUARTER ENDED JUNE 30, 2024

(FAIR VALUE - UNAUDITED)

Statements of Plan Net Assets
as of June 30, 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	\$ 259,820,243	\$ 256,066,010	\$ 158,491,246	\$ 300,467,447	\$ 408,925	\$ 490,424	\$ 190,502	\$ 211,699	\$ 418,910,916	\$ 557,235,580
Receivables										
Contributions	50,326,612	48,576,918	12,521,802	12,068,376	55,791	60,464			62,904,205	60,705,758
State of Kentucky	-	-	-	-	55,327	-			55,327	-
Investment Income	73,083,001	59,043,290	7,854,183	5,424,732	328,869	319,147	4,439	4,380	81,270,492	64,791,549
Investment Sales Receivable	22,671,447	12,850,729	4,171,118	1,682,228	1,350	-			26,843,915	14,532,957
Installment Account Receivable	7,669	18,987							7,669	18,987
Other Receivables	19,296	21,638	49,992,663	46,973,359					50,011,959	46,994,997
Due from Other Funds	10,135,426	7,977,382							10,135,426	7,977,382
Total Receivables	156,243,451	128,488,944	74,539,766	66,148,695	441,337	379,611	4,439	4,380	231,228,993	195,021,630
Investments at Market Value										
Short Term Investments	572,635,564	568,572,723	190,546,793	77,221,128	4,919,258	5,069,152	374,263	356,519	768,475,878	651,219,522
Bonds and Mortgages	3,344,709,780	2,971,945,560	247,128,630	153,143,085	16,758,846	17,942,483	202,656	214,946	3,608,799,912	3,143,246,074
Stocks	15,374,903,827	14,287,643,121	1,823,215,375	1,406,514,939	62,780,493	56,182,952	595,103	493,746	17,261,494,798	15,750,834,758
Alternative Investments	2,079,165,274	1,915,329,613	246,078,333	220,197,307	6,429,611	4,921,166			2,331,673,218	2,140,448,086
Real Estate	1,712,653,006	1,777,282,982	156,478,824	159,444,210	7,037,595	6,513,394			1,876,169,425	1,943,240,586
Additional Categories	2,688,094,277	2,412,438,221	488,999,159	397,083,937	3,048,893	2,795,704			3,180,142,329	2,812,317,862
Total Investments	25,772,161,728	23,933,212,220	3,152,447,114	2,413,604,606	100,974,696	93,424,851	1,172,022	1,065,211	29,026,755,560	26,441,306,888
Capital Assets (net of accumulated depreciation)	5,729,384	7,466,047							5,729,384	7,466,047
Total Assets	26,193,954,806	24,325,233,221	3,385,478,126	2,780,220,748	101,824,958	94,294,886	1,366,963	1,281,290	29,682,624,853	27,201,030,145
LIABILITIES										
Liabilities										
Accrued Expenses and Other Liabilities	3,447,683	2,966,452	22,931,226	13,062,293					26,378,909	16,028,745
State of Kentucky	15,085,250	29,211,585	16,872,140	10,443,709	-	39,839			31,957,390	39,695,133
Investment Purchases Payable	48,065,459	29,031,867	15,741,084	3,187,796	-	3,363			63,806,543	32,223,026
Investment Fees Payable	19,220,337	19,469,192	2,278,030	2,290,078	80,086	72,654			21,578,453	21,831,924
Due to Other Funds	-	-	9,944,788	7,823,791	185,760	149,111	4,878	4,480	10,135,426	7,977,382
Total Liabilities	85,818,729	80,679,096	67,767,268	36,807,667	265,846	264,967	4,878	4,480	153,856,721	117,756,210
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS										
	\$ 26,108,136,077	\$ 24,244,554,125	\$ 3,317,710,858	\$ 2,743,413,081	\$ 101,559,112	\$ 94,029,919	\$ 1,362,085	\$ 1,276,810	\$ 29,528,768,132	\$ 27,083,273,935

Statements of Changes in Plan Net Assets
For the Twelve Months Ended June 30, 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	\$ 1,085,041,513	\$ 1,042,434,014	\$ 96,418,669	\$ 85,328,285	\$ 2,595,258	\$ 2,511,435	\$ -	\$ -	\$ 1,184,055,440	\$ 1,130,273,734
Employer- LSD, Other	93,640,460	102,014,792	127,901,507	123,487,533	761,504	712,128	-	218,241	222,303,471	226,432,694
Member- Active	385,906,512	366,774,504	155,335,720	149,221,437			17,740	9,575	541,259,972	516,005,516
Member- Retired			62,931,011	63,317,475					62,931,011	63,317,475
Recovery Income			156,776,531	145,358,917					156,776,531	145,358,917
Total Contribution	1,564,588,485	1,511,223,310	599,363,438	566,713,647	3,356,762	3,223,563	17,740	227,816	2,167,326,425	2,081,388,336
Investment Income/(Loss)										
Net Appreciation/(Depreciation) in Fair Value of Investments										
Fair Value of Investments	2,381,075,925	1,883,455,471	288,185,945	211,338,355	8,920,554	7,393,136	89,132	49,908	2,678,271,556	2,102,236,870
Interest	237,648,164	199,435,778	43,427,659	26,865,804	970,215	858,773	35,628	23,270	282,081,666	227,183,625
Dividends	250,196,624	236,967,990	17,729,767	13,255,682	692,275	665,226	9,033	7,527	268,627,699	250,896,425
Rental Income, Net	24,113,698	22,628,975							24,113,698	22,628,975
Securities Lending, Net	2,566,720	2,490,789			39,558	50,505	457	693	2,606,735	2,541,987
Gross Investment Income	2,895,601,131	2,344,979,003	349,343,371	251,459,841	10,622,602	8,967,640	134,250	81,398	3,255,701,354	2,605,487,882
Less Investment Expense	(81,907,104)	(78,893,843)	(9,049,993)	(8,407,600)	(307,517)	(285,154)	-	-	(91,264,614)	(87,586,597)
Net Investment Income	2,813,694,027	2,266,085,160	340,293,378	243,052,241	10,315,085	8,682,486	134,250	81,398	3,164,436,740	2,517,901,285
Total Additions	4,378,282,512	3,777,308,470	939,656,816	809,765,888	13,671,847	11,906,049	151,990	309,214	5,331,763,165	4,599,289,621
DEDUCTIONS										
Benefits	2,466,971,497	2,391,326,201			6,106,000	6,219,000	66,317	147,867	2,473,143,814	2,397,693,068
Refunds of Contributions	32,921,776	26,909,781							32,921,776	26,909,781
Under 65 Insurance Expenses			119,207,504	110,701,357					119,207,504	110,701,357
Over 65 Insurance Expenses			244,030,539	222,852,821					244,030,539	222,852,821
Administrative Expense	14,807,287	14,470,733	2,120,996	1,974,318	36,650	37,633	398	895	16,965,331	16,483,579
Total Deductions	2,514,700,560	2,432,706,715	365,359,039	335,528,496	6,142,650	6,256,633	66,715	148,762	2,886,268,964	2,774,640,606
Net Increase (Decrease)	1,863,581,952	1,344,601,755	574,297,777	474,237,392	7,529,197	5,649,416	85,275	160,452	2,445,494,201	1,824,649,015
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
Ending of period	\$ 26,108,136,077	\$ 24,244,554,125	\$ 3,317,710,858	\$ 2,743,413,081	\$ 101,559,112	\$ 94,029,919	\$ 1,362,085	\$ 1,276,810	\$ 29,528,768,132	\$ 27,083,273,935

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 16, 2024

RE: Report of the Investment Committee

1. Investment Committee Meeting and Actions: The Investment Committee met Aug. 22 and approved an investment of \$65 million from the Health Insurance Trust to Todd Asset Management International Intrinsic Value.

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.

UBS Asset Management reported on its portfolios.

2. Purchases and Disposals: During the quarter ended June 30, 1,437 purchases amounted to \$2,836,605,376.79 and 2,206 disposals amounted to \$2,605,048,299.56. Disposals consisted of 1,840 sales, 320 principal payments and 46 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 quarter's end, TRS's invested securities had a book value of \$19,271,255,017.78 and a market value of \$25,772,488,410.15.

3. Staff's Comments on Economic and Market Conditions: In the quarter ended June 30, broad global equity markets experienced little volatility and mixed appreciation, while aggregate fixed income returns were flat. Within equity markets, results were once again driven by mega cap growth stocks, including Nvidia and other stocks expected to benefit from further adoption of artificial intelligence. Results for stocks beyond this small cohort were more mixed, with many segments within the smaller cap and developed international equity asset classes were flat or lost. Within fixed income, the lack of movement in monetary policy and persistently tight spreads among corporate debt led to marginally positive returns for broad fixed income indexes, but longer duration asset prices declined modestly as long-term Treasury yields rose in the quarter. Investors remained attuned to the potential policy changes by the U.S. Federal Reserve, but expectations for sudden or sharp actions have abated amid stable economic conditions. In contrast, the European Central Bank (ECB) announced that its policy rate would be reduced to 3.75% from 4% amid slowing regional inflation. Meanwhile, the Bank of Japan announced it would shrink its bond purchasing program, leading to continued commentary around the potential for the Bank of Japan to increase policy rates. The June outlook released by the World Bank forecasted global gross domestic product (GDP) growth of 2.6% in 2024 followed by a slight uptick to 2.7% in 2025. Specific to the United States, data indicates stable hiring activity, reduced job openings and a deceleration in wage growth. Signs of moderation include the manufacturing and services purchasing managers indexes contracting and declining levels in the consumer confidence index. The unemployment rate remains historically low at 4.1% but has

increased since the early calendar 2023 low of 3.4%. Forecasts for U.S. GDP growth in 2024 were generally stable in the quarter with many projections ranging between 2% and 2.5%.

In the June 30 quarter, U.S. equities posted mixed results, with broader market cap-weighted indexes delivering low single-digit gains, as demonstrated by the Russell 3000 return of 3.2%. In contrast, equal-weighted broad market indexes declined, highlighting the lack of market breadth. The dispersion between the Magnificent Seven (Nvidia, Meta Platforms, Tesla, Amazon, Alphabet, Microsoft and Apple) and the broader U.S. market continued. Apple and Nvidia both were strong contributors, returning 23% and 36.7%, respectively. By sector, technology and communication services stocks gained while energy and industrials stocks generally lagged. During the quarter, large-cap equities significantly outperformed small-cap equities, and value underperformed growth – particularly in the large-cap space, with the Russell 1000 Value declining 2.2% and the Russell 1000 Growth gaining 8.3%. Median manager excess returns were mostly negative, except for the small-cap space. The largest dispersion in manager median excess returns occurred in large cap, with growth managers struggling to keep pace with strong growth benchmark returns compared to value managers, who delivered modest excess returns against their value benchmarks.

Developed international markets continued to trail their U.S. counterparts with the MSCI EAFE Index falling 0.2%. As with the U.S. market, large-cap stocks again outpaced small-cap stocks; however, in a reversal from the prior quarter, value stocks outperformed their growth counterparts. The MSCI EAFE Value Index provided the one broad area of positive return, finishing up 0.4%. Developed markets were particularly influenced by European Parliament election results and the ECB's first interest rate cut since 2019 as year-over-year inflation eased. Most developed active managers struggled to beat their index, with the exception of the small-cap value space.

In the quarter, while policy rates were unchanged, the fixed income market experienced volatility due to uncertainty about rate cuts and inflation. The latest Summary of Economic Projections released by the Federal Open Markets Committee (FOMC) anticipated one 2024 rate cut compared to a median forecast of three that was in the March release. FOMC members continued to stress the need for more confidence in economic data before adjusting policy. U.S. Treasury yields experienced a steady increase across the curve, with the 10-year yield rising by 0.16% to end at 4.4%. The yield spread between 2-year and 10-year Treasuries remained negative, marking a record 24 months since the start of the inversion. Against this backdrop, the Bloomberg U.S. Aggregate Bond Index posted a modest 0.1% gain. Risk assets weathered rising rates, with lower-rated bonds outperforming the broad market. The Bloomberg U.S. Corporate Investment Grade Index declined 0.1%, while the Bloomberg U.S. Corporate High Yield Index returned 1.1%.

Core private real estate fell 0.5%, as reported by the NFI-ODCE Index, with the total return comprising 1% from income and a 1.5% loss from price appreciation. Income returns improved slightly on a percentage basis compared to prior quarters, but the quarter marked the eighth straight loss for the NFI-ODCE.

Declines in institutional real estate, driven by rate expansion, continued to slow. Coupled with stabilizing transaction markets and expectations of a near-term interest rate cut, real estate investors are beginning to anticipate that an eventual market inflection point could be nearing. These positive developments and indicators, albeit early and incremental, are starting to emerge in discussions with managers.

4. Performance: The quarter ended June 30 was positive led by public equity. The Retirement Annuity Trust returned 1.03%, compared to the Policy Index's 1.93%. TRS's domestic equity returned 1.47%, underperforming the S&P 1500 Stock index's 3.66%. TRS's international stocks returned 0.22%, underperforming the MSCI All Country ex U.S. index's 1.17% return. Real estate fell 0.43%. TRS's fixed income returned 0.38%, outperforming the Bloomberg Gov/Credit Bond index's 0.05%. Additional categories returned 1.87% and private equity returned 2.34%.

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 June 30, 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	\$ 25,772,488,410.15	1.03	12.27	12.27	3.52	8.81	7.94	7.57
Policy Benchmark		1.93	13.81	13.81	4.94	9.16	8.09	-
Total Equity	\$ 15,527,063,185.88	1.04	17.84	17.84	3.73	11.41	9.60	8.63
Domestic Equity	\$ 10,401,242,210.97	1.47	22.47	22.47	6.94	14.01	11.80	10.05
<i>S&P 1500 Index</i>		3.66	23.52	23.52	9.43	14.59	12.50	10.27
All-Cap Equities	\$ 600,528,721.65	2.41	17.23	17.23	7.61	15.75	-	-
<i>Russell 3000 Index</i>		3.22	23.12	23.12	8.05	14.14	-	-
Large-Cap Equities	\$ 8,415,246,568.21	2.15	24.65	24.65	7.95	14.84	12.27	10.25
<i>S&P 500 Index</i>		4.28	24.56	24.56	10.01	15.05	12.86	10.29
Mid-Cap Equities	\$ 797,796,136.43	-3.21	12.04	12.04	0.61	7.99	8.87	-
<i>S&P 400 Index</i>		-3.45	13.57	13.57	4.47	10.27	9.14	-
Small-Cap Equities	\$ 587,670,784.68	-2.47	11.16	11.16	0.22	8.48	8.43	-
<i>S&P 600 Index</i>		-3.11	8.66	8.66	-0.26	8.06	8.24	-
International Equity	\$ 5,125,820,974.91	0.22	8.62	8.62	-2.74	6.18	5.05	-
<i>MSCI AC World Ex US</i>		1.17	12.17	12.17	0.97	6.05	4.34	-
Fixed Income	\$ 3,416,568,454.50	0.38	3.53	3.53	-2.51	0.44	1.96	3.87
<i>Bloomberg Barclays Govt/Credit Index</i>		0.05	2.74	2.74	-3.11	-0.07	1.51	3.21
Real Estate	\$ 1,712,653,005.65	-0.43	-5.11	-5.11	6.35	6.06	8.57	8.05
In House Real Estate Equity	\$ 399,885,045.50	1.29	5.80	5.80	5.14	4.42	7.11	7.83
<i>CPI plus 2%</i>		0.76	5.04	5.04	7.07	6.25	4.87	4.61
Core Real Estate	\$ 806,737,837.74	-1.71	-9.41	-9.41	5.78	5.64	8.08	-
<i>NCREIF ODCE (VW) Index</i>		-0.45	-9.26	-9.26	1.90	3.16	6.41	-
Non-Core Real Estate	\$ 506,030,122.41	0.38	-6.00	-6.00	9.33	9.10	12.03	-
<i>NCREIF Property Index</i>		-0.26	-5.53	-5.53	2.33	3.39	6.07	-
Private Equity	\$ 2,079,165,274.53	2.34	7.76	7.76	11.84	14.21	13.15	-
Mature Private Equity	\$ 1,234,683,350.22	2.61	6.30	6.30	11.36	13.03	11.42	-
<i>S&P 500 Index plus 3%</i>		5.06	28.29	28.29	13.31	18.50	16.24	-
Private Equity < 5 Years	\$ 844,481,924.31	2.48	9.11	9.11	14.01	16.83	-	-
Timberland	\$ 495,357,295.52	0.66	7.55	7.55	7.56	4.17	4.11	-
<i>NCREIF Timberland Index</i>		1.71	9.84	9.84	10.99	7.18	5.89	-
Additional Categories	\$ 2,255,537,124.62	1.87	9.68	9.68	3.98	4.93	4.56	-
<i>B of A Merrill Lynch U.S. High Yield Master II Constrained</i>		1.09	10.46	10.46	1.65	3.71	4.21	-
Cash (Unallocated)	\$ 286,144,069.45	1.36	5.69	5.69	3.14	2.15	1.53	1.76
<i>90 Day T-Bill</i>		1.32	5.40	5.40	3.03	2.16	1.50	1.54

Total Trust Gross Return for 30-year period*

8.10

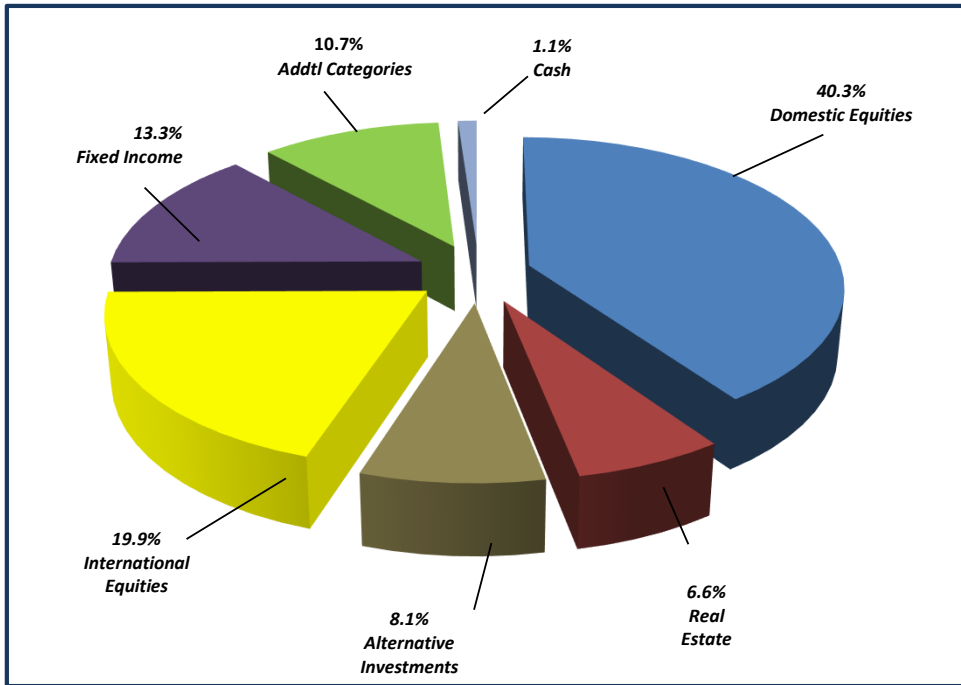
*Returns are annualized for periods longer than one year

** 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.

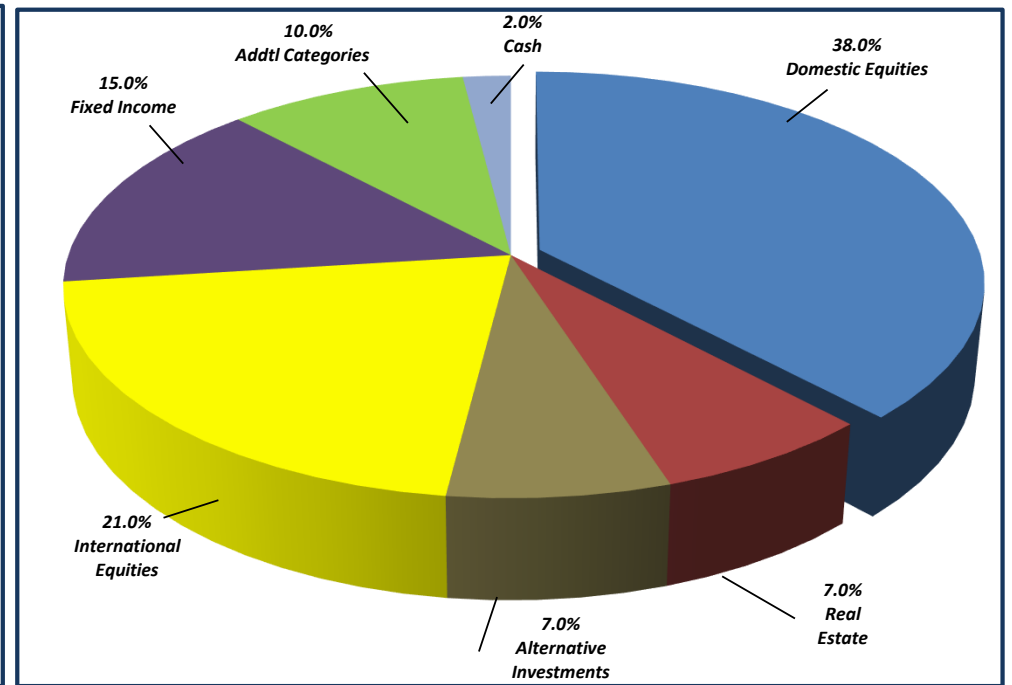
Teachers' Retirement System of Kentucky
 Quarterly Investment Update
 For the period ended June 30, 2024

(\$ in millions)	\$'s	6/30/2024 Actual %	3/31/2024 Actual %	Target %	Strategic Ranges
Domestic Equities	\$10,401.2	40.3%	40.8%	38.0%	29.0 - 40.0%
Real Estate	1,712.7	6.6%	6.5%	7.0%	4.0 - 10.0%
Alternative Inv.	2,079.2	8.1%	8.0%	7.0%	4.0 - 10.0%
International Equities	5,125.8	19.9%	19.9%	21.0%	16.0 - 27.0%
Fixed Income	3,416.6	13.3%	12.8%	15.0%	8.0 - 22.0%
Addtl Categories	2,750.9	10.7%	10.5%	10.0%	4.0 - 15.0%
Cash	286.1	1.1%	1.5%	2.0%	1.0 - 5.0%
Total	\$25,772.5	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, 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>	\$ 3,152,447,114.27	1.74	12.73	12.73	4.56	9.07	7.45	-
<i>Policy Benchmark</i>		1.98	14.13	14.13	4.61	8.83	-	-
<u>Total Equity</u>	\$ 1,839,242,457.16	2.17	18.21	18.21	4.34	11.11	-	-
<u>Domestic Equity</u>	\$ 1,191,514,475.80	3.08	22.13	22.13	-5.53	10.61	-	-
<i>S&P 500 Index</i>		4.28	24.56	24.56	10.01	15.05	-	-
<i>Russell 3000</i>		3.22	23.12	23.12	8.05	14.14	-	-
<u>International Equities</u>	\$ 647,727,981.36	0.64	11.07	11.07	-	-	-	-
<i>MSCI AC World ex USA IMI Index</i>		1.12	12.12	12.12	-	-	-	-
<u>Fixed Income</u>	\$ 258,749,092.58	0.84	4.59	4.59	-1.19	1.21	1.92	-
<i>Barclays Government Credit</i>		0.05	2.74	2.74	-3.11	-0.07	1.51	-
<u>Real Estate</u>	\$ 156,478,824.09	-0.64	-7.63	-7.63	8.82	8.86	-	-
<u>Core Real Estate</u>	\$ 76,915,163.98	-1.03	-7.89	-7.89	8.00	7.52	-	-
<i>NCREIF ODCE (VW)</i>		-0.45	-9.26	-9.26	1.90	3.16	-	-
<u>Non-Core Real Estate</u>	\$ 79,563,660.11	-0.21	-7.36	-7.36	9.59	10.06	-	-
<i>NCREIF Property Index</i>		-0.26	-5.53	-5.53	2.33	3.39	-	-
<u>Private Equity</u>	\$ 246,078,332.82	1.88	7.43	7.43	12.65	15.07	15.09	-
<u>Mature Private Equity</u>	\$ 130,808,651.71	1.27	5.07	5.07	14.60	14.69	14.95	-
<i>S&P 500 plus 3%</i>		5.06	28.29	28.29	13.31	18.50	16.24	-
<u>Private Equity < 5 Years</u>	\$ 115,269,681.11	2.89	10.40	10.40	9.29	13.84	-	-
<u>Additional Categories</u>	\$ 511,052,832.98	1.76	10.03	10.03	3.38	4.60	4.37	-
<i>B of A Merrill Lynch High Yield Master II</i>		1.09	10.46	10.46	1.65	3.71	4.21	-
<u>Cash (Unallocated)</u>	\$ 140,845,574.64	1.32	5.44	5.44	3.39	2.30	1.62	-
<i>90 Day T-Bill</i>		1.32	5.40	5.40	3.03	2.16	1.50	-

*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

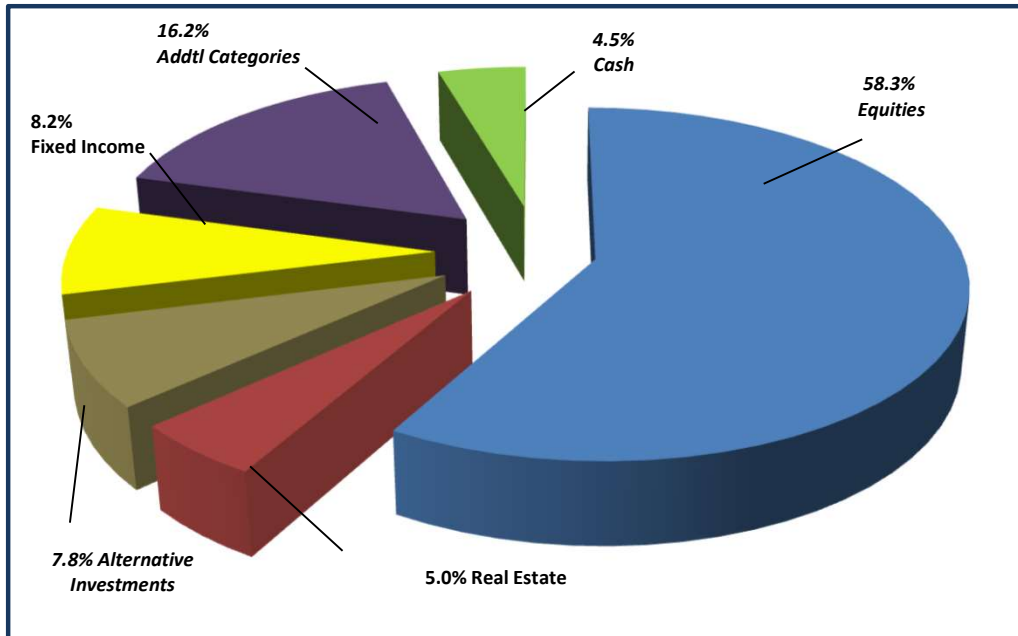
Insurance Trust Fund

Quarterly Investment Update

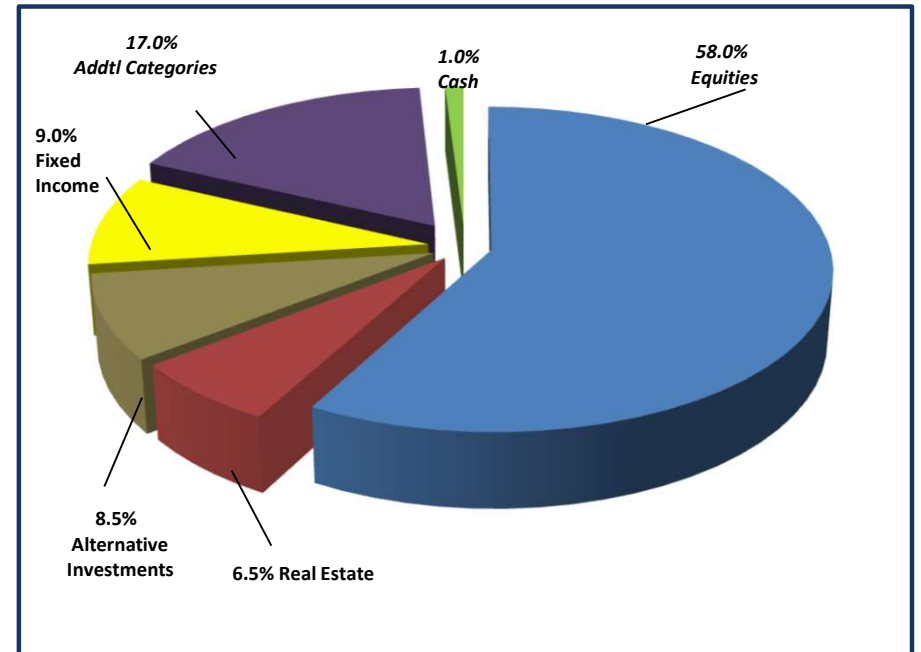
For the period ended June 30, 2024

<i>(\$ in thousands)</i>	<u>\$'s</u>	<u>6/30/2024 Actual %</u>	<u>3/31/2024 Actual %</u>	<u>Target %</u>	<u>Strategic Ranges</u>
Equities	\$1,839,242.5	58.3%	59.5%	58.0%	51.0 - 64.0%
Real Estate	\$156,478.8	5.0%	5.2%	6.5%	4.0 - 12.0%
Alternative Inv.	\$246,078.3	7.8%	8.2%	8.5%	5.0 - 12.0%
Fixed Income	\$258,749.1	8.2%	8.1%	9.0%	6.0 - 14.0%
Addtl Categories	\$511,052.8	16.2%	16.2%	17.0%	14.0 - 25.0%
Cash	\$140,845.6	4.5%	2.8%	1.0%	0.0 - 5.0%
Total	<u>\$3,152,447.1</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	

ACTUAL %



TARGET %



TOTAL BV INVESTED AT 03/31/24 \$ 19,039,697,940.55

April Activity

Purchases	719,559,266.80	
Disposals	(523,807,177.47)	
Paydowns	(1,743,101.00)	
Redemptions	(30,592,770.37)	
Short-Term Pool Net	31,547,520.04	194,963,738.00

May Activity

Purchases	509,160,573.50	
Disposals	(480,332,767.52)	
Paydowns	(1,813,010.72)	
Redemptions	(60,852,566.75)	
Short-Term Pool Net	148,413,528.13	114,575,756.64

June Activity

Purchases	684,310,751.72	
Disposals	(497,828,126.01)	
Paydowns	(3,471,496.13)	
Redemptions	(32,417,652.53)	
Short-Term Pool Net	(228,575,894.46)	(77,982,417.41)

TOTAL BV INVESTED AT 06/30/24 \$ 19,271,255,017.78

* 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, (\$25,398,118.56) 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	\$ 572,962,246	
- Pending Payables	25,398,119	
Net	\$ 547,564,127	

INVESTMENT ACTIVITY
April 1, 2024 -- June 30, 2024

Total Book Value Invested @ 4/1/24 \$ 19,039,697,940.55

Purchases:

334	Cash Equivalents	\$	922,552,932.28	
210	Fixed Income Securities		699,081,198.18	
2	Principal Paydowns		21,852.49	
1	Redemptions / Maturities		1,000,000.00	
592	Equity Securities		684,597,217.15	
33	Real Estate		64,348,874.35	
113	Alternative Investments		148,128,125.92	
152	Additional Categories		316,875,176.42	
1437	Total Purchases	\$		2,836,605,376.79

Disposals:

312	Cash Equivalents	\$	971,167,778.57	
133	Fixed Income Securities		443,178,492.70	
319	Principal Paydowns		6,906,635.06	
35	Redemptions / Maturities		106,995,728.24	
1030	Equity Securities		607,075,072.49	
51	Real Estate		16,035,047.43	
171	Alternative Investments		152,842,884.55	
143	Additional Categories		282,836,573.83	
1	Additional Principal Paydowns		142,825.28	
11	Additional Redemptions / Maturities		17,867,261.41	
2206	Total Disposals	\$		2,605,048,299.56

Total Book Value Invested @ 06/30/24 \$ 19,271,255,017.78

Total Par Value Invested @ 06/30/24 \$ 18,945,212,693.62

Total Market Value Invested @ 06/30/24 \$ 25,772,488,410.15

* 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, (\$25,398,118.56) 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	\$	572,962,246
- Pending Payables		25,398,119
Net	\$	547,564,127

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

FROM: Gary L. Harbin, CPA
Executive Secretary

DATE: September 16, 2024

RE: Report of the Insurance Committee

On September 16, 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 2025. 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 2025 for those retirees fulfilling the necessary service requirements. This includes a KEHP administrative fee of \$8 per person per month (PPPM) for plan year 2025.
2. MEHP rate for 2025. A rate is being recommended to the committee of up to \$210 per month for the 2025 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 16, 2024

SUBJECT: Report of the Legislative Committee

The Legislative Committee is scheduled to meet September 16, prior to the quarterly Board of Trustees meeting. Any actions by the Legislative 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 16, 2024

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 2023 through June 2024, trustees accumulated a combined 526 hours of approved training in accordance with the program. The 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 health insurance 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 25, 2024.

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 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, 2023, and 2022.

TRS has published the "GASB Statement No. 68 Report ... Prepared as of and for the year ended June 30, 2023" 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, 2023, and 2022.

TRS has published the "GASB Statement No. 75 Report ... Prepared as of and for the fiscal year ended June 30, 2023" 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. Executive Secretary's Meetings: The executive secretary has had meetings with several groups recently and will report to the board concerning the following:

July 1	Meeting with Public Sector Health Care Roundtable
July 10	Meeting with new Kentucky Public Pensions Authority (KPPA) executive director
July 15	Meeting with Mulloy Borland
July 16	Attended reception for Education Commissioner Robbie Fletcher
July 18	Meeting with Jefferson County Teachers Association president
July 19	Meeting with Ice Miller
July 25	Meeting with Fort Washington Financial Advisors
August 7	Meeting with Healthplan Data Solutions
August 12	Meeting with Hippocratic AI
August 23	Presented at Kentucky Retired Teachers Association fall conference in Jefferson County
August 26	Meeting with KPPA senior staff
September 4	Meeting with Perry Golkin and staff from PPC
September 10	Attend KYRx board meeting
September 11	Meeting with KPPA executive director and chief investment officer

7. Next Meeting: The next quarterly meeting of the board will be December 16.