



**County Employees Retirement System
Board of Trustees – Special Meeting
February 4, 2026, at 2:00 pm ET (1:00 pm CT)
Live Video Conference/Facebook Live**

AGENDA

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| 1. Call to Order | Lisle Cheatham |
| 2. Opening Statement | Eric Branco |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Chairman's Corner | Lisle Cheatham |
| 6. CERS Investment Procurement Policy* | Ed Owens, III |
| 7. UPDATE: Metcalfe Health Care Center | Erin Surratt |
| 8. Closed Session* | Eric Branco
Michael Board |
| 9. Adjourn | Lisle Cheatham |

***Board May Take Action**



INVESTMENT PROCUREMENT POLICY

Revised and Adopted: November 10, 2025

Section 1—Introduction

KRS 78.790(6) mandates that County Employees Retirement System develop and adopt an investment procurement policy. The policy must be designed, in consultation with the Secretary of the Finance and Administration Cabinet, to meet best practices for the procurement of investment goods and services. This Policy functions in concert with other statutes, administrative regulations and guidelines detailing the requirements and parameters for investing trust funds. If any inconsistency exists between the law and this Policy, the law shall control.

The procurement procedures in this Policy shall be implemented consistent with the Board's duty to procure the investment managers, goods and services needed to support the investment or management of CERS assets.

A portion of CERS's funds are managed externally by investment managers specializing in mandates such as equities, bonds, other publicly traded securities, alternative investments, real estate, timberland, and/or any other asset type authorized by Kentucky law. The Board is responsible for the procurement of services to carry out the investment or management of CERS assets.

Procurements for investment goods and services shall aim to promote competition and best value, giving due consideration to factors including, but not limited to, timing (including emergencies), execution, quality, service and price. Whenever CERS is considering an investment procurement, KPPA staff—rather than members of the Board—shall communicate directly with the principals of the potential vendor to ensure transparency, accountability and compliance with laws and Board policies, including those prohibiting the payment of fees or commissions to placement agents.

Section 2—External Manager Selection

External investment managers shall be chosen through a competitive selection process coordinated by KPPA investment staff based upon established criteria. The Investment Committee shall be provided with a candidate pool of up to three investment managers who have met the screening and due diligence criteria. The

candidate pool shall be provided to the CERS Investment Committee for its review and approval, with ratification by the CERS Board at its next regular meeting.

An open search process may be used when conducting a manager search. KPPA investment staff and/or the independent investment consultant shall identify a list of suitable candidates that are appropriate for the mandate. The list of suitable candidates shall be developed using a list of potential managers that meet the screening criteria.

At CERS' discretion, a Request for Proposals ("RFP"), Request for Information ("RFI"), or Request for Quotations ("RFQ") may also be used when conducting a manager search. The request may be sent directly to known vendors, shall be posted conspicuously on the KPPA website, and in addition to the public advertising on the KPPA website, may be advertised through other means such as financial media. Any advertisement shall clearly state the mandate for which CERS is seeking a manager. The advertisement shall also state certain minimum requirements that a manager must meet.

KPPA investment staff shall provide a written report to the Investment Committee documenting the details of the search process that was performed, along with a recommendation on which manager KPPA investment staff proposes to be hired. The report shall include matters such as the screening criteria, the number of managers considered, the number of managers interviewed, the number of firms in the final candidate pool, the names of the firms in the final candidate pool, any prior CERS (or Kentucky Retirement Systems) history with the manager, references checked and summaries of other qualitative and quantitative analyses.

A. Determination of Screening Criteria

Screening criteria may include, but are not limited to: investment processes; investment fee schedule; investment products; dollar value and composition of assets under management; historical performance; years of experience; growth of firm; a manager's history with CERS (or Kentucky Retirement Systems); other client relationships (including experience with large public funds); ownership; the number and depth of investment professionals; research capabilities; structure of the proposed investment (separate account, commingled account, limited partnership, etc.); compliance with the federal Investment Advisers Act of 1940, as amended, and reporting consistent with the Institutional Limited Partners Association ("ILPA") standards. Other criteria may be added for any search.

B. Preliminary Screening

- 1) KPPA staff and/or the CERS investment consultant shall identify a preliminary list of firms that meet the initial set of screening criteria.

- 2) KPPA staff and/or the CERS investment consultant shall contact each firm on the preliminary list to determine if they are accepting new business and to obtain the most current information and any additional information, as required. Follow-up telephone calls, interviews or on-site visits shall be made as necessary.
- 3) Based upon the established criteria, KPPA staff and/or the CERS investment consultant shall narrow the preliminary list to a candidate pool.

C. Candidate Pool

- 1) KPPA staff and/or the CERS investment consultant shall conduct a more in-depth interview with each candidate. The interviews may be in person or telephonic/virtual which allows for the interaction with and evaluation of the person or persons who will be investing on behalf of CERS. Interview topics may include:
 - a) Investment process.
 - b) Any action or investigation concerning a candidate by a regulatory or civil or criminal enforcement agency.
 - c) Any SEC forms, other similar agency reports or prospectuses.
 - d) Qualifications of the firm's representatives, including the portfolio management team.
 - e) A list of institutional references.
 - f) Communication with the firm.
 - g) Employee compensation and ownership structure.
 - h) Availability of the contact person and portfolio manager to meet with KPPA investment staff and the Investment Committee and responsiveness to Board and staff concerns.
 - i) Validation of performance and the continued management by key individuals who will be responsible for fulfilling the assignment.
 - j) Accommodation of CERS's priorities.
 - k) Experience with large public funds.
 - l) Fee discussions.
 - m) Conflicts of interest, including the appearance of conflicts of interest. Potential or actual conflicts of interest shall be evaluated during the due diligence process and after engagement under the Board's Conflict of Interest and Confidentiality Policy and any applicable statutes and regulations. The KPPA investment staff shall employ reasonable efforts to

- identify conflicts of interest affecting CERS trustees, employees and managers with respect to all investments.
- n) Placement agents. KPPA investment staff shall employ reasonable due diligence to ensure that no fees or commissions are paid to a third party or firm pursuant to KRS 78.782(20) or Board policies.
- 2) Quantitative analyses shall also be conducted in addition to the qualitative analyses above. These analyses shall include performance attribution and risk management.
 - 3) Additional due diligence factors may be necessary in selecting General Partners or managers for alternative investments (such as timberland, private equity and infrastructure) because of the long-term and illiquid nature of these types of investments. The additional factors include considerations such as risk management; diversification; and legal and business matters.
 - a) CERS may engage independent specialized consultants to assist in the selection of these managers.
 - b) KPPA staff and/or consultants shall narrow potential funds to seek best-in class managers.
 - c) Any new fund offering by an existing manager (also known as a reup) shall be evaluated consistent with the process described above (understanding that some of the materials and knowledge for conducting due diligence already may have been obtained based on the prior investment with the manager).
 - 4) KPPA staff and—if involved in the process—the CERS investment consultant (or any engaged specialty investment consultant) shall reach a consensus regarding a manager for the final written recommendation to the Investment Committee. Any approval by the Investment Committee is subject to the review by and ratification of the Board, the completion of due diligence, and the negotiation and execution of a contract.
 - a) It is critical that the terms of the contract accurately reflect the terms and conditions of the authorization. The process may involve highly specialized contract provisions, including investment guidelines, and result in protracted negotiations. KPPA investment staff may request the approval of the Investment Committee to retain outside counsel to assist in the contract process and procure such legal services in compliance with the personal service contract requirements as stated in KRS 45A.695 and any other applicable provisions of KRS Chapter 45A.
 - b) The investment manager shall certify that no fees or commissions are paid to a third party or firm prohibited, either by KRS 78.782(20) or Board

policies, from receiving fees or commissions incident to an investment by CERS.

- c) An approval of a manager by the Investment Committee is to be reported to the Board at its next regular meeting for review and ratification.

Section 3—Co-Investment Opportunities

Co-investment opportunities occurring from General Partners, funds, or other investment managers already contained in the CERS portfolio and previously approved by the Investment Committee and Board may be authorized by KPPA's Director Office of Investments ("CIO") in amounts up to 1.5% of the CERS plan assets, considering the following:

- A. Co-investments may be made alongside an existing General Partner, provided that the strategy and objective of the Partnership investing in the transaction are consistent with those of the Partnership in which CERS has an existing commitment.
- B. Co-investments shall be made on the same (or better) terms and conditions as provided to the Partnership.

Section 4—External Investment Consultant Selection

External investment consultants shall be chosen through a competitive selection process coordinated by KPPA investment staff based upon established criteria. The Investment Committee shall be provided with a candidate pool of up to three consultants who have met the screening and due diligence criteria. The candidate pool shall be provided to the Investment Committee for its review and approval, with ratification by the Board at its next regular meeting. Notwithstanding the above, the Investment Committee reserves the right to contract for its own Investment Consultant pursuant to KRS 78.782(2)(d).

An open search process may be used when conducting a consultant search. A list of suitable candidates shall be developed by KPPA investment staff using a broad-based list of potential consultants that meet the screening criteria.

At CERS' discretion, a Request for Proposals ("RFP"), Request for Information ("RFI"), or Request for Quotations ("RFQ") may also be used when conducting a consultant search. The request may be sent directly to known vendors, shall be listed on the KPPA website, and may be advertised through other means such as financial media. Any advertisement shall clearly state the mandate for which CERS is seeking a consultant. The advertisement shall also state certain minimum requirements that a consultant must meet.

KPPA investment staff shall provide a written report to the Investment Committee documenting the details of the search process that was performed, along with a

qualified candidate pool. The report shall include matters such as the firm's name, screening criteria, the number of consultants considered, the number of consultants interviewed, the number of firms in the final candidate pool and their names, any prior CERS (or Kentucky Retirement Systems) history with the consultant, references checked and summaries of other qualitative and quantitative analyses.

A. Determination of Screening Criteria

Screening criteria for an external investment consultant may include, but are not limited to: depth, breadth and experience in consulting similar plans, organizational strength, firm stability, key personnel, financial condition, industry reputation, client list, soundness and compatibility of investment philosophy and approach, breadth and capability of technological resources, research platform, risk reporting, fee proposal, size of public institutional, tax-exempt client AUM; size of pension fund client assets; consultant's history with CERS; other client relationships (including experience with large public funds); ownership; the number and depth of investment professionals; research capabilities; compliance with standard contractual provisions; compliance with the Chartered Financial Analyst ("CFA") Institute Code of Ethics; compliance with Global Investment Performance Standards as administered by the CFA Institute; and reporting consistent with the Institutional Limited Partners Association standards. Other criteria may be added for any search.

B. Preliminary Screening

- 1) KPPA investment staff shall identify a preliminary list of firms that meet the initial set of screening criteria.
- 2) KPPA investment staff shall contact each firm on the preliminary list to determine if they are accepting new business, would be interested in being a candidate, and to obtain the most current information and any additional information, as required. Follow-up telephone calls, interviews, or on-site visits shall be made as necessary.
- 3) Based upon the established screening criteria, KPPA investment staff shall narrow the preliminary list to a candidate pool.

C. Candidate Pool

- 1) KPPA staff and/or the CERS investment consultant shall conduct a more in-depth interview with each candidate. The interviews may be in person or telephonic/virtual which allows for the interaction with and evaluation of the person or persons who will be investing on behalf of CERS. Interview topics shall be developed to thoroughly vet each candidate.

D. Analysis

- 1) KPPA investment staff shall conduct a qualitative and quantitative analysis utilizing criteria developed by KPPA investment staff identified to meet the external investment consultant needs of the Agency.

- 2) KPPA investment staff shall utilize, as necessary, additional diligence factors for consideration in selecting an external investment consultant. KPPA investment staff may conduct interviews, in person or telephonic/virtual, which allows for the interaction with and evaluation of the person or persons who will be providing consulting services. References shall be checked.
- 3) It is critical that the terms of the contract accurately reflect the terms and conditions of the authorization. The process may involve highly specialized contract provisions, including investment guidelines, and result in protracted negotiations. KPPA staff may request the approval of the Investment Committee retain outside counsel to assist in the contract process in consultation with the CERS general counsel and procure such legal services in compliance with the personal service contract requirements as stated in KRS 45A.695 and limited by 45A.717.
- 4) KPPA investment staff shall establish a qualified candidate pool for the Investment Committee. Any approval by the Investment Committee is subject to the review and ratification of the board, the completion of due diligence, and the negotiation and execution of a contract. An approval of an external investment consultant by the Investment Committee is reported to the CERS Board at its next regular meeting for review and ratification.

Section 5—Procurement of Investment, Analytical, Professional, Research, and Technical Services

The procurement of investment goods and services shall be coordinated by KPPA staff based upon established criteria through one of the methods below. Nothing in this section shall apply to the procurement of ordinary goods and services that are common to other KPPA administrative functions.

- A) Procurement of investment goods and services costing less than \$10,000 during a fiscal year shall be determined by KPPA staff based upon best value comparing known vendors. In comparing vendors, staff shall promote the highest level of competition. Services which could conceivably cost \$10,000.00 or more during a fiscal year shall follow the method outlined in Section 5(B) or (C) as applicable.
- B) Procurement of investment goods and services costing from \$10,000 to \$49,999.99 during a fiscal year may be determined by any two of the following: the KPPA Executive Director Office of Investments or his/her designee, the CERS Chief Executive Officer, or any KPPA employee designated by CERS to act in its stead, based upon best value comparing quotes from at least three known vendors. Any procurement made under this subsection shall be reported to the CERS CEO, or if the CERS CEO is the person making the procurement decision, to the Chair of the Investment Committee.

- C) Procurement of investment goods and services equal to or greater than \$50,000 in cost during a fiscal year shall be chosen through a competitive selection process coordinated by KPPA investment staff based on established criteria. The Investment Committee shall be provided with a candidate pool of up to three vendors who have met the screening and due diligence criteria established by KPPA investment staff in consultation with the Investment Committee. The candidate pool shall be provided to the Investment Committee for its review and approval, with ratification by the CERS Board at its next regular meeting.
- D) A Request for Proposals ("RFP"), Request for Information ("RFI"), or Request for Quotations ("RFQ") for investment goods or services may be published. The request may be sent directly to known vendors; shall be posted conspicuously on the KPPA website; and in addition to the public advertising on the KPPA website, may be advertised through other means, such as financial media, as appropriate to promote the highest level of competition. The request shall describe the goods or services required, the type of information and data required of each vendor, the relative importance of qualifications, and the screening criteria to be used. After determining the best value of proposals received, a contract for goods or services with a vendor may be negotiated. If contract terms cannot be agreed upon with the highest-ranking vendor, negotiations may be conducted with other vendor(s) in the order of ranking as defined by the request. The evaluation of best value shall be documented by KPPA investment staff. The documentation shall include specifics of the process used in selecting the vendor. Those specifics may include price, the number of vendors considered, the number of vendors interviewed, any prior CERS (or Kentucky Retirement Systems) history with the vendor, references checked and summaries of other qualitative and quantitative analyses.
- E) A price contract established by the Commonwealth of Kentucky, the U.S. General Services Administration or U.S. Communities (a national government purchasing cooperative) may be used so long as the vendor enters into a contract at or below the contract price and under the same terms and conditions.
- F) Exceptions to using the methods of procurement for investment goods and services above may include but are not limited to: goods and services available only from one uniquely qualified sources; advertisements and public notices; and copyrighted computer software. The reason for the exception shall be documented.

Section 6—Contract Renewal

Contract renewals for contracts procured under this policy, whether they be for annual or longer-term agreements, use criteria such as the continued need of the vendor and/or asset class; level of trust; continuity of ownership, leadership and process; long-term performance; and competitiveness of fees. For contracts procured under this policy, KPPA investment staff shall submit a formal recommendation regarding the renewal of the contract to the Investment Committee for approval. The

submission to the Investment Committee includes a description of the process used in making the recommendation to renew the contract. Any approval by the Investment Committee is subject to the review by and ratification of the Board, the completion of due diligence, and the negotiation and execution of a contract, contract renewal, or extension.

Section 7—Emergency Procurement

The existence of an emergency may cause an immediate need for investment managers or investment goods and/or services that cannot be procured through CERS's normal investment procurement procedures. The determination that an emergency exists shall be made by, and procurement actions approved by, any two of the following: Executive Director Office of Investments, the CERS Chair, the CERS CEO, or the CERS Investment Committee Chair. Thereafter, no later than at the next quarterly meetings of the Board and Investment Committee, the emergency and procurement actions incident to the emergency shall be reported.

Section 8—Quiet Period

The CERS Board or Investment Committee will designate that a procurement be subject to a quiet period during which communications between offerors are restricted to staff assigned to the procurement. The CERS Board or Investment Committee shall fix the time and terms of the quiet period and may delegate such responsibility to staff. Nothing in this subsection shall be construed as limiting the CERS Board or Investment Committee from discussing matters related to the procurement during meetings.

Section 9—Other Laws and Policies that Comprise CERS' Investment Procurement Policy

This policy shall be implemented in conjunction and accordance with the laws and other policies that, cumulatively, establish the comprehensive CERS Investment Procurement Policy under which all CERS investment procurements are to be made. These laws and other policies are as follows but are not limited to:

- A. Executive Branch Code of Ethics (KRS Chapter 11A).
- B. Board as fiduciary (KRS 78.790(1)(c)).
- C. Pension Fund investment requirements (KRS 78.790).
- D. CERS conflict of interest prohibitions (KRS 78.745).
- E. CERS confidentiality requirement (KRS 78.745).
- F. Insurance Fund investment requirements (KRS 61.701 and 105 KAR 1:410); and

G. County Employees Retirement System Board of Trustees Election Policy and Procedure, Statement of Bylaws and Committee Organization, Trustees Education Program, Conflict of Interest and Confidentiality Policy, Policy and Procedures Regarding Open Records Requests, CFA Code of Ethics and Standards of Professional Conduct, CFA Asset Manager Code of Professional Conduct, federal Investment Advisers Act of 1940, as amended, and CFA Code of Conduct for Members of a Pension Scheme Governing Body.

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Certification of Adoption by Board of Trustees

This is to certify that this County Employees Retirement System Investment Procurement Policy was approved and adopted by the Board of Trustees of the County Employees Retirement System.

George C. Cheatham, II
Chair, CERS Board of Trustees

Date

Ed Owens III
CERS Chief Executive Officer

Date

Certification of Finance and Administration Cabinet

Holly M. Johnson
Secretary, Finance and
Administration Cabinet
Commonwealth of Kentucky

Date