



**KENTUCKY COUNTY EMPLOYEES' RETIREMENT SYSTEM
STRATEGIC PLAN 2025-2029**

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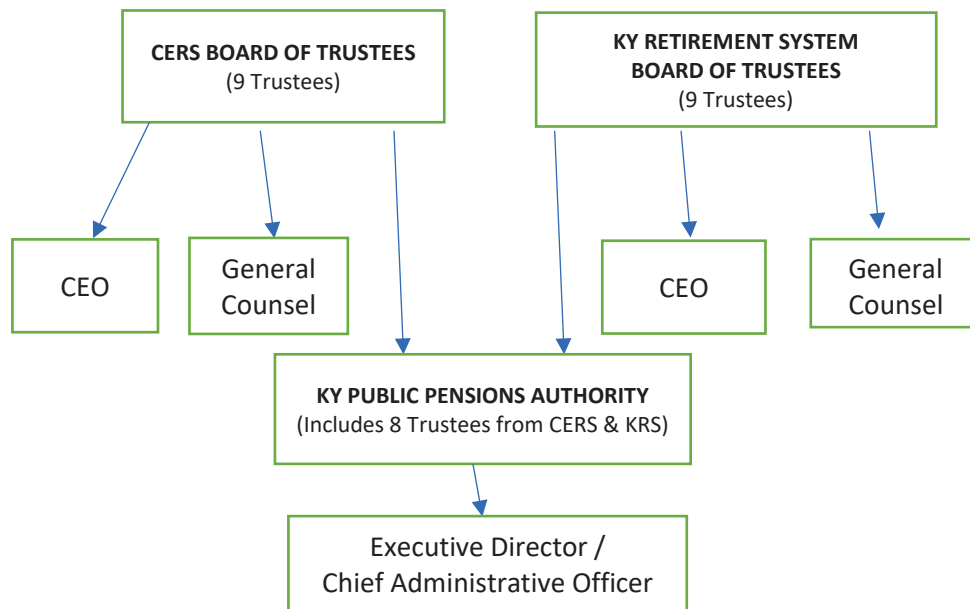
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EXECUTIVE SUMMARY

INTRODUCTION

The Kentucky County Employees Retirement System (CERS) was established July 1, 1958, by the Kentucky General Assembly. Guidance for CERS is found in Chapter 78 of the Kentucky Revised Statutes (KRS). Chapter 78 outlines the governing board structure, postretirement plan design, membership, and authority for employee and employer contributions for both a Non-Hazardous plan and a Hazardous plan. In 2020, the Kentucky General Assembly created a separate governing board for CERS and effective April 1, 2021, the new governance structure was initiated.

Administrative support is provided by the Kentucky Public Pensions Authority (KPPA), also created effective April 1, 2021 (KRS 61.505). CERS is represented by four Trustees on the KPPA governing board along with four Trustees from the Kentucky Retirement Systems (Ky Retirement). Ky Retirement is the governing board for the Kentucky Employees Retirement Systems (KERS—hazardous and nonhazardous) and the State Police Retirement System (SPRS). The relationship among the three board is illustrated below.



Employees of cities, counties, and special purpose governments are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Public Pensions Authority (KPPA), an agency of the Commonwealth of Kentucky. In addition, employees of Kentucky school districts whose positions do not require a degree beyond a high school diploma also participate in CERS. As of April 1, 2021, Kentucky Revised Statute (“KRS”) Section 78.782 shifted the governance of CERS to a separate Board of Trustees of the County Employees Retirement System. The CERS Board manages the CERS trust, including investment management. KPPA provides the day-to-day administration (KRS 61.505) for accounting and benefit administration for CERS. The Kentucky General Assembly has the authority to establish and amend benefit provisions.

CERS, KERS, and SPRS all provide defined benefit pension and other post-employment benefits for public employees. Retirement benefits to these retirees adds over \$2 billion to the Commonwealth’s economy across 120 counties.

This inaugural Strategic Plan outlines the key goals and objectives that the CERS Board of Trustees hopes will provide a sustainable governing structure in compliance with the organizational guidance in Kentucky Revised Statutes, Chapter 78. The CERS Board of Trustees recognizes the importance of a partnership with key stakeholders in the Commonwealth, including public employees, employers, professional associations, and the citizens of the Commonwealth. These goals are focused on supporting the CERS organization, investment management, and support services to our membership. Postretirement benefits for both pension income and postretirement healthcare are critical for supporting all the public services to the citizens and the public employees who provide those services. These benefits provide financial security to CERS members and return an economic benefit to the citizens we serve.

The CERS Board of Trustees takes its fiduciary role very seriously. Governing statutes include specific guidance about our fiduciary roles and compliance with both the Kentucky Executive Branch Ethics Code and the CFA Pension Trustee Code of Conduct. In addition, Chapter 78 outlines the basic structures for investment management, Trustee education, as well as accountability and transparency. Goals in this Strategic Plan were selected based on the underlying guidance in Chapter 78 and the expectations of our stakeholders and the citizens of the Commonwealth.

MISSION

To deliver governance for the postretirement plans that support the financial security of our membership.

VISION

Provide a sustainable funding structure with an approach that is viable for all stakeholders.

CORE VALUES

We focus on supporting the KPPA delivery of quality customer service, providing a sound investment strategy, and communicating with our stakeholders to demonstrate transparency and accountability.

Our efforts will adhere to basic principles for quality customer service, ethical conduct, excellence, fiduciary duty, and ongoing operational improvement. We also commit to collaboration with the Kentucky Retirement System Board of Trustees to enhance the retirement programs for KERS and SPRS, as well as CERS.

STRATEGIC GOALS

Now that CERS has completed its organizational first year and adopted Board administrative and governance policies, the focus of the 2025 – 2029 Strategic Plan includes the following goals to strengthen the CERS retirement plans.

- Goal 1** *Actuarial* **Strengthen actuarial administration to achieve full funding of the CERS plans.**
- Goal 2** *Investment* **Enhance investment management to support prudent portfolio performance and compliance oversight.**
- Goal 3** *Finance* **Collaborate with Kentucky Retirement Systems to develop a cost-effective administrative cost budget, financial management, and cost allocation policies.**
- Goal 4** *Administrative* **Provide structure to support efficient governance for CERS post-retirement plans.**

The Strategic Goals section outlines the goals, expands the discussion of objectives for each goal, including targets and measurement principles, and describes how the CERS Board will identify success. The last section of the Plan summarizes a proposed timeline for working on the goals and objectives.

FUTURE PLANNING

The CERS Board of Trustees has developed this first five-year strategic plan to set the stage for future improvements in managing the postretirement benefit plans for local government employees. We also plan to update this strategic plan in the future to maintain a dynamic governance and management structure for the CERS plans, members, stakeholders, and citizens.

ADOPTED BY THE CERS BOARD OF TRUSTEES March 27th, 2025



Chair, CERS Board of Trustees



CEO, CERS Board of Trustees



General Counsel, CERS Board of Trustees

GOALS, OBJECTIVES, MEASURES AND TARGETS

Goal 1 *Actuarial* Strengthen actuarial administration to achieve full funding of the CERS plans.
 (Approved by Actuarial Committee on November 2, 2022.)

Objective A. Actuarial assumptions reflect actual trends.
<p>1) Measure: The CERS Board will require the actuary to use industry prevalent practices and methods for the analysis and recommendation of actuarial assumptions (economic and demographic) for use in the actuarial valuation.</p> <p style="margin-left: 20px;">Target: Annually in April.</p>
Objective B. Avoid Negative Amortization.
<p>1) Measure: The CERS Board will work with the legislators on possible future changes to the funding policy that is in Statute such that any changes will not result in actuarial back loading (i.e. negative amortization of the unfunded actuarial accrued liability).</p> <p style="margin-left: 20px;">Target: Ongoing.</p>
Objective C. Attain 100% funded status in reasonable period.
<p>1) Measure: The financial goal is for the Systems to attain a 100% funded ratio in a reasonable time period with the CERS Board-adopted contributions increasing or decreasing as appropriate.</p> <p style="margin-left: 20px;">Target: January 2049.</p>
Objective D. Monitor financial and economic risks to plan.
<p>1) Measure: The CERS Board will request the actuary to perform a risk analysis or stress test from time to time to understand and quantify possible financial risks due to possible changing economic conditions or risks associated possible legislation that would result in materially lower contributions.</p> <p style="margin-left: 20px;">Target: January 2025.</p>

Goal 1. How Will the CERS Board Evaluate Success
<p>1) Employer contributions are consistent across the five years 2025 – 2029.</p> <p>2) Actuarial assumptions are consistent with actual experience.</p> <p>3) Funded status continues to improve.</p>

Goal 2 *Investments* Enhance investment management by providing prudent portfolio guidelines and compliance oversight.

(Approved by Investment Committee on December 19, 2024.)

<p>Objective A. Monitor the ratio of investment earnings versus contribution resources to evaluate the health of the CERS system.</p>	
<p>1)</p>	<p>Measure: The 5-year geometric average net investment return (GANIR) calculation for Tier 3 interest credits shall be used to evaluate returns in the CERS portfolios (NonHaz, Haz, and Insurance).</p> <p>Target: The GANIR should range from 6.25% to 10%.</p>
<p>2)</p>	<p>Measure: Investment cash flow from realized gains, interest, and dividends, net of fees, compared to total benefits/expenses paid.</p> <p>Target: Investment component, on a five-year rolling average should range between 45% and 65%.</p>
<p>Objective B. Investment Policy Statement (IPS) should meet Best Practices to ensure CERS meets its fiduciary responsibilities.</p>	
<p>1)</p>	<p>Measure: Asset allocation in the IPS reflects the Board’s goals for investment performance.</p> <p>Target: Projected return from IPS approved asset allocation should equal or exceed the discount rate for the actuarial valuation.</p>
<p>2)</p>	<p>Measure: Quarterly investment reports include performance analysis that compares realized performance to investment goals established by CERS Investment Committee and Board of Trustees.</p> <p>Target:</p> <ul style="list-style-type: none"> a) Realized total returns for CERS assets are compared to capital market assumptions utilized in asset allocation modelling . b) Returns for internally managed assets are reported separately. c) Compliance reporting highlight variances from IPS policies. d) Historical trend reporting (GANIR) is updated annually. e) Manager watch list that identifies managers with excellent performance or performance below expectations should be added to Compliance reporting.
<p>3)</p>	<p>Measure: Evaluate the asset allocation and identify a key timeline for asset liability studies and risk management issues to develop updates to the asset allocation.</p> <p>Target: Conduct an asset liability study, including portfolio risk analysis, every 3 – 5 years.</p>

Objective C. Outline benchmarks to evaluate investment performance versus actuarial analysis and strengthen risk monitoring.	
1)	<p>Measure: CERS should use the actuarial discount rate, Total Fund Benchmark and a peer universe identified by Investment staff and investment consultant as benchmarks to evaluate returns and risk-adjusted returns over 5-year period on the CERS portfolio.</p> <p>Target: Realized returns over 5-year periods should always exceed the benchmarks.</p>
2)	<p>Measure: Quarterly reporting provides analysis of manager performance by asset class.</p> <p>Target: Externally managed asset realized returns provide sufficient excess returns, net of management and performance fees. Periodic reporting should provide an opportunity for the Investment Committee to provide oversight of management fees.</p>
3)	<p>Measure: Strengthen the role of the Investment Compliance Officer to monitor investment risk and report on investment risk.</p> <p>Target: Quarterly investment performance reports include:</p> <ul style="list-style-type: none"> a) Risk-adjusted returns for investment portfolio, by asset class b) Identification of market, credit, concentration, liquidity, and volatility risk in CERS portfolio c) Analysis of CERS portfolio market risk based on economic trends and industry sectors in the CERS portfolio

Goal 2. How Will the CERS Board Evaluate Success	
1)	Performance and compliance reports provide key information for CERS Investment Committee and Board of Trustees oversight.
2)	Performance and compliance reports are readily available to stakeholders on the KPPA website.

Goal 3 *Finance Collaborate with Kentucky Retirement Systems to develop a cost-effective administrative cost budget, financial management, and cost allocation policies. (Finance Committee approved on 2/17/2025.)*

Objective A. Work with Office of the CFO on CERS specific Annual Comprehensive Financial Report (ACFR) issues.

- 1) **Measure:** Communications with the external audit firm (or the APA) regarding the CERS specific annual audit and ACFR are completed on a timely basis.
Target: External Audit firm meets with Finance Committee annually in August at the start of the external audit and outlines key issues for annual audit.
Target: External Audit firm meets with Finance Committee annually in November to present DRAFT ACFR and discuss other external audit findings and communications.
Target: CERS Audit report and ACFR is delivered to Ky Finance & Administration by the due date established by Finance for inclusion in the Commonwealth’s ACFR.

- 2) **Measure:** Annual CERS ACFR is submitted to GFOA by December 31 each year for the Certificate of Achievement in Financial Reporting (COA) award. The CERS ACFR meets requirements for and achieves the GFOA COA award .
Target: GFOA awards Certificate of Achievement for Excellence in Financial Reporting to the CERS ACFR, annually.
Target: GFOA comments for improvements to the CERS ACFR demonstrate CERS compliance with generally accepted governmental accounting principles and governmental financial reporting best practices.

Goal 3 Finance Collaborate with Kentucky Retirement Systems to develop a cost-effective administrative cost budget, financial management, and cost allocation policies. (Finance Committee approved on 2/17/2025.) (Continued)

Objective B. Ensure CERS specific policies and procedures surrounding financial reporting are adequate.

- 1) **Measure:** CERS annual and interim financial reporting provide essential information to assess accountability for CERS assets and pension management.
Target: CERS financial reporting provides key data to evaluate long-term financial trends and conduct historical analysis.
Target: CERS continues to achieve progress toward actuarial goals for full funding (See Goal 1 discussion).
- 2) **Measure:** Financial reporting metrics in annual and quarterly reports provide long-term trend analysis to evaluate CERS financial condition. Such metrics should include employer/employee contributions, administrative expenses, cash flow, and employer invoicing and collection.
Target: Monitors growth in employer and employee contributions.
Target: Monitors the increase/decrease in administrative expenses relative contribution growth.
Target: Establish an acceptable recovery percentage for legacy invoices beyond a Board approved threshold.
Target: Establish a total outstanding invoice dollar amount that the Committee deems prudent.
- 3) **Measure:** Clarify CERS representation during procurement process.
Target: Complete analysis of CERS procurement functions within a year.

Objective C. Establish an Escalation Policy for the Office of the CFO regarding policy decisions for the Committee

- 1) **Measure:** KPPA CFO identifies financial metrics in quarterly reporting that may require special attention.
Target: Financial metrics that trigger reporting to the CERS Finance Committee for discussion of potential policy changes include:
 - Administrative budget categories that exceed 20% in a line-item of budget-to-actual summary or 10% of total administrative budget.
 - Critical issues related to annual audit or financial reporting.
 - Investment budget categories that exceed 20% in a line-item of budget-to-actual summary or 10% of total Investment budget.

Goal 3 Finance Collaborate with Kentucky Retirement Systems to develop a cost-effective administrative cost budget, financial management, and cost allocation policies. (Finance Committee approved on 2/17/2025.) (Continued)

Objective D. Ensure that all regulations related to Participation of CERS Employers and Employer duties are updated and codified

2) **Measure:** ERCE and the legal ad-hoc regulation groups provide recommendations for updates to Ky Administrative Regulations that clearly identify employer participation and compliance requirements.

Target: Employer compliance and timely reporting continues to improve, outstanding receivables decrease, and administrative actions against employers decline.

Target: Annual survey of employers indicates employers’ satisfaction and understanding of KRS and KAR based on clarity of KPPA communications surrounding employer responsibilities.

3) **Measure:** ERCE and KPPA communications department updates communication brochures that clearly highlight and explain changes in employer responsibility.

Target: Catalog of relevant employer communication material that is used as training tools for employer staff.

Target: New administrative policies are clearly explained in timely employer communications to employers and addressed in periodic employer training.

Goal 3. How Will the CERS Board Evaluate Success

1) CERS annual audit is completed timely with no material findings of noncompliance or material deficiencies in internal controls.

2) CERS ACFR is presented in accordance with generally accepted governmental accounting principles established by the Governmental Accounting Standards Board.

3) CERS ACFR achieves the GFOA Certificate of Achievement of Excellence in Financial reporting annually.

4) CERS provides input for managing administrative costs prior to KPPA approval of administrative budget.

5) KPPA approves administrative budget prior to submission to Governor’s State Budget Director.

6) CERS interim and annual financial reporting provides key information to provide accountability for CERS assets and pension management.

Goal 4 *Administrative* **Finalize structure to support efficient governance for CERS retirement plans.**

(Personnel Committee approved their section 1/9/2024.)

(Betty Pendergrass developed remainder as Chair prior to 4/1/2024.)

Objective A. Enhance Personnel Committee framework for CERS staff evaluations, professional development, and succession planning.
<p>1) Measure: Adopt CEO Performance Plan. Target: Annually in January</p> <p>2) Measure: Evaluate CEO annually. Target: Annually in June</p> <p>3) Measure: Recruit Trustees for elected and appointed positions. Target: July 2025 (Elected Trustees) & 2025 (Appointed Trustees)</p> <p>4) Measure: Evaluate the results of periodic Trustee elections to ensure that members are participating in elections. Target: Member participation rates should increase to 10% or higher.</p>
Objective B. Enhance communications with stakeholders.
<p>1) Measure: Periodic articles in association newsletters. Target: Ongoing</p> <p>2) Measure: Host webinars to highlight key retirement management issues. Target: September 2025</p> <p>3) Measure: Periodic testimony to Public Pension Oversight Board to highlight CERS performance and governance. Target: Ongoing</p>
Objective C. Formalize annual planning for Trustee Education.
<p>1) Measure: Educational sessions (January, July, & October) to provide a minimum of 6 hours of CERS-sponsored education. Target: Ongoing</p> <p>2) Measure: Education catalog of videos provide Trustees with additional resources for training hours, including specific training for New Trustee Orientation sessions. Target: July 2025</p> <p>3) Measure: All Trustees meet the statutory requirements for 12 hours of annual training. Target: Ongoing</p>
Objective D. Risk Management
<p>1) Measure: Establish methodology to evaluate effectiveness of Board governance with an independent analysis of CERS Board governance. Target: September 2025 and ongoing</p>

<p>Objective E. Evaluate CERS By-Laws and administrative policies to improve Board’s effectiveness and enhance transparency.</p>
<p>1) Measure: By-laws updated to incorporate recommendations from governance evaluation consultant. Target: 2025</p> <p>2) Measure: Administrative policies updated to incorporate recommendations from governance evaluation consultant. Target: 2025</p>
<p>Objective F. Initiate planning process to update CERS Strategic Plan.</p>
<p>1) Measure: Ad-Hoc Committee appointed to review and update Strategic Plan. Target: 2029</p>

<p>Goal 4. How Will the CERS Board Evaluate Success</p>
<p>1) Timetable and criteria are established for CEO evaluation.</p> <p>2) Stakeholders’ feedback provides insights for additional improvements for system governance.</p> <p>3) Annual Trustee Education classes scheduled each year.</p> <p>4) Timetable and criteria are outlined for evaluation of CERS Board governance.</p> <p>5) By-laws and administrative policies are updated or confirmed as effective guidance for governance and accountability.</p> <p>6) Process established for updating the CERS Strategic Plan.</p>

2025 – 2029 CERS STRATEGIC PLAN TIMETABLE

This section outlines a proposed timetable for implementation activities for each Goal and Objective of the Strategic Plan. This timing establishes a proposed schedule for activities that will contribute toward the goals and objectives. Activities may be assigned to CERS Executive Staff, the CERS Board and its Committees, with requests for assistance as needed from the KPPA administrative staff.

GOAL/OBJECTIVE	2025	2025	2026	2027	2029
Goal 1. Actuarial Strengthen the actuarial administration to achieve full funding of the CERS plans.					
1) Actuarial assumptions reflect actual trends	Ongoing				
2) Avoid negative amortization.	Ongoing				
3) Attain 100% funded status (2040).					Reassess
4) Monitor economic & financial risks.	Ongoing				

GOAL/OBJECTIVE	2025	2026	2027	2028	2029
Goal 2. Investment Enhance investment management to support prudent portfolio performance and compliance oversight.					
A) Monitor health of CERS	Ongoing				
B) Update IPS	XX				XX
C) Benchmarks for investment performance	Ongoing				

GOAL/OBJECTIVE	2025	2026	2027	2028	2029
Goal 3. Finance Collaborate with Kentucky Retirement Systems to develop a cost-effective administrative cost budget, financial management, and cost allocation policies.					
1) Annual Comprehensive Financial Report	Ongoing				
2) CERS reporting policies		XX			
3) Escalation policy		XX			
4) Employer participation policies	Ongoing				

GOAL/OBJECTIVE	2025	2026	2027	2028	2029
Goal 4. Administrative Finalize structure to support efficient governance for CERS post-retirement plans.					
1) CERS staff evaluations, professional development, and succession planning.	Ongoing				
2) Enhance communications with stakeholders.	Ongoing				
3) Formalize annual planning for Trustee education.	Ongoing				
4) Risk Management.	Ongoing				
5) Evaluate CERS By-Laws and administrative policies to improve Board’s effectiveness and enhance transparency.		XX		XX	
6) Initiate planning process to update CERS Strategic Plan.					XX