



COUNTY EMPLOYEES RETIREMENT SYSTEM CONFLICT OF INTEREST POLICY

Effective September 29, 2021

INTRODUCTION

Adoption of Conflict of Interest Policy:

Pursuant to the provisions of Kentucky Revised Statutes (KRS) 78.782, the Board of Trustees (Board) of the County Employees Retirement System (CERS) is permitted to adopt policies and procedures necessary to conduct the business of the System as needed.

Statement of Conflict of Interest Policy:

Pursuant to KRS 78.782(15)(a), CERS Board members are required to perform their duties in good faith, on an informed basis, and in a manner he or she honestly believes to be in the best interest of the County Employees Retirement System. Furthermore, no CERS Board members or CERS employees shall have any interest, direct or indirect, in the gains or profits of any investment or any other legal, business, or financial transaction that comes before the CERS Board. Likewise, certain independent contractors, vendors, and service providers of CERS or Kentucky Public Pensions Authority (KPPA) shall not have any interest, direct or indirect, in the gains or profits of any investment or any other legal, business, or financial transaction conducted by CERS or KPPA. The law shall control if any inconsistency exists between the law and this policy.

Purpose:

The purpose of this Conflict of Interest Policy (“Policy”) is to: a) establish what individuals are subject to the conflict of interest provisions of this Policy; and b) establish the specific standards of conduct with regard to conflicts of interest.

PROCEDURES REGARDING CONFLICTS OF INTEREST POLICY

Section 1: Application of Policy

1. This Policy shall apply to all individuals who have a statutory, contractual, or working relationship with CERS.
2. Individuals affected by this Policy shall include, but are not limited to:
 - a. Employees of the CERS;
 - b. CERS Board members;
 - c. Independent contractors of CERS or KPPA, if required by the CERS Board or KPPA Board; and
 - d. Vendors and service providers of CERS or KPPA with whom a contractual obligation to CERS or KPPA exists, if required by the CERS Board or KPPA Board.

Section 2: Standards of Conduct Regarding Conflicts of Interest

1. Individuals have an obligation to diligently identify, disclose, avoid and manage conflicts of interest or potential conflicts of interest.
2. Potential conflicts of interest exist when an individual or an individual's family, as defined in KRS Chapter 11A.010¹, may be directly or indirectly financially impacted, whether favorably or detrimentally, by a decision made or considered by the CERS Board or the KPPA Board in which the individual participates or would participate.
3. Individuals and their family members should not enter into any contract with CERS or KPPA for financial gain without full disclosure and satisfactory management of any potential conflict of interest in accordance with the Executive Branch Code of Ethics provisions, as set forth in KRS Chapter 11A.
4. Individuals should not be involved in the decision to hire or in the supervision of any member of their family as defined in KRS 11A.010.
5. Individuals shall not conduct business or participate in decisions with a company or organization in which the individual or family member as defined in KRS 11A.010 is employed or is actively seeking employment.
6. Individuals shall not accept gifts, loans, gratuities, discounts, favors, hospitality, services, or other compensation under circumstances from which it could reasonably be inferred that

¹ KRS 11A.010(4) defines "family" as "spouse and children, as well as a person who is related to a public servant as any of the following, whether by blood or adoption: parent, brother, sister, grandparent, grandchild, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half-brother, half-sister[.]"

a major purpose of the donor is to influence the individual in the performance of their duties.

7. Individuals must avoid all conduct, which in any way might lead the public to believe that the individual is using his or her position with CERS or KPPA to further a professional or private interest.
8. Individuals not covered by the conflict of interest provisions under KRS Chapter 11A must not violate any conflict of interest statute or principle by the performance of their duties with or for the CERS or KPPA Boards. These individuals must not engage directly or indirectly in any financial or other transaction with a CERS or KPPA employee or CERS or KPPA Board member that would violate the standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A.

Section 3: Written Statements of Conflict of Interest

1. CERS Board Conflict of Interest Statement:

- a. No later than December 1st of each calendar year, a blank Conflict of Interest Statement form approved by the CERS Board shall be provided by the CERS CEO, or designee, to all of the following individuals:
 - i. The CERS CEO,
 - ii. CERS General Counsel(s)
 - iii. The KPPA Executive Director
 - iv. The KPPA Executive Director of the Office of Investments,
 - v. The KPPA Executive Director of the Office of Operations,
 - vi. The KPPA Executive Director of the Office of Benefits,
 - vii. The KPPA Executive Director of the Office of Legal Services,
 - viii. All employees of the KPPA Office of Investments, and
 - ix. All KPPA Division Directors.
- b. A blank Conflict of Interest Statement form approved by the CERS Board shall be provided to all CERS Board members along with the materials for the December regular meeting of the CERS Board by the CERS CEO, or designee.
- c. Completed Conflict of Interest Statement forms must be completed and turned in no later than December 31st of each calendar year to the CERS CEO or designee. The CERS CEO shall also provide a copy of his or her completed Conflict of Interest Statement to the CERS Board Chair no later than December 31st of each calendar year.
 - i. The CERS CEO shall collect the completed Conflict of Interest Statement forms from the CERS Board of Trustee Members and CERS General Counsel(s).

- ii. The KPPA Executive Director shall collect the completed Conflict of Interest Statement forms from applicable KPPA staff and the KPPA Board Members.
- d. If the CERS CEO or CERS General Counsel(s) fails to file a completed Conflict of Interest Statement on the form approved by the CERS Board on or prior to December 31st of a calendar year, the Chair of the Board shall be responsible for bringing this to the attention of the CERS Board to decide the appropriate course of action for reprimanding the CERS CEO or CERS General Counsel(s).
- e. If any CERS Board member fails to file a completed Conflict of Interest Statement on the form approved by the CERS Board on or prior to December 31st of a calendar year, the CERS CEO is authorized to decline to pay any per diems and travel expenses due to the CERS Board member until the board member has filed a completed Conflict of Interest Statement on the form approved by the CERS Board with the CERS CEO. The CERS Board member will forfeit all per diems and travel expense reimbursements due to the CERS Board member for the period during which the CERS Board member had failed to timely file a completed Conflict of Interest Statement.

Section 4: Violations of Conflict of Interest Policy

1. Any person who suspects that an employee of CERS, a CERS Board member, or a contractor, vendor, or service provider has violated this Policy, the CERS Bylaws, or any CERS Board policy, may file a complaint in writing at the offices of the KPPA.
2. The written complaint shall be in the form of a letter addressed to the Chair of the CERS Board, or if the complaint is about the Chair of the CERS Board, the complaint shall be addressed to the Vice Chair of the CERS Board. A complaint may be filed anonymously. Employees of the KPPA filing a complaint may be protected by the Kentucky Whistleblower Statute, Kentucky Revised Statutes 61.102.
3. A complaint shall include the name of the person or organization against whom the complaint is made and include a detailed description of the alleged violation including the time, date, and place, if known. The complainant should attach to the complaint all evidence in his or her possession regarding the alleged violation.
4. If the complaint is against an employee of CERS (other than the CERS CEO), the complaint shall be forwarded to the CERS CEO (or delegate) for investigation, or in the discretion of the CERS CEO (or delegate) may be referred to the Executive Branch Ethics Commission. If the alleged violation is found to be true by the CERS CEO (or delegate), the employee shall be disciplined in accordance with procedures established by the Personnel Cabinet.

5. If the complaint is against a contractor, vendor, or service provider of CERS or the KPPA, the complaint shall be forwarded to the CERS CEO or the KPPA Executive Director (or delegate) for investigation. If the alleged violation is found to be true, any action taken shall be consistent with the contract between CERS or the KPPA and the contractor, vendor, or service provider.
6. If the complaint is against the CERS CEO, the complaint shall be referred to the CERS Board to decide the appropriate course of action.
7. If the complaint is against a CERS Board member, the Chair or, if the complaint is against the Chair, the Vice Chair shall, in consultation with the CERS Board members not implicated in the complaint:
 - a. Appoint an *ad hoc* special committee (“Special Committee”) in accordance with the Board Bylaws, to investigate the complaint and report its conclusions and recommendations to the rest of the CERS Board, or
 - b. If the complaint alleges a violation of the Executive Branch Code of Ethics (Kentucky Revised Statutes Chapter 11A), refer the complaint to the Executive Branch Ethics Commission (KRS 11A.060), the Kentucky Attorney General or other appropriate entity.
8. Upon appointment of a Special Committee in accordance with number seven (7) above, the Chair of the CERS Board (or Vice Chair of the CERS Board) shall appoint a Chair of the Special Committee and shall designate two other CERS Board members to the Special Committee.
 - a. The Chair of the Special Committee shall forward the complaint to the person against whom the complaint is made. The person may file a written response to the complaint, which should include all evidence in his or her possession regarding the alleged violation.
 - b. The Special Committee shall determine how the investigation of the complaint is to proceed; provided that the investigation and any information gathered in the course of investigation shall be conducted and maintained on a confidential basis.
 - c. The Special Committee may request the CERS CEO and/or the KPPA Executive Director assign staff of the KPPA to investigate the alleged violation or may engage a third party to investigate the alleged violation.
 - d. Information obtained during the investigation shall be deemed confidential if it is not subject to public disclosure pursuant to the Kentucky Open Records Act, Kentucky Revised Statutes 61.872 to 61.884, at the time of its disclosure or use.

- e. If the result of the investigation indicates that the facts are not sufficient to constitute a violation of this (or other applicable) Policy or Bylaws, the Special Committee shall immediately terminate the investigation and report its determination and recommendations to the CERS Board. If the CERS Board decides to take no action, the Special Committee shall prepare an explanation of the decisions to take no action and shall maintain a copy of the complaint and the explanation in a confidential file. A copy of the explanation shall be sent to the person against whom the allegations were made and no further disclosure shall be made.
 - f. If the results of the investigation indicate that there is cause to believe that a violation of this (or other applicable) Policy has occurred, the Special Committee shall report its determination to the CERS Board for its consideration at the next regular or special Board meeting.
 - i. The CERS Board's discussion of the allegations and the report of the Special Committee, including any proposed disciplinary action, shall be conducted in closed session pursuant to KRS 61.810(1)(f).
 - ii. The CERS Board's decision regarding disciplinary action shall be made in open session as required by KRS 61.815(1)(c).
 - iii. The CERS Board's determination that a CERS Board member violated this (or other applicable) Policy shall require a vote of two-thirds (2/3) of the remaining CERS Board members who are not alleged to be in violation of this (or other applicable) Policy. If there are not sufficient CERS Board members present at a meeting, the Chair may pass the matter to the next regular or special meeting of the CERS Board.
 - iv. If the CERS Board finds that a CERS Board member has violated this (or other applicable) Policy, the remaining CERS Board members who are not alleged to be in violation of this (or other applicable) Policy may impose any or all of the following disciplinary actions:
 - 1. Remove the CERS Board member from any or all committees to which the board member is assigned;
 - 2. Verbal public reprimand; and/or
 - 3. Written public reprimand.
9. If the Board becomes aware of violations of its Conflict of Interest Policy, no provision of this (or other applicable) Policy shall be interpreted to limit the Board's remedies provided pursuant to the terms of an applicable contract, and by state or federal law.

GENERAL STATEMENT CONCERNING EXECUTIVE BRANCH ETHICS

Individuals as set forth above shall conform to the Executive Branch Code of Ethics with regard to conflicts of interest as set forth in KRS Chapter 11A.

CERTIFICATION

We, the Chair of the Board of the County Employees Retirement System and the Chief Executive Officer of the County Employees Retirement System, do hereby certify that this Conflict of Interest Policy was made effective by the Board of the County Employees Retirement System on the 29th day of September, 2021.

Betty A Pendergrass
Chairman of the Board of Trustees
County Employees Retirement System

09/29/2021
Date

Ed Owens A.A.
Chief Executive Officer
County Employees Retirement System

09/29/2021
Date



COUNTY EMPLOYEES RETIREMENT SYSTEM INTERNAL CONFLICT OF INTEREST STATEMENT

I, _____ in my position as _____ at the County Employees Retirement System (“CERS”), recognize the need to maintain the public’s confidence and trust in the integrity of CERS and the Commonwealth of Kentucky.

I understand that I have the obligation to diligently identify, disclose, avoid and manage conflicts of interest that may arise through my relationship with CERS and Kentucky Public Pensions Authority (KPPA).

I will conduct my activities with CERS so that I do not advance or protect my own interests or the private interests of others with whom I have a relationship, in a way that is detrimental to the interests of CERS or KPPA.

In every instance in which I am acting on behalf of CERS, I will conduct my activities in a manner to best promote the interests of CERS.

I agree not to attempt to influence CERS or KPPA in disregard of the interest of its members and beneficiaries.

In all matters where an official decision must be made that may favorably or detrimentally impact my own financial interests or the financial interests of others with whom I have a relationship, I will reveal that relationship and abstain from involvement in the official decision.

When a conflict of interest arises, or when a potential conflict of interest arises, I will disclose that conflict or potential conflict to the CERS CEO and/or Board Chair and seek resolution of that issue.

I understand that, pursuant to the Kentucky Retirement Systems Conflict of Interest policy, I am subject to the conflict of interest provisions of the Executive Branch Code of Ethics as set forth in KRS Chapter 11A, and I agree to conform thereto.

To: CERS CEO
CERS General Counsel(s)
CERS Board Chair
CERS Vice-Chair
All Trustees of the Board of Trustees

CONFLICT OF INTEREST QUESTIONNAIRE

Have you, or any family member as defined in KRS 11A.010(4) or business associate of yours directly or indirectly:

1. **Interests and Investments:** Knowingly acquired any interest in or received any type of payment or remuneration from any business that does business with CERS or KPPA? If your answer is yes, please list the business, the type of payment or remuneration, and the date of the payment in the space provided at the end of this statement.

Yes No

2. **Past Work Relationships:** Knowingly been involved in any work relationships in the past that would either constitute or create the appearance of a conflict of interest with CERS or KPPA? If your answer is yes, please list the person and the work relationship in the space provided at the end of this statement.

Yes No

3. **Gifts and Entertainment:** Knowingly received any gifts, entertainment or other thing of value from any business that does business with CERS or KPPA or is seeking to do business with CERS or KPPA? If your answer is yes, please list the gift, entertainment or other thing of value, the person or business from which you received the gift, entertainment, or other thing of value, and the date of receipt in the space provided at the end of this statement.

Yes No

4. **Improper Activities:** Knowingly engaged in any activity or have any interest or arrangement that might appear to involve a conflict of interest with CERS or KPPA's Conflict of Interest and Confidentiality Policy, or the Executive Branch Code of Ethics? If your answer is yes, please list the activity, interest, or arrangement in the space provided at the end of this statement.

Yes No

If any "Yes" box is checked in answer to any of the above questions, please explain in the space provided. Use additional sheets if necessary.

I have read the CERS' Conflict of Interest and Confidentiality Policy, as well as the Executive Branch Code of Ethics, and agree to report, in writing, to the CERS CEO and the Chairman of the Board of Trustees of CERS, any situation which either poses or may pose a possible conflict of interest.

Agreed this the _____ day of _____, 2021.

Signature

Name

Title