



**County Employees Retirement System
Board of Trustees – Regular Meeting
June 14, 2022 at 2:00 pm ET (1:00 pm CT)
Live Video Conference/Facebook Live**

AGENDA

- | | |
|---|------------------------------------|
| 1. Call to Order | Betty Pendergrass |
| 2. Opening Statement | Michael Board |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes* -- April 18, 2022, April 20, 2022
and April 22, 2022 | Betty Pendergrass |
| 6. Finance Committee Report | Bill O'Mara |
| a. YTD Financial Reports | Rebecca Adkins |
| b. Accounts Receivable | Connie Davis |
| c. Hazardous Duty Requests* | D'Juan Surratt |
| 7. Investment Committee Report | Dr. Merl Hackbart |
| a. Investment Policy Statement* | Dr. Merl Hackbart |
| b. CERS Quarterly Investment Reports | Steve Willer |
| c. Wilshire Quarterly Investment Report | David Lindberg/Craig Morton |
| 8. Personnel Committee | Jim Tony Fulkerson |
| a. Bylaws amendment | |
| b. Evaluation policies & procedures | |
| 9. Joint Audit Committee Report | Bill O'Mara |
| a. Employer Proportionate Share Audit* | Bill O'Mara |
| b. Internal Audit Reports* | Kristen Coffey |
| 10. Joint Retiree Health Care Committee Report | Jerry Powell |
| a. KTRS presentation | Jerry Powell |
| b. Account Management | Connie Pettyjohn |
| c. Bid process | Connie Pettyjohn |
| 11. Administrative | Betty Pendergrass |
| a. Strategic Planning | Betty Pendergrass |
| b. 2023 Meeting Calendar | Rebecca Adkins |
| c. PPW Annual Meeting and Election* | Steve Willer |
| d. Department Spotlight—ERCE | D'Juan Surratt |
| e. CEO Report | Ed Owens, III |
| f. KPPA Update | Dave Eager |
| 12. Closed Session* | Joe Bowman |
| 13. Adjourn | Betty Pendergrass |

*Board May Take Action

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED BOARD OF TRUSTEES MEETING
APRIL 18, 2022 AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the special called meeting of the County Employees Retirement System Board of Trustees held on April 18, 2022 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. The following members of the Kentucky Retirement Systems were present: Joseph Grossman, Lynn Hampton, and Prewitt Lane. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Jared Crawford, Ashley Gabbard, Phillip Cook, and Sherry Rankin. Others present included Deborah Kidd and Chris Fidler with CFA Institute.

Ms. Pendergrass called the meeting to order.

Mr. Board read the Legal Opening Statement.

Ms. Rankin took Roll Call. There was no public comment received.

Ms. Pendergrass introduced agenda item *Pension Trustee Fiduciary Responsibilities*. Ms. Deborah Kidd and Chris Fidler from CFA Institute provided Trustee Training on Fiduciary Responsibilities. The material presented to the Trustees included the CFA Pension Trustee Code of Conduct and ESG Best Practices.

After the session concluded, Ms. Pendergrass sought adjournment. Mr. Powell made a motion and was seconded by Dr. Hackbart to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held April 18, 2022 except documents provided during a closed session conducted pursuant to open meetings act and exempt under the open records act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on April 18, 2022 were approved on June 14, 2022.

Chair of the Board of Trustees

I have reviewed the Minutes of the April 18, 2022 Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES ANNUAL MEETING
APRIL 20, 2022 AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the annual meeting of the County Employees Retirement System Board of Trustees held on April 20, 2022 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. Staff members present was CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Vicki Hale, Connie Davis, Kristen Coffey, D'Juan Surratt, Jared Crawford, Shauna Miller, Ashley Gabbard, Phillip Cook and Sherry Rankin. Others present included Ben Johnson, Joseph Bowman and Eric Branco with Johnson Bowman and Branco.

Ms. Pendergrass called the meeting to order and read the Legal Opening Statement.

Ms. Rankin took Roll Call. There were no public comments received.

Ms. Pendergrass introduced agenda item *Approval of Minutes – March 16, 2022 and March 31, 2022*. Mr. Fulkerson made a motion and was seconded by Mr. O'Mara to approve both sets of the minutes as presented. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Elections*. Ms. Pendergrass stated that elections are held annually for Chair and Vice-Chair of the Board. She opened the floor for nominations for Chair of the County Employees Retirement System. Mr. Fulkerson made a nomination for Ms. Pendergrass to serve as Chair and was seconded by Dr. Carver. Being no further nominations and no further discussion, a vote was taken and passed unanimously. Ms. Pendergrass expressed her appreciation for the vote of confidence.

Ms. Pendergrass opened the floor for nominations for Vice-Chair of the County Employees Retirement System and began by nominating Jerry Powell to fulfill this position and was seconded by Mr. Fulkerson. Being no further nominations, a vote was taken and passed unanimously.

Ms. Pendergrass stated that in regards to Committee Assignments, she would prefer that all members stay in their current roles as assigned, but welcomed contact from any member who may want to shift their focus to a different committee.

Ms. Pendergrass introduced Mr. O'Mara to speak about a potential new Board Committee. Mr. O'Mara stated that based on information contained in Board Smart and best practice, he thinks the Board should consider the creation of a new committee or work group for personnel. He explained that this committee or work group could be in place to address the Annual Evaluation of the CEO, for any future search committee needs, and any issues that may be related to any conflicts of interest that may arise. Mr. O'Mara stated that by having this committee or group created now may prevent future stress and undue pressure that could arise regarding personnel issues. Mr. Powell made a motion was seconded by Dr. Carver to form a Personnel Committee. Ms. Pendergrass suggested the creation of an Ad Hoc Personnel Committee until the CERS Bylaws can be amended to allow for a standing Personnel Committee. After discussion, Mr. Powell amended his motion and was seconded by Dr. Carver to create an Ad Hoc Personnel Committee pending approval of an amendment to the CERS Bylaws to make a standing Personnel Committee. The motion passed unanimously. Ms. Pendergrass stated that prior discussions with Mr. Cheatham and Mr. Fulkerson regarding serving on this committee were successful, and they have agreed to serve on this committee. She stated she will be speaking with another Trustee and will keep the Board apprised of the progress of this committee in the near future.

Ms. Pendergrass introduced agenda item *CERS Strategic Plan*. Ms. Pendergrass opened the floor for any questions by the Committee Chairs regarding the work needed on the strategic plan or if any of the Trustees had suggestions for the improvement of this plan. She stated that Mr. Fulkerson and Dr. Carver have assisted with revisions to this plan and asked the Committee Chairs to review the goals for their respective committees for further review and revision. Mr. Powell voiced his concerns pertaining to the Retiree Health Plan Committee portion of the strategic plan due to the current RFP process. He indicated that due to this process, the information needed for the Retiree Health Plan Committee's portion of the plan will not be available until later in the year. Ms. Pendergrass stated that this plan is structured over a five (5) year period, so the goals and objectives can be broad until such time those can be reviewed and refined. She indicated that as Committee Chair, each committee can set the goals and objectives to be as generic or detailed as they feel necessary to meet the needs of their committee.

Ms. Pendergrass introduced agenda item *Joint Audit Committee Report*. Ms. Coffey stated that the Joint Audit Committee met at a special called meeting on April 7, 2022. At this meeting the Plan Liquidity Audit was presented and discussed, and will be brought back to the committee for further discussion at the May meeting. Ms. Coffey provided the background information behind the need for additions to the Annual Audit Plan. She stated that seven (7) audits have been added to the prior approved audit plan. The Joint Audit Committee approved the additions to the audit plan as presented and recommended submitting the plan to KPPA for review. She stated the Internal Audit is requesting the CERS Board of Trustee to ratify the actions taken by the Joint Audit Committee and recommend that the KPPA representatives on the CERS Board take these items to KPPA for consideration. Mr. Fulkerson made a motion and was seconded by Dr. Milkman to approve the additions to the internal audit plan. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Administrative Cost Allocation Methodology*. Mr. O'Mara began by stating that KPPA organized a work group comprised of members from the CERS and KRS Boards, along with KPPA Staff, to review the current Administrative Cost Allocations and discuss the various methodologies that could be utilized when determining how the administrative expenses should be shared by the different plans. He discussed the various methodologies reviewed which included allocating the expenses based on Membership of the plans, which is the method currently used, a 50/50 split between the KRS and CERS Systems, a split by Assets Under Management by the plans, and finally a hybrid of these methodologies. After reviewing all of the categories and considering all of the methods, the work group decided that the hybrid approach was the best choice. Mr. O'Mara provided a high-level overview of the allocation by the various categories and stated that this method would be in effect as of July 1, 2021, which makes it applicable to the current Fiscal Year 2022. This would also be the same methodology used for Fiscal Year 2023, with a yearly review looking prospectively for future years based on historical numbers and trends. Mr. O'Mara explained that now this methodology will be adopted and used by KPPA, the Board will need to decide how to further divide these expenses over the CERS plans. Mr. O'Mara recommended that the Board consider splitting the percentage attributed to CERS to the plans by membership. He explained that since a weighted calculation was used initially, it would be appropriate to further calculate the percentages to the C plans by membership. Mr. O'Mara made a motion and was seconded by Mr. Cheatham to allocate the CERS systems' administrative expenses to the individual funds based on their proportional share of membership. The motion passed unanimously.

Mr. O'Mara stated that since the work group has agreed to the current methodology presented here, the focus has now shifted to plan specific expenses that will be attributed to CERS due to the separation. He indicated that the work is ongoing and the group will be making a recommendation to the KPPA Board once a decision has been made regarding these expenses. The recommendation will also be presented to this Board in a future meeting.

Ms. Pendergrass introduced agenda item *Administrative*. Ms. Pendergrass introduced Ms. Shauna Miller, Division Director of the Office of Benefits – Division of Member Services who provided a high-level overview of the Division of Member Services. She reviewed the roles and responsibilities of the department, current statistics of the services provided to members, current retirement trends, the enhancements to the member self-service features, and future projects and goals of the department. This presentation was for information purposes only.

Ms. Pendergrass introduced Mr. Powell to lead the discussions on the topic of COLAs. Mr. Powell stated that a few public comments have been received recently and the Board wanted to provide information in more detail regarding this topic. Mr. Powell reviewed an actuary presentation from GRS which was requested by the legislators in the November of 2021 regarding the Impact of COLAs to the CERS plans. He stated that pursuant to KRS Statutes, the only provisions for a COLA include a 1.5% COLA can be granted if the funded ratio is greater than 100% or if the General Assembly fully prefunds the increase. None of the CERS plans meet the required funded ratio to be able to provide a COLA at this time. He stated that KPPA nor the CERS or KRS Boards do not have the authority to provide a COLA as that authority lies with the legislature. Ms. Pendergrass indicated that several legislators reviewed the possibility of a COLA during the 2022 Legislative Session, which is why the presentation was requested and prepared by the actuaries.

Ms. Pendergrass introduced Mr. Eager to bring an update on KPPA. Mr. Eager stated that it was a very active 2022 Legislative Session which resulted in a large number of actuarial analysis requests. There were several bills that will have an effect on the Systems. A major issue arose with the KPPA Housekeeping Bill that was vetoed by the Governor. With help from the CEOs and Board Chairs, we met with some of the legislators and sent communications to all of the legislators which led to the override of the Governor's veto. He discussed the work performed by the Budget Work Group, the New Trustee Orientation, the progress and status of the new positions for the Investment Department, the potential for a new CFO position, the 8% pay increase for employees, presentation at the PPOB, KPPA employee service awards, and attendees in Closed Sessions.

Ms. Pendergrass congratulated Mr. Milkman on his recent Senate confirmation and welcomed him to the Board of Trustees.

Ms. Pendergrass introduced Ed Owens, III to provide a CEO Report. Mr. Owens reported that he recently spoke to the Central Kentucky Association of Government Accountants about enterprise risk management as it applies to their work for the Commonwealth of Kentucky. He stated that he is continuing to work with the KPPA Internal Audit staff on a risk management project.

Ms. Pendergrass introduced agenda item *Closed Session*. Dr. Milkman made a motion and was seconded by Mr. Fulkerson to go into closed session for the purpose of litigation. The motion passed unanimously. Mr. Fulkerson and Mr. David Eager left prior to the closed session due to personal conflict of interest.

Ms. Pendergrass read the following closed session statement, “A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter close session to consider litigation, pursuant to KRS 61.810(1) (c), because of the necessity of protecting the confidentiality of the Systems’ litigation strategy and preserving any available attorney-client privilege”.

Ms. Pendergrass stated that the Board will be taking no action as the result of the closed session discussions and opened the floor for adjournment. Dr. Milkman made a motion and seconded by Mr. Fulkerson to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held April 20, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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CERTIFICATION

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Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on April 20, 2022 were approved on June 14, 2022.

Chair of the Board of Trustees

I have reviewed the Minutes of the April 20, 2022 Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED BOARD OF TRUSTEES MEETING
APRIL 22, 2022 AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the special called meeting of the County Employees Retirement System Board of Trustees held on April 22, 2022 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, and Jerry Powell. The following members of the Kentucky Retirement Systems were present: Lynn Hampton and Keith Peercy. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Vicki Hale, Kristen Coffey, Steven Herbert, Jared Crawford, Ashley Gabbard, Phillip Cook, and Sherry Rankin. Others present included Eric Branco with Johnson Bowman Branco.

Ms. Pendergrass called the meeting to order and read the Legal Opening Statement.

Ms. Rankin took Roll Call. There was no public comment received.

Ms. Pendergrass introduced agenda item *Trustee Training – Investment Pooling*. Mr. Steven Herbert, Chief Investment Officer for Kentucky Public Pensions Authority, provided Trustee Training on Investment Pooling.

After the session concluded, Ms. Pendergrass sought adjournment. Mr. Fulkerson made a motion and was seconded by Mr. Powell to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held April 22, 2022 except documents provided during a closed session conducted pursuant to open meetings act and exempt under the open records act.

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CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees on the various items considered by it at this meeting. Further, I certify that all requirements of KRS 61.805-61.850 were met in conjunction with this meeting.

Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on April 22, 2022 were approved on June 14, 2022.

Chair of the Board of Trustees

I have reviewed the Minutes of the April 22, 2022 Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services



MEMORANDUM

TO: County Employees Retirement System Board of Trustees

From: William O'Mara, Chair
Finance Committee

Date: June 14, 2022

Subject: Summary of Finance Committee Regular Quarterly Meeting

The County Employees Retirement System held a regularly scheduled quarterly meeting on June 2, 2022.

1. **The following items were approved by the Finance Committee and are being forwarded to the County Employees Retirement System Board of Trustees for ratification***
 - a. **Hazardous Duty Requests** – The Finance Committee considered a total of five (5) requests for Hazardous Duty designation for positions in member organizations. After hearing the presentation from KPPA staff indicating staff had reviewed each request and determined that they meet the statutory guidelines for Hazardous coverage, the Finance Committee voted unanimously to approve each request.

RECOMMENDATION: The Finance Committee requests the County Employees Retirement System Board of Trustees ratify the actions taken by the Finance Committee.

2. **The following items were also discussed during the Finance Committee meeting:**
 - a. KPPA staff presented quarterly financial reports consisting of:
 - a. YTD Financial Spreadsheet
 - b. Administration Expense to Budget
 - c. Contribution Report
 - d. Outstanding Invoice Report
 - e. Penalty Waiver Report

- b. There was a brief discussion of the CERS Strategic Plan initiative. Mr. O'Mara mentioned that the CERS Board Chair had asked all Committee Chairs to develop strategic goals for inclusion in the comprehensive CERS Strategic Plan. It was further discussed that both the KERS Board of Trustees and the KPPA Board would join the effort for the production of a comprehensive, system-wide strategic plan. The coordination of the system-wide planning will begin during the first quarter of FY2023.

***Board of Trustees Action Required**



Combining Statement of Fiduciary Net Position - Pension Funds

As of March 31, 2022, with Comparative Totals as of March 31, 2021 (\$ in Thousands)

ASSETS	CERS		TOTAL		Percentage of Change	Notes
	Nonhazardous	Hazardous	FY 2022	FY 2021		
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$320	\$59	\$379	\$972	-60.97%	1
Short-term Investments	586,846	214,044	800,889	\$341,203	134.73%	2
Total Cash and Short-term Investments	587,166	214,103	801,269	342,175	134.17%	
RECEIVABLES						
Accounts Receivable	54,490	22,087	76,577	\$64,625	18.49%	3
Accounts Receivable - Investments	81,012	27,578	108,591	\$232,090	-53.21%	4
Total Receivables	135,502	49,665	185,167	296,714	(37.59)%	
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	968,702	328,122	1,296,824	\$1,444,801	-10.24%	5
Public Equities	3,990,104	1,360,738	5,350,842	\$5,113,976	4.63%	
Private Equities	757,152	253,399	1,010,550	\$897,786	12.56%	6
Specialty Credit	1,690,563	574,819	2,265,382	\$1,819,380	24.51%	7
Derivatives	(2,933)	(993)	(3,927)	\$5,046	-177.81%	8
Real Return	248,246	82,039	330,286	\$742,570	-55.52%	9
Opportunistic	-	-	-	\$285,504	-100.00%	10
Real Estate	473,909	150,908	624,817	\$440,181	41.95%	11
Total Investments, at Fair Value	8,125,742	2,749,033	10,874,774	10,749,243	1.17%	
Securities Lending Collateral Invested	250,761	85,278	336,039	\$301,428	11.48%	12
CAPITAL/INTANGIBLE ASSETS						
Capital Assets	1,701	153	1,854	\$1,854	0.00%	
Intangible Assets	9,961	827	10,788	\$10,788	0.00%	
Accumulated Depreciation	(1,701)	(153)	(1,854)	-\$1,854	-0.03%	
Accumulated Amortization	(9,612)	(819)	(10,431)	-\$10,283	1.44%	
Total Capital Assets	349	8	357	504	(29.29)%	
Total Assets	9,099,520	3,098,086	12,197,606	11,690,065	4.34%	
LIABILITIES						
Accounts Payable	3,677	518	4,195	\$4,648	-9.75%	
Investment Accounts Payable	148,343	51,477	199,820	\$340,518	-41.32%	13
Securities Lending Collateral	250,761	85,278	336,039	\$301,428	11.48%	14
Total Liabilities	402,781	137,274	540,054	646,595	(16.48)%	
Total Fiduciary Net Position Restricted for Pension Benefits	\$8,696,740	\$2,960,813	\$11,657,552	\$11,043,471	5.56%	

NOTE - Variance Explanation **Differences due to rounding**

- 1) Variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account.
- 2) Short Term Investments are primarily comprised of the cash on hand at the custodial bank. The current balance is larger than normal due to the return of capital (\$333M) from Putnam in February.
- 3) The increase in Accounts Receivable is due to an increase in the month-end employer contributions accrual (increase in covered payroll and contribution rates).
- 4) The variance in Investment Accounts Receivable is due to pending trades.
- 5) The decrease in Core Fixed Income is due to a rebalance of the portfolio as a result of the revised IPS.
- 6) The increase in Private Equity is a result of the funding of 3 new managers, additional funding of current managers, and increasing market values of current investments.
- 7) The increase in Specialty Credit is due to the merging of the Specialty Credit asset class and the Opportunistic asset class.
- 8) Variance is a result of hedging and arbitration of risk within the portfolios.
- 9) The decrease in Real Return is a result of the redemption of Putnam and continued liquidation of hedge funds.
- 10) The decrease in Opportunistic is due to the merging of the Opportunistic asset class with the Specialty Credit asset class.
- 11) The increase in Real Estate is due to additional funding and increasing market values for current managers.
- 12) Variance is a result of the demands of the Securities Lending Program.
- 13) The variance in Investment Accounts Payable is due to pending trades.
- 14) Variance is a result of the demands of the Securities Lending Program.



Combining Statement of Changes In Fiduciary Net Position - Pension Funds

For the nine month period ending March 31, 2022, with Comparative Totals for the nine month period March 31, 2021 (\$ in Thousands)

	CERS		Total		Percentage of Change	Notes
	Nonhazardous	Hazardous	FY 2022	FY 2021		
ADDITIONS						
Member Contributions	\$135,360	\$51,626	\$186,986	\$166,294	12.44%	1
Employer Contributions	405,413	157,098	562,511	467,939	20.21%	2
Pension Spiking Contributions	36	42	78	126	-38.02%	3
Health Insurance Contributions (HB1)	(1)	1	-	1		
Employer Cessation Contributions	-	-	-	-		
Total Contributions	540,809	208,767	749,576	634,360	18.16%	
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments						
Investments	63,332	17,690	81,022	1,637,600	-95.05%	4
Interest/Dividends	177,224	60,001	237,225	202,265	17.28%	5
Total Investing Activities Income	240,557	77,691	318,247	1,839,865		
Less: Investment Expense	33,386	10,036	43,422	34,880	24.49%	6
Less: Performance Fees	49,450	16,176	65,626	35,882	82.89%	7
Net Income from Investing Activities	157,721	51,479	209,199	1,769,104		
From Securities Lending Activities						
Securities Lending Income	410	142	552	525		
Less: Securities Lending Borrower Rebates (Income)/Expense	-	-	-	-		
Less: Securities Lending Agent Fees	142	49	191	127		
Net Income from Securities Lending	268	93	361	398	-9.27%	8
Net Investment Income	157,989	51,572	209,560	1,769,501	(88.16)%	
Total Additions	698,797	260,339	959,136	2,403,861	(60.10)%	
DEDUCTIONS						
Benefit Payments	641,958	228,206	870,163	835,010	4.21%	
Refunds	14,424	4,429	18,853	14,715	28.12%	9
Administrative Expenses	16,883	1,496	18,379	17,566	4.63%	
Total Deductions	673,264	234,131	907,395	867,291	4.62%	
Net Increase (Decrease) in Fiduciary Net Position Restricted for Pension Benefits						
	25,533	26,208	51,741	1,536,569		
Total Fiduciary Net Position Restricted for Pension Benefits						
Beginning of Period	8,670,667	2,934,421	11,605,088	9,506,578	22.07%	
End of Period	\$8,696,200	\$2,960,629	\$11,656,829	\$11,043,147	5.56%	

NOTE - Variance Explanation **Differences due to rounding**

- 1) Member Contributions increased due to an increase in covered payroll.
- 2) Employer Contributions increased due to an increase in covered payroll as well as an increase in the Employer Contribution rates.
- 3) Pension Spiking contributions decreased due to a change in statute. Pension spiking is now the member's responsibility.
- 4) The decrease in Net Appreciation in Fair Value of Investments is due to unfavorable market conditions resulting in unrealized losses primarily within the public equity asset class.
- 5) The increase in Interest/Dividends is a result of the increased allocation to Public Equities and Fixed Income asset classes.
- 6) The increase in Investment Expense is a result of increased market values primarily in the Private Equity, Specialty Credit and Real Estate asset classes which have higher fees.
- 7) The increase in Performance fees is due to an increase in realized gains in Private Equity and Real Estate.
- 8) Variance is a result of the demand of the Securities Lending Program.
- 9) The increase in Refunds was due to an increase in refunds taken by CERS and CERH members who terminated employment and were not eligible for a retirement benefit.



Combining Statement of Fiduciary Net Position - Insurance Funds

As of March 31, 2022, with Comparative Totals as of March 31, 2021 (\$ in Thousands)

ASSETS	CERS		TOTAL		Percentage of Change	Notes
	Nonhazardous	Hazardous	FY 2022	FY 2021		
CASH AND SHORT-TERM INVESTMENTS						
Cash Deposits	\$103	\$23	\$126	\$771	-83.68%	1
Short-term Investments	276,385	112,883	389,268	\$187,586	107.51%	2
Total Cash and Short-term Investments	276,488	112,905	389,393	188,356	106.73%	
RECEIVABLES						
Accounts Receivable	14,993	6,033	21,026	\$16,031	31.16%	3
Investment Accounts Receivable	31,154	15,422	46,576	\$96,451	-51.71%	4
Total Receivables	46,147	21,455	67,602	112,483	(39.90)%	
INVESTMENTS, AT FAIR VALUE						
Core Fixed Income	357,340	180,376	537,716	\$572,087	-6.01%	
Public Equities	1,462,314	735,086	2,197,400	\$1,996,311	10.07%	5
Specialty Credit	292,795	164,854	457,649	\$423,034	8.18%	
Private Equities	638,996	322,665	961,661	\$755,043	27.37%	6
Derivatives	(1,031)	(524)	(1,555)	\$755	-305.88%	7
Real Return	74,603	40,045	114,648	\$292,856	-60.85%	8
Opportunistic	-	-	-	\$133,839	-100.00%	9
Real Estate	163,613	89,676	253,289	\$177,079	43.04%	10
Total Investments, at Fair Value	2,988,630	1,532,178	4,520,808	4,351,004	3.90%	
Securities Lending Collateral Invested	68,923	34,831	103,754	\$107,712	-3.68%	
Total Assets	3,380,188	1,701,370	5,081,558	4,759,555	6.77%	
LIABILITIES						
Accounts Payable	164	18	182	\$330	-44.81%	11
Investment Accounts Payable	59,876	27,643	87,518	\$139,171	-37.11%	12
Securities Lending Collateral	68,923	34,831	103,754	\$107,712	-3.68%	
Total Liabilities	128,963	62,491	191,455	247,214	(22.56)%	
Total Fiduciary Net Position Restricted for OPEB	\$3,251,225	\$1,638,879	\$4,890,103	\$4,512,341	8.37%	

NOTE - Variance Explanation **Differences due to rounding**

- 1) Variance is a result of continuous fluctuation of deposits and transactions that flow through the cash account.
- 2) Short Term Investments are primarily comprised of the cash on hand at the custodial bank. The balance is larger than normal due to the return of capital (\$141M) from Putnam in February.
- 3) The increase in Accounts Receivable is due to an increase in the month-end employer contributions accrual (increase in covered payroll and contribution rates).
- 4) The variance in Investment Accounts Receivable is due to pending trades.
- 5) The increase in Public Equities is due to rebalancing of the portfolio as a result of the revised IPS.
- 6) The increase in Private Equity is a result of the funding of 3 new managers, additional funding of current managers, and increasing market values of current investments.
- 7) Variance is a result of hedging and arbitration of risk within the portfolios.
- 8) The decrease in Real Return is a result of the redemption of Putnam and continued liquidation of hedge funds.
- 9) The decrease in Opportunistic is a result of the merging of the Opportunistic asset class with the Specialty Credit asset class.
- 10) The increase in Real Estate is due to additional funding and increasing market values for current managers.
- 11) The decrease in Accounts Payable is due to a decline in outstanding credit employer invoices.
- 12) The variance in Investment Accounts Payable is due to pending trades.



Combining Statement of Changes In Fiduciary Net Position - Insurance Funds

For the nine month period ending March 31, 2022, with Comparative Totals for nine month period ending March 31, 2021 (\$ In Thousands)

	CERS		TOTAL		Percentage of Change	Notes
	Nonhazardous	Hazardous	FY 2022	FY 2021		
ADDITIONS						
Employer Contributions	\$118,345	\$52,268	\$170,614	\$133,188	28.10%	1
Medicare Drug Reimbursement	1	-	1	1	-10.96%	
Insurance Premiums	403	(265)	139	267	-47.92%	
Humana Gain Share Payment	8,912	1,259	10,171	23,666	-57.02%	2
Retired Re-employed Healthcare	3,538	1,174	4,711	4,578	2.91%	
Health Insurance Contributions (HB1)	11,382	2,709	14,091	11,962	17.79%	3
Employer Cessation Contributions	-	-	-	-		
Total Contributions	142,581	57,146	199,727	173,662	15.01%	
INVESTMENT INCOME						
From Investing Activities						
Net Appreciation (Depreciation) in FV of Investments	38,338	25,455	63,794	661,005	-90.35%	4
Interest/Dividends	62,034	32,318	94,352	79,810	18.22%	5
Total Investing Activities Income	100,372	57,774	158,146	740,815		
Less: Investment Expense	11,268	5,957	17,225	15,635	10.17%	6
Less: Performance Fees	19,778	11,162	30,940	17,585	75.94%	7
Net Income from Investing Activities	69,326	40,654	109,980	707,594		
From Securities Lending Activities						
Securities Lending Income	145	72	217	209		
Less: Securities Lending Borrower Rebates (Income)/Expense	(170)	(87)	(257)	(134)		
Less: Securities Lending Agent Fees	47	24	71	51		
Net Income from Securities Lending	268	135	403	292	38.09%	8
Net Investment Income	69,594	40,789	110,383	707,886	(84.41)%	
Total Additions	212,176	97,934	310,110	881,548	(64.82)%	
Deductions						
Healthcare Premiums Subsidies	99,427	66,338	165,765	\$168,501	-1.62%	
Administrative Expenses	704	375	1,079	\$999	7.95%	
Self-Funded Healthcare Costs	2,600	154	2,754	\$2,890	-4.70%	
Excise Tax Insurance	6	-	6	\$0		
Total Deductions	102,737	66,867	169,604	172,390	(1.62)%	
Net Increase (Decrease) in Fiduciary Net Position Restricted for OPEB	109,439	31,068	140,506	709,158		
Total Fiduciary Net Position Restricted for OPEB						
Beginning of Period	3,141,786	1,607,811	4,749,597	3,803,183	24.88%	
End of Period	3,251,225	1,638,879	\$4,890,103	\$4,512,341	8.37%	

NOTE - Variance Explanation *Differences due to rounding*

- 1) Employer Contributions increased due to an increase in covered payroll as well as an increase in the Employer Contribution rates.
- 2) Humana Gain Share payments will fluctuate based on timing and actual claims paid.
- 3) Health Insurance Contributions will continue to rise as Tier 3 members increase.
- 4) The decrease in Net Appreciation in Fair Value of Investments is due to unfavorable market conditions resulting in unrealized losses primarily within the Public Equity asset class.
- 5) The increase in Interest/Dividends is a result of the increased allocation to Public Equities and Fixed Income asset classes.
- 6) The increase in Investment Expense is a result of increased market values primarily in the Private Equity, Specialty Credit and Real Estate asset classes which have higher fees associated.
- 7) The increase in Performance fees is due to an increase in realized gains in Private Equity and Real Estate.
- 8) Variance is a result of the demand of the Securities Lending Program.

Pension Funds Contribution Report

For the nine month period ending March 31, 2022, with Comparative Totals for the nine month period ending March 31, 2021 (\$ in Millions)



	County Employees Retirement System			
	Nonhazardous		Hazardous	
	FY22	FY21	FY22	FY21
Member Contributions	\$135.4	\$119.4	\$51.6	\$46.9
Employer Contributions	405.4	338.6	157.1	129.5
Net Investment Income	95.2	98.8	34.1	33.4
Total Inflows	636.0	556.8	242.8	209.8
Benefit Payments/Refunds	656.4	629.4	232.6	220.4
Administrative Expenses	16.9	16.1	1.5	1.4
Total Outflows	673.3	645.5	234.1	221.8
NET Contributions	(37.3)	(88.7)	8.7	(12.0)
Realized Gain/(Loss)	358.0	192.2	120.8	65.3
Unrealized Gain/(Loss)	(294.7)	1,032.2	(103.1)	347.9
Change in Net Position	26.0	1,135.7	26.4	401.2
Beginning of Period	8,670.7	7,110.9	2,934.4	2,395.7
End of Period	\$8,696.7	\$8,246.6	\$2,960.8	\$2,796.9

Differences due to rounding.

Insurance Fund Contribution Report

For the nine month period ending March 31, 2022, with Comparative Totals for the nine month period ending March 31, 2021 (\$ in Millions)

**County Employees Retirement System****Nonhazardous****Hazardous**

	FY22	FY21	FY22	FY21
Employer Contributions	\$118.3	\$89.2	\$52.3	\$43.9
Insurance Premiums	9.3	21.1	1.0	2.8
Retired Reemployed Healthcare	3.5	3.6	1.2	1.0
Health Insurance Contributions	11.4	9.7	2.7	2.3
Net Investment Income	31.3	31.3	15.3	15.6
Total Inflows	173.8	154.9	72.5	65.6
Healthcare Premiums	102.0	107.7	66.5	63.7
Administrative Expenses	0.7	0.7	0.4	0.3
Total Outflows	102.7	108.4	66.9	64.0
NET Contributions	71.1	46.5	5.6	1.6
Realized Gain/(Loss)	126.9	66.9	67.8	35.1
Unrealized Gain/(Loss)	(88.6)	367.4	(42.3)	191.7
Change in Net Position	109.4	480.8	31.1	228.4
Beginning of Period	3,141.8	2,498.0	1,607.8	1,305.1
End of Period	\$3,251.2	\$2,978.8	\$1,638.9	\$1,533.5

Differences due to rounding.

KPPA ADMINISTRATIVE BUDGET FY 2021-2022								
BUDGET-TO-ACTUAL ANALYSIS								
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2022, WITH COMPARATIVE TOTALS FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2021								
Account Name	Budgeted	FY 2022 Expense	Remaining	Percent Remaining	CERS NHZ FY 2022	CHAZ FY 2022	Total CERS FY 2022	
					Expense	Expense	Expense	
PERSONNEL					59.75%	5.29%		
Staff								
Salaries	\$16,900,000	\$11,779,326	\$5,120,674	30.30%	\$7,038,147	\$623,126	\$7,661,274	
Wages (Overtime)	342,000	147,766	194,234	56.79%	88,290	7,817	96,107	
Emp Paid Retirement	14,478,107	9,404,829	5,073,278	35.04%	5,619,385	497,515	6,116,901	
Emp Paid Health Ins	2,500,000	1,876,528	623,472	24.94%	1,121,225	99,268	1,220,494	
Emp Paid Sick Leave	115,650	73,621	42,029	36.34%	43,989	3,895	47,883	
Workers Compensation	77,100	75,163	1,937	2.51%	44,910	3,976	48,886	
Unemployment	3,600	-	3,600	100.00%	-	-	-	
Other Personnel	1,130,250	841,179	289,071	25.58%	502,604	44,498	547,103	
Employee Training	18,400	7,264	11,136	60.52%	4,340	384	4,725	
Bonds	-	81	(81)	-	48	4	53	
Staff Subtotal	35,565,107	24,205,758	11,359,349	31.94%	14,462,940	1,280,485	15,743,424	
LEGAL & AUDITING SERVICES								
Legal Hearing Officers	84,600	52,541	32,059	37.89%	31,393	2,779	34,173	
Legal (Stoll, Keenon)	180,000	78,867	101,133	56.19%	47,123	4,172	51,295	
Frost Brown (Tax Advisor)	173,000	21,397	151,604	87.63%	12,785	1,132	13,917	
Reinhart	24,000	29,878	(5,878)	-24.49%	17,852	1,581	19,433	
Ice Miller	336,000	34,775	301,225	89.65%	20,778	1,840	22,618	
Johnson, Bowman, Branco LLC	150,000	53,008	96,993	64.66%	31,672	2,804	34,476	
Dentons Bingham & Greenebaum	150,000	-	150,000	100.00%	-	-	-	
Legal Expense	12,000	92	11,908	99.23%	55	5	60	
Auditing	118,350	85,655	32,695	27.63%	51,179	4,531	55,710	
Legal & Auditing Subtotal	1,227,950	356,212	356,212	29.01%				
CONSULTING SERVICES								
Medical Reviewers	1,200,000	1,037,696	162,304	13.53%	620,023	54,894	674,917	
Escrow for Actuary Fees	12,000	-	12,000	100.00%	-	-	-	
CONTRACTUAL SERVICES								
Miscellaneous Contracts	22,750	16,179	6,571	28.88%	9,667	856	10,523	
Human Resources Consulting	6,600	5,794	806	12.21%	3,462	307	3,768	
Actuarial Services	700,000	362,868	337,132	48.16%	216,814	19,196	236,009	
Facility Security Charges	112,000	57,162	54,838	48.96%	34,154	3,024	37,178	
PERSONNEL SUBTOTAL	\$38,846,407	\$26,041,670	\$12,804,738	32.96%	\$15,559,898	\$1,377,604	\$16,937,502	
OPERATIONAL								
Natural Gas	\$25,200	\$24,556	\$644	2.56%	\$14,672	\$1,299	\$15,971	
Electric	138,000	82,521	55,479	40.20%	49,306	4,365	53,672	
Rent-NonState Building	52,000	37,982	14,018	26.96%	22,694	2,009	24,703	
Building Rental - PPW	1,100,000	721,573	378,427	34.40%	431,140	38,171	469,311	
Copier Rental	122,587	60,765	61,822	50.43%	36,307	3,214	39,522	
Rental Carpool	4,800	2,911	1,889	39.35%	1,739	154	1,893	
Vehicle/Equip. Mainten.	1,350	249	1,101	81.56%	149	13	162	
Postage	610,000	321,650	288,350	47.27%	192,186	17,015	209,201	
Freight	600	155	445	74.17%	93	8	101	
Printing (State)	6,000	4,548	1,452	24.20%	2,717	241	2,958	
Printing (non-state)	112,500	57,405	55,095	48.97%	34,299	3,037	37,336	
Insurance	6,000	5,422	578	9.63%	3,240	287	3,526	
Garbage Collection	6,000	4,412	1,588	26.47%	2,636	233	2,870	
Conference Expense	18,250	8,657	9,593	52.56%	5,173	458	5,631	
Conference Exp. Investment	6,000	-	6,000	100.00%	-	-	-	
Conference Exp. Audit	1,500	1,700	(200)	(13.33)%	1,016	90	1,106	
MARS Usage	52,800	20,325	32,475	61.51%	12,144	1,075	13,219	
COVID-19 Expenses	168,000	9,733	158,267	94.21%	5,815	515	6,330	
Office Supplies	42,600	67,451	(24,851)	-58.34%	40,302	3,568	43,870	
Furniture & Office Equipment	9,600	300	9,300	96.88%	179	16	195	

KPPA ADMINISTRATIVE BUDGET FY 2021-2022							
FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2022, WITH COMPARATIVE TOTALS FOR THE NINE MONTH PERIOD ENDING MARCH 31, 2021							
Account Name	Budgeted	FY 2022 Expense	Remaining	Percent Remaining	CERS		
					NHZ FY 2022 Expense	CHAZ FY 2022 Expense	Total CERS FY 2022 Expense
Travel (In-State)	12,000	4,753	7,247	60.39%	2,840	251	3,091
Travel (In-State) Investment	300	39	261	87.09%	23	2	25
Travel (In-State) Audit	300	-	300	100.00%	-	-	-
Travel (Out of State)	6,000	382	5,618	93.63%	228	20	248
Travel (Out of State) Invest	38,700	-	38,700	100.00%	-	-	-
Travel (Out of State) Audit	450	-	450	100.00%	-	-	-
Dues & Subscriptions	49,000	36,719	12,281	25.06%	21,940	1,942	23,882
Dues & Subscriptions Invest	9,600	12,228	(2,628)	(27.37)%	7,306	647	7,953
Dues & Subscriptions Audit	3,000	265	2,735	91.15%	158	-	158
Miscellaneous	1,200	32,228	(31,028)	(2585.63)%	19,256	1,705	20,961
Miscellaneous Investment	200	-	200	100.00%	-	-	-
Miscellaneous Audit	200	-	200	100.00%	-	-	-
COT Charges	24,000	15,760	8,240	34.33%	9,417	834	10,250
Telephone - Wireless	5,400	4,063	1,337	24.76%	2,428	215	2,643
Telephone - Other	120,000	91,667	28,333	23.61%	54,771	4,849	59,620
Computer Equip./Software	2,640,000	1,788,674	851,326	32.25%	1,068,733	94,621	1,163,354
OPERATIONAL SUBTOTAL	\$5,394,137	\$3,419,093	\$1,975,044	36.61%	\$2,042,908	\$180,856	\$2,223,764
SUBTOTAL	\$44,240,544	\$29,460,762	\$14,779,782	33.41%	\$17,602,806	\$1,558,460	\$19,161,266
Major Legislative Implementation	3,764,956	-	3,764,956	100.00%	-	-	-
TOTALS	\$48,005,500	\$29,460,762	\$18,544,738	38.63%	\$17,602,805	\$1,558,474	\$19,161,280

Differences due to rounding

Fund	Budgeted	FY 2022 Expense	% of Total CERS FY 2022 Expense
CERS Non-Hazardous	\$28,683,286	\$17,602,805	59.75%
CHAZ	\$2,539,491	\$1,558,474	5.29%
TOTAL	\$31,222,777	\$19,161,280	

Fund - Specific Expenses	CERS		Amount
	Hazardous		
FY 2022 Expense	\$17,602,805	\$1,558,474	
CERS Adjustment	-	-	93,623
CERS Actual	-	-	
KERS Adjustment	-	-	79,253
KERS Legal Actual	-	-	
SPRS	-	-	5,413
Subtotal Plan Specific	-	-	-
Total Expenses	\$17,602,805	\$1,558,474	\$178,289



KENTUCKY PUBLIC PENSIONS AUTHORITY

Outstanding Invoices by Type and Employer

Invoice Type	3/31/2022	12/31/2021	Change H/(L)
Averaging Refund to Employer	\$(174,525)	\$(404,226)	-57%
Employer Free Military and Decompression Service	277,801	241,111	15%
Member Pension Spiking Refund	(27,824)	(28,852)	-4%
Monthly Reporting Invoice	226,558	448,761	-50%
Penalty – Monthly Reporting	198,721	263,726	-25%
Reinstatement	177,018	173,602	2%
Actuarially Accrued Liability Contribution	1,140,296	785,053	45%
Total	\$1,818,044	\$1,479,175	
Health Insurance Reimbursement	\$990,679	\$1,425,649	-31%
Omitted Employer	1,525,783	1,666,624	-8%
Employer Pension Spiking*	1,573,962	1,370,393	15%
Standard Sick Leave	9,044,195	8,427,680	7%
Total	\$13,134,620	\$12,890,346	2%
Grand Total	\$14,952,664	\$14,369,521	4%

**Pension Spiking invoices on this report are Employer Pension Spiking. By statute these invoices are due 12 months from the invoice date. Employer Pension Spiking is in effect only for retirements prior to July 1, 2018, therefore, unless there has been a recently created invoice for a backdated retirement, all of these invoices are greater than 12 months old.*

Employer Name (Top Ten)	3/31/2022	12/31/2021	Change H/(L)
Kentucky State Police	\$8,732,481	\$7,719,865	13%
Kentucky River Community Care	1,087,076	724,328	50%
Kentucky River Regional Jail	893,893	979,925	-9%
City of Covington	382,559	378,930	1%
Kenton County Airport Board	352,292	330,008	7%
City of Fort Thomas	232,927	228,635	2%
Livingston County Fiscal Court	228,567	161,058	42%
Dept for Behavioral Health Dev Intellectual Dis	210,581	35,072	500%
TARC - Transit Authority River City	210,266	213,106	-1%
Henry County Fiscal Court	\$206,696	\$206,389	0%

	Total Unpaid Balance	Number of Invoices
CERS	\$2,094,722	1,479
CERH	\$1,701,786	238
KERS	\$3,092,085	959
KERH	\$690,832	70
SPRS	\$7,221,313	157
Grand Total:	\$14,800,738.29	2,903

	Total Unpaid Balance	Number of Invoices
CERS/CERH	\$3,796,508	1,717
KERS/KERH	\$3,782,917	1,029
SPRS	\$7,221,313	157
Grand Total:	\$14,800,738	2,903

CERS Board Meeting - Finance Committee Report



County Employees Retirement System
Penalty Invoices Report
 From: 1/1/2022 To: 3/31/2022
 Note: Delinquent Interest amounts are included in the totals for the invoice

Invoice Amount	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
\$10,295	\$-	3/15/2022	1/15/2014	CANC	Urban Government Agencies	Agency in good standing with KPPA.
10,308	-	3/15/2022	2/22/2014	CANC	Urban Government Agencies	Agency in good standing with KPPA.
10,123	-	3/15/2022	10/16/2014	CANC	Urban Government Agencies	Agency in good standing with KPPA.
1,000	-	1/3/2022	10/15/2015	CANC	Ambulance Services	Agency dissolved.
1,000	-	1/3/2022	11/25/2015	CANC	Ambulance Services	Agency dissolved.
1,000	-	3/23/2022	1/10/2016	CANC	Conservation Districts	Agency had no active employees.
1,000	-	3/23/2022	2/6/2016	CANC	Conservation Districts	Agency had no active employees.
1,000	-	3/23/2022	2/6/2016	CANC	Conservation Districts	Agency had no active employees.
1,000	-	3/16/2022	3/7/2018	CANC	Fiscal Courts	New employer reporting official.
1,000	-	3/16/2022	3/7/2018	CANC	Fiscal Courts	New employer reporting official.
1,000	-	2/28/2022	7/24/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/9/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/9/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/9/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/9/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/9/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	8/22/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	10/21/2020	CANC	Cities	New employer reporting official.
1,000	-	2/28/2022	10/21/2020	CANC	Cities	New employer reporting official.
1,000	-	3/17/2022	10/31/2020	CANC	Cities	New employer reporting official.
1,000	-	2/23/2022	6/2/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	6/2/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/28/2022	6/19/2021	CANC	Cities	New employer reporting official.
1,000	-	2/23/2022	8/5/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	12/4/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	12/15/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	12/15/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	12/18/2021	CANC	Conservation Districts	New employer reporting official.
1,000	-	2/23/2022	1/8/2022	CANC	Conservation Districts	New employer reporting official.
1,000	-	1/10/2022	1/15/2022	CANC	Libraries	New employer reporting official.
1,000	-	2/15/2022	2/4/2022	CANC	Cities	Agency in good standing with KPPA.
3,834	-	3/15/2022	2/6/2022	CANC	Cities	Agency in good standing with KPPA.
1,000	-	1/20/2022	2/18/2022	CANC	Tourist Commissions	Agency in good standing with KPPA.
2,246	-	3/15/2022	2/27/2022	CANC	Cities	Agency in good standing with KPPA.
1,000	-	3/16/2022	9/20/2012	CANC	Fiscal Courts	New employer reporting official.
Total	\$65,806					
\$1,000	\$-	1/11/2022	2/10/2022	CRTD	Sanitation Districts	
1,000	-	1/19/2022	2/18/2022	CRTD	Fiscal Courts	



County Employees Retirement System
Penalty Invoices Report
 From: 1/1/2022 To: 3/31/2022
 Note: Delinquent Interest amounts are included in the totals for the invoice

Invoice Amount	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
1,000	-	2/1/2022	3/3/2022	CRTD	County Attorneys	
1,000	-	2/10/2022	3/12/2022	CRTD	Libraries	
1,000	-	2/16/2022	3/18/2022	CRTD	Cities	
1,000	-	2/25/2022	3/27/2022	CRTD	Cities	
1,000	-	3/3/2022	4/2/2022	CRTD	Cities	
1,000	-	3/3/2022	4/2/2022	CRTD	Cities	
1,000	-	3/8/2022	4/7/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/9/2022	4/8/2022	CRTD	County Attorneys	
1,000	-	3/28/2022	4/27/2022	CRTD	Cities	
1,000	-	3/29/2022	4/28/2022	CRTD	County Attorneys	
1,000	-	3/29/2022	4/28/2022	CRTD	County Attorneys	
1,000	-	3/29/2022	4/28/2022	CRTD	County Attorneys	
1,000	-	3/29/2022	4/28/2022	CRTD	County Attorneys	
1,000	-	3/29/2022	4/28/2022	CRTD	County Attorneys	
1,000	-	3/31/2022	4/30/2022	CRTD	County Attorneys	
Total	\$23,000					
\$1,000	\$-	3/8/2022	3/25/2016	PAID	Utility Boards	
1,000	-	2/14/2022	3/30/2017	PAID	Cities	
1,000	-	1/20/2022	7/24/2020	PAID	Cities	
1,000	-	1/20/2022	7/24/2020	PAID	Cities	
1,000	-	2/23/2022	1/14/2021	PAID	Conservation Districts	
1,000	-	1/11/2022	2/24/2021	PAID	Sanitation Districts	
1,000	-	2/25/2022	9/25/2021	PAID	Boards of Education	
1,000	-	2/15/2022	11/4/2021	PAID	Libraries	
1,000	-	3/10/2022	11/11/2021	PAID	Utility Boards	
1,000	-	2/8/2022	11/17/2021	PAID	Boards of Education	
2,424	-	1/10/2022	12/23/2021	PAID	Boards of Education	
1,000	-	1/11/2022	12/30/2021	PAID	Libraries	
1,000	-	3/10/2022	1/9/2022	PAID	Utility Boards	
2,280	-	3/10/2022	1/21/2022	PAID	Boards of Education	
1,000	-	3/1/2022	1/27/2022	PAID	County Attorneys	



County Employees Retirement System
 Penalty Invoices Report
 From: 1/1/2022 To: 3/31/2022
 Note: Delinquent Interest amounts are included in the totals for the invoice

Invoice Amount	Delinquent Interest	Invoice Status Date	Invoice Due Date	Invoice Status	Employer Classification	Comments
2,610	-	2/25/2022	2/9/2022	PAID	Boards of Education	
1,000	-	3/10/2022	2/9/2022	PAID	Utility Boards	
1,155	-	3/4/2022	2/20/2022	PAID	Community Action Agencies	
1,327	-	2/10/2022	2/25/2022	PAID	Community Action Agencies	
1,000	-	2/10/2022	3/1/2022	PAID	Cities	
1,000	-	2/9/2022	3/9/2022	PAID	Cities	
1,000	-	2/15/2022	3/12/2022	PAID	Libraries	
1,000	-	2/15/2022	3/16/2022	PAID	Libraries	
1,000	-	2/18/2022	3/19/2022	PAID	Libraries	
1,000	-	2/22/2022	3/20/2022	PAID	Libraries	
1,000	-	2/24/2022	3/24/2022	PAID	Libraries	
1,000	-	3/14/2022	3/25/2022	PAID	Cities	
1,000	-	2/25/2022	3/26/2022	PAID	Libraries	
1,000	-	2/28/2022	3/27/2022	PAID	Libraries	
1,000	-	2/28/2022	3/27/2022	PAID	Libraries	
1,000	-	3/2/2022	3/31/2022	PAID	County Attorneys	
1,000	-	3/2/2022	3/31/2022	PAID	County Attorneys	
1,000	-	3/10/2022	4/3/2022	PAID	Community Action Agencies	
1,000	-	3/9/2022	4/6/2022	PAID	Libraries	
Total	\$38,796					

Notes:
Invoice Status:
 CANC - Cancelled
 PAID - Paid



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



Kentucky Public
Pensions Authority

To: CERS Finance Committee

From: D’Juan Surratt
Director of Employer Reporting, Compliance and Education

Date: June 2, 2022

Subject: Hazardous Position Classification

AGENCIES ARE REQUESTING HAZARDOUS DUTY COVERAGE FOR THE FOLLOWING POSITIONS:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
City of Nicholasville	Deputy Fire Operations Chief	7/1/2022
City of Russell	School Resource Officer	1/1/2022
Adair County Fiscal Court	Emergency Management Director	9/1/2021
City of Munfordville	Police Officer Patrolman	9/1/2021
Boone County Fiscal Court	Deputy Director	6/1/2022

Kentucky Public Pensions Authority has reviewed the above requests and determined that they meet the statutory guidelines for Hazardous coverage. Position Questionnaires and Job Descriptions are attached.



MEMORANDUM

TO: County Employees Retirement System Board of Trustees

From: Dr. Merl Hackbart, Chair
Investment Committee

Date: June 14, 2022

Subject: Summary of Investment Committee Regular Meeting

The County Employees Retirement System held a regularly schedule Investment Committee meeting on February 16, 2022.

1. **The following items were approved by the Investment Committee and are being forwarded to the County Employees Retirement System Board of Trustees for ratification***
 - a. **Approval of pooling language to the Investment Policy Statement** – At a special meeting held on April 22, 2022, the Investment Committee approved by unanimous vote the addition of pooling language to the Investment Policy Statement (IPS).

RECOMMENDATION: The Investment Committee requests the County Employees Retirement System Board of Trustees ratify the actions taken by the Investment Committee.

2. **The following items were also discussed during the Investment Committee meeting:**
 - a. The quarterly investment returns, along with a detailed economic forecast, were presented to the committee by our investment consultant, Wilshire. It was noted that the first quarter of 2022 was challenging for all investors and almost all asset classes.
 - b. The Investment Office staff presented an update on two (2) Manager Searches that are in progress. The staff is searching for a Real Estate Manager and, in conjunction with Wilshire, a Commodities Manager.

- c. The Committee began preliminary discussions on the portion of the CERS Strategic Plan related to the Investment Committee. There were five (5) potential goals discussed. This will be an on-going process that will likely include both KERS and KPPA prior to finalization.

***Board of Trustees Action Required**



County Employees Retirement Systems

Investment Policy Statement

Adopted June 14, 2022

This Investment Policy Statement (IPS) is issued by the CERS Board of Trustees (CERS Board or CERS Trustees) of the County Employees Retirement System (CERS) in connection with investing in the pension and insurance trust funds (Funds) of CERS.

I. Introduction

A. Purpose

The purpose of this IPS is to define the framework for investing the assets of CERS. This IPS is intended to provide general principles for establishing the goals of CERS, the allocation of assets, employment of outside asset management, and monitoring the results of the respective Funds.

The pension plans administered by the County Employees Retirement System (CERS) are Qualified Pension Plans under Section 401(a) of the Internal Revenue Code. Additionally, Kentucky Revised Statutes 61.701 establishes health insurance benefits to recipients of CERS. Kentucky Revised Statutes 61.702 provides that all amounts necessary to provide for insurance benefits shall be paid to the insurance fund. The CERS Board shall administer the insurance fund in the same manner as the pension funds.

B. Philosophy

The CERS Trustees recognize their fiduciary duty not only to invest CERS funds in formal compliance with the Prudent Person Rule, but also to manage those assets in continued recognition of the basic long-term nature of CERS. The CERS Trustees interpret this to mean, in addition to the specific guidelines and restrictions set forth in the law and this document, that the assets of CERS shall be proactively managed—that is, investment decisions regarding the particular asset classes, strategies, and securities to be purchased or sold shall be the result of a long-term investment strategy. Being a long-term investor means that CERS Trustees are willing to accept a certain amount of risk in pursuit of potentially higher reward and that the Trustees can afford to be patient for a longer period of time.

The CERS Trustees recognize that asset allocation is the primary driver of long-term investment performance, and will therefore review asset allocation and asset-liability studies on a regular basis as outlined in Section III of this document. The Asset Allocation Guidelines represents a strategic decision, with the primary aim that CERS meet their performance objectives in the long-term, but understanding that this may not necessarily occur every year.

The CERS Trustees recognize that there is generally an inverse relationship between market efficiency and the ability for active management to produce excess returns. Therefore, investments in efficient markets will be made using index or index-like investments with the goal of replicating, or

exceeding, index returns with low management fees and low tracking errors. Active management will be pursued in less efficient markets accepting higher tracking error and paying higher management fees with the expectation of producing excess returns over the long term. This allows the KPPA Office of Investments staff (KPPA Investment Staff) and consultant(s) to focus their efforts on identifying, selecting, and monitoring managers, as well as the overall management of fees paid, in the areas of the market most likely to produce excess returns.

The CERS Trustees recognize that, commensurate with their overall objective of maximizing long-term return given the appropriate level of risk, it is necessary that proper diversification of assets be maintained both across and within the classes of securities held to minimize/mitigate overall portfolio risk. Consistent with carrying out their fiduciary Responsibilities and the concept of Modern Portfolio Theory, the CERS Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute. Within this context of proactive management and the necessity for adherence to proper diversification, the CERS Trustees rely upon appropriate professional advice from staff and service providers.

The CERS Trustees recognize the importance of responsible investing. Accordingly, the Trustees acknowledge that integrating Environment, Social, and Governance (ESG) policy principles that engages the issue from a risk, opportunity and fiduciary duty perspective will enhance investment results. The overriding consideration for the Trustees will continue to be investing to maximize the long-term returns for plan beneficiaries.

II. Responsibilities

The CERS Trustees and other fiduciaries shall discharge their duties with respect to CERS: (1) solely in the interest of the participants and beneficiaries; (2) for the exclusive purpose of providing benefits to participants and beneficiaries; (3) with the care, skill and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose; (4) impartially; (5) incurring and paying appropriate and reasonable expenses of administration which may not necessarily be the lowest and (6) in accordance with a good faith interpretation of the laws, regulations, and other instruments governing CERS.

Additionally, the Trustees and other fiduciaries shall not engage in any transaction which results in a substantial diversion of CERS income or assets. Every fiduciary shall provide adequate security and a reasonable rate of return to a disqualified person or in any other prohibited transaction described in Internal Revenue Code Section 503(b).

A. CERS Board of Trustees

The CERS Investment Committee is created by Kentucky Revised Statutes 78.790(1)(b) and the CERS Board as set forth in the CERS Board's Statement of Bylaws and Committee Organization (Section 2.2(e)). The Chair authorizes and directs the appointment of a CERS Investment Committee with full power to act for the CERS Board in the acquisition, sale and management of the securities and funds of CERS in accordance with the provisions of any applicable statutes, and policies of the CERS Board. The CERS Investment Committee has the power to act on behalf of the CERS Board on all investment related matters, including the acquisition, sale, safeguarding, monitoring and management of the assets, securities and funds of CERS. The CERS Board shall require a vote of six (6) Trustees to ratify the actions of the CERS Investment Committee at the CERS Board meeting following the CERS Investment Committee meeting where such action was taken.

B. CERS Investment Committee

The CERS Board of Trustees shall establish an investment committee as required by KRS 78.790(b). The CERS Investment Committee shall consist of five members of the CERS Board and shall be specifically composed as follows: The three (3) members with investment experience appointed by the Governor under KRS 78.782(1)(b); one (1) elected member to be appointed by the CERS Board Chair; and one (1) member appointed by the Governor under KRS 78.782(1)(b) with retirement experience, to be appointed by the CERS Board Chair. The CERS Investment Committee has the authority to implement the investment policies adopted by the CERS Board and to act on behalf of the CERS Board on all investment related matters.

The CERS Investment Committee has the following oversight responsibilities:

1. Assure compliance with this IPS and all applicable laws and regulations.
2. Approve the selection and termination of service providers. If the need arises to terminate a manager between CERS Board meetings, the KPPA Executive Director, Office of Investments, (CIO) will have discretion to do so after receiving approval from either the CERS Board Chair or the CERS Investment Committee Chair, with concurrence by the CERS CEO. The CERS Investment Committee and the CERS Board must be notified of the manager termination at the next scheduled CERS Investment Committee and CERS Board meetings.
3. Meet no less than quarterly to evaluate whether this IPS, the investment activities and management controls and processes continue to be consistent in meeting CERS goals. Mandate actions necessary to maintain the overall effectiveness of the investment program.
4. Review assessment of investment program management processes and procedures, and this IPS relative to meeting stated goals.

C. KPPA Investment Staff

The CIO, is responsible for the administration of investment assets of CERS consistent with the policies, guidelines and limits established by the federal and state laws, the CERS Board, and the CERS Investment Committee.

The CIO receives direction from and reports to the KPPA Executive Director. The CIO shall provide information to the CERS Investment Committee on all investment matters, including but not limited to the following:

- i. Maintaining the diversification and risk exposure of the Funds consistent with policies and guidelines.
- ii. Assessing and reporting on the performance and risk exposure of the overall investment program relative to goals, objectives, policies and guidelines.
- iii. Monitoring and assessing service providers to assure that they meet expectations and conform to policies and guidelines.
- iv. Recommending changes to service providers, statutes, policies or guidelines as needed to maintain a productive relationship between the investment program and its goals; and acting as liaison on all investment related matters.
- v. Identifying issues for consideration by the CERS Investment Committee and preparing recommendations or reports regarding such matters.
- vi. Preparing a memo for the CERS Investment Committee for each proposed investment which shall cover the pertinent details of the investment, which should include, but not be limited to: the amount of the investment, type of investment, purpose, opportunity/goal, risks, volatility assumptions, liquidity, structure, fees, background of investment firm with reasons for selection, list of other firms considered, which CERS funds will invest, and the specific

- reasons, if any, why a CERS plan may be excluded from the investment.
- vii. Engaging in a monthly meeting with the CERS Investment Committee Chair and the CERS CEO to discuss market trends and all things relevant to the CERS plans positioning.

The CIO or designee is authorized to execute trades on fixed income and equity securities (including exchange-traded funds (ETFs) and to execute proxies for the CERS Board consistent with this IPS.

To carry out this IPS and any investment related decisions of the CERS Board, the CERS Chief Executive Officer (CEO), and the CIO or designee are authorized to execute agreements and other necessary or proper documents pertaining to investment managers, consultants, investment related transactions, or other investment functions. All investment decisions of the CEO and/or the CIO not addressed in this IPS will be ratified by the Investment Committee and the Board of CERS.

D. Investment Managers

In instances where the CERS Investment Committee, in consultation with the CIO, has determined it is desirable to employ the services of an external Investment Manager, the following shall be applicable:

- i. Investment Managers shall be qualified and agree to serve as a fiduciary to CERS and should be of institutional quality as deemed by KPPA Investment Staff in collaboration with the investment consultant(s).
- ii. Notwithstanding the CIO responsibilities when selecting a new investment, when the KPPA Investment Staff seeks a new external Investment Manager, the Investment Committee shall interview the top three candidates identified and considered by KPPA Investment Staff and the Investment Committee will participate in the selection of the Manager.
- iii. Investment Managers shall manage assets in accordance with this IPS and any additional guidelines established by contract, as may be modified in writing from time to time.
- iv. Total assets assigned to the selected manager shall not exceed 25% of that firm's total assets under management and shall not exceed 25% of a firm's total assets under management in a commingled product. Separate accounts or funds of one are not included in this 25% limitation for commingled products.
- v. The assets managed by any one active or passive investment manager shall not exceed 15% of the overall assets in the pension and insurance funds.
- vi. All investment management services will be contracted according to the CERS Investment Procurement Policy established by the CERS Board.

E. Custody Bank

KPPA shall hire custodians and other agents who will be fiduciaries to CERS and who will assume responsibility for the safekeeping and accounting of all assets held on behalf of CERS and other duties as agreed to by contract.

A process shall implement portfolio accounting system that includes plan accounting and unitization methods. An investment related service provider(s) may be selected to execute the

plan accounting and unitization methods in accordance with the Boards' selection process. The following is a brief description of the plan's accounting processing:

Within the plan accounting structure there are two primary types of accounts: Plan Accounts and Pool Accounts. Plan Accounts are the owners of the investment pool. An account is established for each plan and these accounts hold Units of Participation that represent the plan's/fund's invested value of the investment pool. Pool Accounts are accounts that hold the assets of the investment pool where all investment related activity and earnings occur. These accounts are the investment strategies of the pool. Units of Participation are bought and sold as each plan/fund contributes or withdraws cash or assets from the investment pool. The investment pool earnings are then allocated to plans utilizing a cost distribution method that allows for fluctuating prices experienced in capital markets. This involves earnings allocated to the plan accounts with an increase or decrease in cost on the Unit of Participation Holdings of the Plan Accounts. Correspondingly, the price of the Unit of Participation Holdings is updated to reflect change in market value in the investment pool. Earnings are allocated based on the daily weighted average of Master Trust Units held by each plan/fund account during the monthly earnings period. This method is commonly used when plans make multiple contributions or withdrawals from the investment pool throughout the month as it eliminates allocation distortion due to large end of month cash flows.

An institutional accounting system shall support a method for determining the amount of monthly earnings allocated to each plan account.

F. Investment Consultants

Qualified independent investment consultants may be retained by the CERS Investment Committee for asset allocation studies, asset allocation recommendations, performance reviews, manager searches, and other investment related consulting functions and duties as set forth by contract.

G. Selection

Qualified investment managers, investment consultants, and other investment related service providers shall be selected by the CERS Investment Committee in accordance with the IPS. The selection shall be based upon the demonstrated ability of the professional(s) to provide the required expertise or assistance described in the Request For Proposals (RFP) or Request For Information (RFI), if utilized. In order to create an efficient and effective process, the CERS Investment Committee or CIO may, in their sole discretion, utilize an RFI, an RFP, third party proprietary software or database, review of existing service provider capabilities, or any combination of these or other methods to select a service provider.

III. Asset Allocation Guidelines

In establishing asset allocation guidelines, the CERS Board recognizes that each CERS plan has its own capacity to tolerate investment volatility, or risk. Therefore, each CERS plan has been studied and asset allocation guidelines have been established on a plan by plan basis. The CERS Board will ensure the asset allocation guidelines of each plan are reviewed annually. The CERS Board will provide the CERS Investment Committee with the results of any asset liability valuation

study and guidance for determining the needs of any particular CERS plan.

This asset allocation is the result of an update to the Investment Policy enacted on January 1, 2021. The changes to the asset allocation were arrived upon after the Asset Allocation study of November 2020 and an Efficient Frontier analysis conducted in November 2021. The CERS Board has established the following Asset Allocation Guidelines, effective November 10, 2021.

Asset Class	Target	Minimum	Maximum
Equity			
Public Equity	50%	35%	65%
Private Equity	10%	7%	13%
Fixed Income			
Core Fixed Income	10%	8%	12%
Specialty Credit*	10%	7%	13%
Cash	0%	0%	3%
Inflation Protected			
Real Estate	7%	5%	9%
Absolute Return	13%	9%	17%

*includes High Yield Fixed Income

The intent of the CERS Board in allocating funds to the investment managers is for the investment managers to fully invest the funds. However, the CERS Board is aware that from time to time the investment manager will require a portion of the allocated funds to be held in cash provided the cash holdings do not exceed five percent (5%) of the manager's allocation for any given quarter, unless such cash holdings are an integral part of a fixed income manager's investment strategy.

The individual CERS plan level asset allocations will be reviewed monthly by KPPA Investment Staff relative to its target asset class allocation taking into account any tactical asset allocation shift directed by the CERS Investment Committee.

Regarding individual investment manager initial allocations, KPPA Investment Staff will get approval at the CERS Investment Committee meeting for a specific dollar amount intended to be committed to a closed-end fund such as private equity or real estate funds and will get approval for a percent of the appropriate asset class target for open-end investments such as public equity, public fixed income, and Diversifying Strategies managers. For those open-end funds where assets can be added or subtracted, the CIO will have discretion to reduce or increase an investment manager's allocation between 50% and 150% of the approved target. The target will not be raised prior to the one-year anniversary of the amount approved by the CERS Investment Committee, and must be reported to the CERS Investment Committee at the next scheduled meeting. If the need arises to terminate a manager between CERS Board meetings, the CIO will have discretion to do so after receiving approval from either the CERS Board Chair or the CERS Investment Committee Chair with concurrence by the CERS CEO. The CERS Investment Committee and the CERS Board must be notified of the manager termination at the next scheduled CERS Investment Committee and Board meetings.

Short-term market shifts may cause the asset mix to drift from the allocation targets. Should the target percentage fall out of the indicated range for a particular asset class, KPPA Investment Staff shall direct rebalancing transactions to reallocate assets from the over-allocated asset class to the under-allocated asset class. Within the allowable ranges, KPPA Investment Staff should use regular cash flows to rebalance toward targets to avoid incurring additional trading costs to correct minor deviations from asset allocation targets. Except when there is a perceived extraordinary downside risk in a particular asset class, movement outside the normal ranges should be avoided.

Investments in private assets are generally less liquid than investments in public markets securities and are typically implemented via periodic commitments to funds with limited partnership structures. As a result, actual allocations to these asset classes may deviate from their strategic targets for extended periods. Actual vs. target deviations for these asset classes shall not be considered in violation of the Asset Allocation Guidelines. However, when identified by the KPPA Investment Staff the deviation must be reported to the CERS Investment Committee Chair within ten (10) business days and at the next Quarterly CERS Investment Committee meeting and each Investment Committee meeting thereafter until the allocation is in compliance with the target. Under/overweights to these asset classes shall be invested in public markets securities with the most similar risk/return characteristics as a short-term proxy for the private asset classes.

In keeping with its responsibility as a CERS Board and wherever consistent with its fiduciary responsibility, the CERS Board encourages the investment of the fund's assets in investments, funds, and securities of corporations which provide a positive contribution to the economy of the Commonwealth of Kentucky. However, where any security is not a prohibited investment under the governing laws and policies, discretion will be granted to the appointed investment managers in the selection of such securities and timing of transactions consistent with the following guidelines and restrictions.

A. Growth

US Equity

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETFs or any other type of security contained in a manager's benchmark. Each individual domestic equity account shall have a comprehensive set of investment guidelines prepared by the CIO, which contains a listing of permissible investments, portfolio restrictions, and standards of performance for the account.

The KPPA Investment Staff internally manages approximately fifteen (15%) percent of US equity index funds that are intended, consistent with the governing Plan documents, to gain exposure to a broad asset sector to replicate the characteristics of the asset class, to minimize administrative expenses and to help achieve overall portfolio objectives. The KPPA Investment Staff may passively manage up to twenty (20%) percent of the overall portfolio dedicated to these efficient markets. Beyond this level the CIO shall seek the approval of the Investment Committee by explaining how further passive management would help achieve the overall portfolio objectives. These objectives can be achieved through several management techniques, including, but not limited to, portfolio optimization, non-reinvestment of index dividends, and other management techniques intended to help achieve the investment objectives of CERS.

Non-US Equity

Investments may be made in common stock, securities convertible into common stock, preferred stock of publicly traded companies on stock markets, asset class relevant ETFs or any other type of security contained in a manager's benchmark. Each individual Non-US equity account shall have a comprehensive set of investment guidelines prepared by the CIO which shall contain a listing of permissible investments, portfolio restrictions, and standards of performance for the account.

Specialty Credit

Each individual Specialty Credit account shall have a comprehensive set of investment guidelines prepared by the CIO which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Private Equity Investments

Subject to specific approval of the CERS Investment Committee, investments may be made for the purpose of creating a diversified portfolio of alternative investments. Private equity investments are expected to achieve attractive risk-adjusted returns and, by definition, possess a higher degree of risk with a higher return potential than traditional investments. Accordingly, total rates of return from private equity investments are expected to be greater than those that might be obtained from conventional public equity or debt investments. Examples of such investments include, but are not limited to: private investments into venture capital; leveraged buyouts; special situations; distressed debt; private debt; timberland, oil and gas partnerships; infrastructure; commodities; and private placements. While it is expected that the majority of these assets will be invested within the United States, a portion has been allocated to non-US investments. These non-U.S. investments are not restricted by geography.

The private equity market is highly sophisticated and specialized with respect to variety and types of investment structures. There exists major competition for deal flow on the part of both investor and general partners. To a great extent, market forces drive the bargaining of economic terms. Most investment vehicles are structured as commingled vehicles and often blind pool investment partnerships. The most common offering forms are equity private placements where the governing laws of the partnership impose a passive role of the limited partner investor. These contractual arrangements are long-term in nature and provide the general partner or sponsors a reasonable time horizon to wisely invest capital, add value through intensive operational management, then realize the proceeds of such an investment. Moreover, terms of the partnership are proposed by the general partner and are critical to the economic incentives and ultimate net performance of the partnership.

Investment Strategy and Plan Guidelines

To strengthen the diversification of the investments, several guidelines will be utilized in KPPA Investment Staff's formulation and recommended annual investment strategy and plan for private equity investments. These guidelines encompass annual commitment levels to the asset class, types of investment vehicles that can be utilized, controlling financing stage risks, industry,

manager and geography concentration/diversification limits, acceptable contract negotiations, appropriate sizes for investments, and the preferred alignment of interests.

Investment Vehicles: CERS plans will gain exposure to private equity investments by hiring external investment managers either directly or through participation in secondary private equity markets. Typically, CERS plans will subscribe as a Limited Partner (LP) to limited partnership vehicles sponsored by such specialty external investment managers. CERS will also at times structure separately managed accounts with specific investment objectives to be implemented by external investment managers. CERS plans may also gain private equity exposure by utilizing the following vehicles: limited liability companies and co-investments alongside CERS existing or potential limited partnerships.

Investment Timing Risks: KPPA Investment Staff should limit the potential for any one investment to negatively impact the long-term results of the portfolio by investing across business cycles. Moreover, the portfolio must gain exposure to the array of financing stages by opportunistically exploiting the best investments at different stages of the business cycle. KPPA Investment Staff may also consider purchasing secondary partnership interests to shorten the effective life of the partnership interest and therefore positively impacting the current and long-term net return of the portfolio. Should KPPA Investment Staff anticipate the need of entering a secondary partnership such agreement would need the approval of CERS Investment Committee and ratification by the CERS Board. In addition, mindful of vintage year diversification, CERS should seek to identify attractive commitments annually, further ensuring the portfolio invests across business cycles.

General Partner Diversification: KPPA Investment Staff will seek to work with a variety of general partners due to their specialized expertise in particular segments of the private equity market and source of their deal flow. No more than fifteen (15) percent of CERS Pension or Insurance total allocation to private equity investments may be committed to any one partnership.

Total Exposure to Private Equity: Given the illiquid nature of the asset and the complexity of each private equity transaction, it is important that the CIO actively manage the maximum amount of CERS Plan assets allocated to this asset class. The asset allocation authorizes a maximum of thirteen (13%) percent of total CERS Plan assets to this asset class. Should circumstances arise and the allocation go beyond the maximum allocation, the CIO will inform the Investment Committee Chair as soon as possible and report to the Investment Committee Chair and the CEO at the next monthly strategic planning meeting and all subsequent quarterly CERS Investment Committee meetings until the allocation is back in compliance.

B. Fixed Income/Liquidity

Core Fixed Income

The core fixed income accounts may include, but are not limited to the following fixed income securities: U.S. Government and Agency bonds; investment grade U.S. corporate credit; investment grade non-U.S. corporate credit; municipal bonds; Non-U.S. sovereign debt; mortgages including residential mortgage backed securities; commercial mortgage backed securities; and whole loans, asset-backed securities, and asset class relevant ETFs.

The high yield fixed income accounts may include, but are not limited to, the following fixed income securities: non-investment grade U.S. corporate credit including both bonds and bank loans; non-

investment grade non-U.S. corporate credit including bonds and bank loans; municipal bonds; non-U.S. sovereign debt; mortgages including residential mortgage backed securities, commercial mortgage backed securities, and whole loans, asset-backed securities; and emerging market debt (EMD) including both sovereign EMD and corporate EMD and asset class relevant ETFs.

Each individual core fixed income account shall have a comprehensive set of investment guidelines prepared by the CIO which contains a listing of permissible investments, portfolio restrictions, risk parameters, and standards of performance for the account.

Cash Equivalent Securities

Selection of particular short-term instruments, whether viewed as liquidity reserves or as investment vehicles, should be determined primarily by the safety and liquidity of the investment and only secondarily by the available yield. The following short-term investment vehicles are considered acceptable: Publicly traded investment grade corporate bonds; variable rate demand notes; government and agency bonds; mortgages, municipal bonds, and collective short-term investment funds (STIFs), money market funds or instruments (including, but not limited to, certificates of deposit, bank notes, deposit notes, bankers' acceptances and commercial paper) and repurchase agreements relating to the above instruments. Instruments may be selected from among those having an investment grade rating at the time of purchase by at least one recognized bond rating service. In cases where the instrument has a split rating, the lower of the two ratings shall prevail. All instruments shall have a maturity at the time of purchase that does not exceed 397 days. Repurchase agreements shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur. Variable rate securities shall be deemed to have a maturity equal to the time left until the next interest rate reset occurs, but in no case will any security have a stated final maturity of more than three years.

CERS fixed income managers that utilize cash equivalent securities as an integral part of their investment strategy are exempt from the permissible investments contained in the preceding paragraph. Permissible short-term investments for fixed income managers shall be included in the investment manager's investment guidelines.

C. Diversifying Strategies

Real Estate

Investments are made in equity and debt real estate for the purpose of achieving the highest total rate of return possible consistent with a prudent level of risk. Allowable real estate investments include open-end and closed-end commingled real estate funds, joint venture investments, public and private real estate investment trusts (REITs), public real estate operating companies, and real estate related debt. CERS has determined that the primary role of the real estate asset class is to provide for the following:

- Attractive risk adjusted returns through active management and ability to access managers with the expertise and capabilities to exploit market inefficiencies in the asset class. The illiquid nature of real estate investments combined with the complexity of investments makes it difficult for casual investors to effectively access the asset class effectively. It is our belief that through active management and by investing in top tier

managers with interests aligned through co-investment and incentive-based compensation, CERS can maximize their risk adjusted returns. This active management approach will be pursued.

- Diversification benefits through low correlations with other asset classes, primarily the U.S. equity markets.
- Provide a hedge against unanticipated inflation, which real estate has historically provided due to lease structures and the increases in material and labor costs during inflationary periods.
- Permit CERS to invest in unique opportunities that arise due to dislocations in markets that occur from time to time.

Real Return

The purpose of the Real Return Portfolio is to identify strategies that provide both favorable stand-alone risk-adjusted returns as well as the benefit of hedging inflation for the broader plans. Real Return strategies are not necessarily a separate asset class but may include real assets, such as infrastructure, real estate, commodities, and natural resources among others, as well as financial assets that have a positive correlation to inflation. This can include real bonds such as Treasury Inflation-Protected Securities (TIPs) (and other inflation linkers) or real stocks such as REITs, Master Limited Partnerships (MLPs), and oil & gas stocks. Additionally, Real Return managers may attempt to add value by tactically allocating to various asset classes according to how each asset class performs across an economic cycle and the manager's perception of where we are in the cycle. The goal is to invest in inflation sensitive assets during inflationary periods, and avoid those assets in deflationary periods, thus providing a positive real return across the cycle.

The real return opportunity set may include numerous vehicles to access a wide variety of investment styles and strategies. These investment vehicles may include mutual funds, ETFs, separately managed accounts as well as hedge funds (open-end limited partnerships) and private equity (close-end limited partnerships). The list of strategies that CERS' Real Return Portfolio may use includes, but is not limited to, the following:

- Global Tactical Asset Allocation (GTAA)/Global Macro: GTAA or macro strategies are those that make directional bets on major markets or asset classes instead of individual securities. GTAA and macro strategies typically invest in all major assets classes including equity markets, credit and debt instruments, currencies/interest rates, and commodities. These strategies tend to focus on economic factors that would suggest an opportune time to invest in a given asset class, and will change their allocations actively over time. These strategies may use inflation as the economic factor to gain exposure to and will target a real rate of return over time.
- Inflation Linked Securities are securities that directly tie coupon payments or principal increases to an inflation index, such as Consumer Price Index (CPI). These strategies could include not only US TIPS, but also global sovereign inflation linked bonds, corporate or infrastructure inflation linked bonds, and possibly short duration floating rate bonds.
- Inflation Sensitive Equities include publicly traded equity and equity related securities in companies which have a high sensitivity to inflation in their profit margins via the nature of

their operating assets, such as energy companies, basic materials and miners, natural resource stocks, and listed infrastructure. This category can also include, but are not limited to, REITs, MLPs as well as ETFs and index products on REITs, MLPs, and natural resource stocks.

- **Commodities:** Commodities are the raw materials that are physical inputs into the production process. Managers that invest in liquid commodity strategies using exchange traded futures can span from simple indexing (matching a long-only commodities index), to enhanced indexing or active long (selecting positions that vary from the index but within fairly tight ranges), as well as unconstrained long-short managers.
- **Private Property:** For the purposes of this IPS, private property refers to the ownership of an idiosyncratic, physical asset that is predominately fixed and/or permanent or at least substantially long-lived. This includes real estate, such as land and any improvements to or on the land, as well as timberland and farmland. Timberland investing involves the institutional ownership of forest for the purpose of growing and harvesting the timber. The timber may be used for furniture, housing lumber, flooring, pulp for paper, woodchips, and charcoal, among other things. Farmland investing entails ownership of land used primarily, if not exclusively, for agricultural production both for crops, including row crops and permanent crops, as well as livestock. Private property can also include infrastructure investing, which refers to financing the manufacture or development of the underlying fundamental assets and basic core infrastructure that are necessary for an economy whereby such assets are largely fixed and long-lived. These tend to be high cost, capital-intensive investments that are vital to a society's prosperity and facilitate the transfer, distribution, or production of basic goods and services.
- **Natural Resources:** Natural resources can include investing in the financing, development, extraction, and production of minerals, basic materials, petroleum products, and water as well as renewable resources such as agricultural commodities and solar energy. As opposed to property, the returns generated in these investment strategies come more from the actual production of the resource itself. Further, these are depleting and/or consumable assets that are also portable and fungible and which in the aggregate comprise a majority of the inputs into most measurements of inflation.
- **Private Assets:** Private assets can include tangible or intangible assets that are not easily sold in the regular course of a business' operations for cash, and which are held for their role in contributing directly to the business' ability to generate profit. As the useful life of the asset tends to extend across many years and the assets tend to be capital intensive as well, they have some similarity to private infrastructure. Further, given that the assets contribute directly to the production process as well as often retaining intrinsic value, there is a fundamental link to inflation somewhat similar to natural resources.
- **Other (Opportunistic Inflation Hedge):** Other/opportunistic strategies include those that have a propensity to provide a positive real return or positive correlation with inflation over time. Liquid strategies such as inflation swaps, diversified inflation hedging mutual funds, or nominal bonds backed by inflation sensitive assets may be included in this allocation, while other illiquid strategies that may provide the same real profile can include private equity in inflation sensitive companies, hard asset-backed private credit, and structured inflation-linked products among others.

Portfolio Guidelines

No more than 50% of the total net assets of the Real Return portfolio may be invested in any one registered investment vehicle, mutual fund, or separately managed account.

No more than 20% of the total net assets of the Real Return portfolio may be invested in any single closed-end or open-end limited partnership or other unregistered investment vehicle.

The relative allocations to the liquid and illiquid portfolios will be determined according to each individual System's liquidity needs, funding status, and allocation targets on an investment by investment basis.

Opportunistic

Opportunistic investments are intended to capitalize on opportunities outside of the asset classes targeted in the Asset Allocation Guidelines. These allocations are intended to take advantage of market dislocations and unique opportunities and can be short to medium-term in nature. Opportunistic investments may be implemented through targeted portfolios or multi-asset approaches. Initial allocations are to be made following the same policies and procedures as all other investments as outlined previously in this IPS.

D. Co-Investment Policy

The CIO has discretion to make direct co-investments in companies alongside of current general partners. Any co-investment opportunity must also be part of the main account or fund into which CERS has already invested before it can be considered. For purposes of this IPS, a direct co-investment is defined as a direct investment in a portfolio company alongside an existing CERS' partnership deemed in good standing.

The maximum investment in any co-investment vehicle shall not exceed 50 percent of the total capital committed by all partners at the time of the final closing. The maximum investment in any single direct co-investment shall not exceed 20 percent of the original partnership commitment. Total investment in direct co-investments shall not exceed 20 percent of the asset class portfolio on a cost basis at the time of investment.

IV. Monitoring

Performance Measurement

CERS overall fund performance is measured relative to CERS Pension or Insurance Total Fund Benchmark. The benchmark is calculated by means of a weighted average methodology. This method is consistent with the CFA Institute Global Investment Performance Standards (GIPS®), a set of standardized, industry-wide ethical principles that guide investment managers and asset owners on how to fairly calculate and present their investment results, with the goal of promoting performance transparency and comparability. It is the product of the various component weights (i.e., asset classes' percentages) by their respective performance (returns). Due to market fluctuations and acceptable divergence, the asset classes' weights (percentages) are often not equivalent to the benchmark's weights. Therefore, the performance may indicate that the Funds have outperformed (underperformed) relative to their respective benchmarks, even when the preponderance of lesser weighted categories have underperformed (outperformed) their indices.

CERS measures its asset classes, sub-asset classes, sectors, strategies, portfolios, and instruments (investment) performance with indices that are recognized and published). These indices are determined to be appropriate measures of investments and composites of investments with identical or similar investments profiles, characteristics, and strategies. The benchmarks and indexes are intended to be objective, investable, replicable, representative and measurable of the investment mandate and, developed from publicly available information that is acceptable to CERS and the investment manager/advisor as the neutral position consistent with the underlying investor status. The CERS investment consultant and KPPA Investment staff recommend the benchmarks and indexes. These measures shall be subject to the review and approval of the CERS Investment Committee with ratification by the CERS Board when asset allocation studies are performed, or when a change to existing benchmarks is recommended by KPPA Investment Staff and the CERS investment consultant. The current asset class benchmarks, effective as of November 10, 2021 with the adoption of the asset allocation, are as follows:

Asset Class	Benchmark
Growth	
US Equity	Russell 3000
Non-US Equity	MSCI ACWI ex US IMI
Private Equity	Russell 3000 + 300 bps (lagged)
Specialty Credit	S&P LSTA Leveraged Loan
Liquidity	
Core Fixed Income	Bloomberg Barclays US Aggregate
Cash	Citi Grp 3-mos Treasury Bill
Diversifying	
Real Assets	50% NCREIF ODCE+50% US CPI + 3%
Absolute Return	HFRI Diversified Fund of Fund Composite
Opportunistic	Highest Assumed Discount Rate of Participating Plans

The following descriptions represent general standards of measurement that will be used as guidelines for the various classes of investments and managers of CERS. They are to be computed and expressed on a time-weighted total return basis:

Total Public Asset Class Allocations

Short-term

- For periods less than five years or a full market cycle, the Asset Class Allocation should exceed the returns of the appropriate Index.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, the Asset Class Allocation should exceed the appropriate Index, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the Index.

Individual Public Security Portfolios: Individual portfolios shall be assigned a market goal or benchmark that is representative of the style or market capitalization of the assignment.

Individual accounts should be monitored using the following Standards:

Short-term

- For periods less than five years or a full market cycle, individual portfolios should exceed the returns of their market goal or benchmark.

Intermediate & Long-term

- For periods greater than five years or a full market cycle, individual portfolios should exceed the return of their market goal or benchmark, compare favorably on a risk-adjusted basis, and generate returns that rank above the median return of a relevant peer group. Volatility, as measured by the standard deviation of monthly returns, should be comparable to the benchmark.

Alternative Assets:

Private Equity

The Private Equity portfolio should also seek to achieve both short-term and intermediate/long term Net Internal Rate of Returns (IRR) that provide yields in excess of core equity investments. The KPPA Investment Staff shall quarterly complete a comparison of performance between equity portfolio performance and Private Equity portfolio returns. The KPPA Investment Staff will report to the Investment Committee the following:

Short-term

- Alternative investments should earn a Net Internal Rate of Return (IRR) that place the investment above the median Net IRR of other similar funds, of the same vintage year, as reported by industry benchmarks.

Intermediate & Long-term

- The private equity portfolio should earn a return that meets or exceeds CERS Private Equity Index. Individual private equity investments should earn a Net IRR above the median Net IRR of other similar funds, of the same vintage year, as reported by industry benchmarks.

Real Assets

Real Assets shall consist of private real estate and other investments that produce real returns - return over inflation.

Private Real Estate investments are unique and can be illiquid and long term in nature. Given that this may lead to large short-term performance discrepancies versus public benchmarks, CERS more appropriately measures its real estate investments based on both relative return and absolute return methodologies:

Relative Return: The Real Estate portfolio is expected to generate returns, net of all fees and expenses, in excess of the National Council of Real Estate Investment Fiduciaries Open End Diversified Core Equity Index (NCREIF ODCE) lagged 1 calendar quarter.

Absolute Return: The long-term real return objective (returns adjusted for inflation) for

CERS' Real Estate portfolio is five percent (5%) over the Barclays Capital U.S. 7-10 Year Treasury Bond Index, net of investment management fees. This return shall be calculated on a time-weighted basis using industry standard reporting methodologies.

The total real return investments shall seek to:

1. Short-term benchmark: For periods less than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the appropriate benchmark (the weighted average return of the underlying investment benchmarks) annually over a complete market cycle, net of all investment management fees.
2. Strategic objective: For periods greater than five (5) years or a full market cycle, the allocation should not only outperform the short-term benchmark, but also achieve a rate of return that exceeds (CPI + 300 basis points) as well.
3. Achieve a positive risk/reward trade-off when compared to similar style Real Return Investment Managers.

Opportunistic

The total Opportunistic allocation shall seek to:

1. Short-term benchmark: For periods less than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the highest assumed rate of return of the participating plans.
2. Strategic benchmark: For periods greater than five (5) years or a full market cycle, the allocation should achieve an annual rate of return that exceeds the highest assumed rate of return of the participating plans.

Performance Review

On a timely basis, but not less than quarterly, the CERS Investment Committee will review the performance of the portfolio for determination of compliance with this IPS. This will include a quarterly performance peer review analysis comparing CERS with other public pension plans. On an annual basis, a comprehensive review of each asset class and underlying portfolios shall be conducted by the KPPA Investment staff and presented to the CERS Investment Committee. The review shall consist of an organizational, performance and compliance assessment.

The Compliance Officer shall perform tests at least monthly to assure compliance with the restrictions imposed by this IPS. These tests shall be performed at the asset class and total fund level. Quarterly, the Compliance Officer shall prepare a report to the CERS Investment Committee detailing the restrictions tested, exceptions, the cause of the exception and the subsequent resolution. The CERS Investment Committee shall report the findings to the CERS Board at the next regularly scheduled meeting. Internal Audit will schedule periodic reviews/audits of this function to ensure compliance with this IPS.

The following restrictions shall be tested at least monthly:

1. The amount of stock in the domestic or international equity allocation in any single corporation shall not exceed 5% of the aggregate market value of CERS' assets.
2. The amount of stock held in the domestic or international equity allocation shall not exceed 3% of the outstanding shares of any single corporation.

3. Investment in frontier markets (those countries not included in the MSCI EM Index) shall not exceed 5% of CERS' international equity assets.
4. The duration of the core fixed income portfolios combined shall not vary from that of CERS' Fixed Income Index by more than +/- 25% duration as measured by effective duration, modified duration, or dollar duration except when the CERS Investment Committee has determined a target duration to be used for an interim basis.
5. The amount invested in the debt of a single issuer shall not exceed 5% of the total market value of CERS' fixed income assets, with the exception of U.S. Government issued, guaranteed or agency obligations (or securities collateralized by same), and derivative securities used for exposure, cost efficiency, or risk management purposes in compliance with Section VII of this policy.
6. 50% of the core fixed income assets must have stated liquidity that is trade date plus three days or better.

The CIO shall develop a comprehensive set of investment guidelines for each externally managed account. These guidelines should ensure, at the total fund and asset class level, that the restrictions set forth above are preserved.

Under the CIO's direction, KPPA Investment Staff shall perform site visits with all current CERS investment managers over 3-year rolling market cycles, with at least 1/3 of all current managers occurring on a yearly basis.

V Additional Items

Derivatives Permitted Use:

CERS permits external managers and KPPA Investment Staff to invest in derivative securities, or strategies which make use of derivative investments, for exposure, cost efficiency and risk management purposes, if such investments do not cause the portfolio to be leveraged beyond a 100% invested position. Any derivative security shall be sufficiently liquid that it can be expected to be sold at, or near, its most recently quoted market price. Typical uses of derivatives in the portfolio are broadly defined below:

Exposure:

Derivatives are an effective way for a portfolio manager to gain exposure to a security that the manager does not want to purchase in the cash market. Reasons for gaining exposure to a security through the use of derivatives may include cheaper transactions costs, liquidity/lack of supply in the underlying market, and the flexibility to implement investment views with minimum portfolio disruption. An example is a cash equitization program.

Cost Efficiency:

Derivatives are often used due to the cost efficiency associated with the contract properties. Given the fact that derivatives can be used as a form of insurance, upfront trading costs must be sufficiently low for investors to purchase the contract and insure their portfolios efficiently.

Furthermore, due to properties associated with derivatives and cash outlay characteristics (minimal cash outlay at inception of the contract) derivatives are generally a vehicle of gaining cost efficient exposure. An example is the cost (zero) to purchase a futures contract.

Risk Management:

Derivatives can be used for mitigating risk in the portfolio. When used as a risk management tool, derivatives can significantly reduce an identified financial risk or involuntary risk from investment areas by providing changes in fair values or cash flows that substantially offset the changes in fair values or cash flows of the associated item being hedged. An example is the use of currency forwards to offset periods of dollar strength when international equity markets increase in value, thereby protecting foreign asset gains in the portfolio.

Derivatives Restricted Use:

Settlement:

Investments in futures contracts are to be cash settled unless physically settled and stored by external managers. At no time shall CERS plans agree to take physical delivery on a futures contract.

Position Limits:

Futures and options positions entered into by CERS, or on its behalf, will comply with all position and aggregate limits established by the local governing authorities within each jurisdiction.

Over-the-Counter (OTC):

Investments in securities not traded on public exchanges that are deemed OTC in nature are allowed provided that a counterparty risk monitoring component is delineated in the manager's guideline section of the manager's contract. All counterparties must have a short-term credit rating of at least BBB (Standard and Poor's or Fitch) or Baa2 (Moody's).

All OTC derivative transactions, including those managed through Agency Agreements, must be subject to established International Swaps and Derivatives Association, Inc. (ISDA) Master Agreements and have full documentation of all legal obligations of CERS under the transactions. All ISDA Master Agreements entered into by or on behalf of CERS by the KPPA Investment Staff and external manager pursuant to an Agency Agreement shall provide that netting applies (netting allows the parties to an ISDA Master Agreement to aggregate the amounts owed by each of them under all of the transactions outstanding under that ISDA Master Agreement and replace them with a single net amount payable by one party to the other.) The KPPA Investment Staff and external managers may also use collateral arrangements to mitigate counterparty credit or performance risk. If an external manager utilizes a collateral arrangement to mitigate counterparty credit or performance risk the arrangement shall be delineated in the manager's guideline section of the manager's contract.

Derivatives Applications Not Permitted:

Speculation:

Except for investments in Alternative, Opportunistic Diversifying Strategies investments, and Real Return investments, derivatives may not be used for any activity for which the primary purpose is speculation or to profit while materially increasing risk to CERS. Derivatives are considered speculative if their uses have no material relation to objectives and strategies specified by the CERS IPS or applicable to the CERS portfolio. Derivatives may not be used for circumventing any limitations or restrictions imposed by the CERS IPS or applicable regulatory requirements.

Leverage:

Leverage is inherent in derivative contracts since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the cash markets, where in most cases the cash outlay is equal to the asset acquired, derivative investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional cash market portfolio. Therefore, risk management and control processes must focus on the total risk, i.e. the net notional value, assumed in a derivative investment.

The above is not intended to limit CERS from borrowing to cover short-term cash flow needs nor prohibit CERS from loaning securities in accordance with a securities lending agreement.

The CERS Board recognizes that the voting of proxies is an important responsibility in assuring the overall performance over a longtime horizon. The CERS Board has delegated the responsibility of voting all proxies to an outside Proxy Voting service provider or contracted external investment manager. The CERS Board expects that the proxy voting service will execute all proxies in a timely fashion, and in accordance with the voting policy which has been formally adopted.

The CERS Board has adopted the ISS U.S. Proxy Voting Guidelines as the CERS approved Proxy Voting Policy for all internally voted items. This policy is updated at least annually by ISS and hereby incorporated by this reference. The policy can be found publicly using the following link:

[ISS U.S. Proxy Voting Guidelines.com](https://www.iss.com/iss-us-proxy-voting-guidelines)

Additional CERS Investment Administrative Policies

- A. Investment Procurement Policy as amended and the as amended are hereby incorporated by reference.
- B. CERS Investment Brokerage Policy as amended is hereby incorporated by reference.
- C. CERS Transactions Procedures Policy as amended is hereby incorporated by reference.
- D. CERS Securities Litigation Policy and Procedures as amended is hereby incorporated by reference.
- E. CERS Investment Securities Lending Guidelines as amended is hereby incorporated by reference.
- F. CERS Securities Trading Policy for Trustees and Employees as amended is hereby incorporated by reference.
- G. CERS Manager and Placement Agent Statement of Disclosure Policy as amended is

- hereby incorporated by reference.
- H. CERS Real Estate Policy as amended and hereby incorporated by reference.
- I. CERS Conflict of Interest and Confidentiality Policy as amended and hereby incorporated by reference.
- J. CERS Proxy Voting Policy as amended and hereby incorporated by reference.

Signatories

As Adopted by the CERS Investment Committee

As Adopted by the CERS Board of Trustees

Date: _____

Date: _____

Signature: _____

Signature: _____

Dr. Merl Hackbart

Ms. Betty Pendergrass

Chair, CERS Investment Committee

Chair, CERS Board of Trustees

What’s going on in the marketplace?

The month of April was marked by sharply lower global equity markets fueled by concerns surrounding high inflation, tightening monetary policy and rising interest rates, and their potential to slow down the global economy. Supply chains continued to be challenged by the ongoing conflict in Ukraine and lockdowns in China in response to its zero-covid policy. Not only did rising rates hamper equity markets, but higher rates continued to create a tough environment for bond investors who experience negative returns as well.

The KPPA investment portfolio fell -3.6% during the month of April, providing 112bps of downside protection versus its benchmark (-4.7%). More specifically, the CERS and CERS-H portfolios fell slightly farther, returning -3.8% as the plans have a greater allocation to public equities (versus the aggregate KPPA portfolio), which were significantly weaker during the period. However, the plans outperformed their benchmark return of -4.9%. The 1.1% relative outperformance was in large part due to allocation positioning. The plans were underweight global equities (versus their specific benchmark) which underperformed during the period and were overweight specialty credit, core fixed income, and cash, asset classes that held up relatively well during a volatile period.

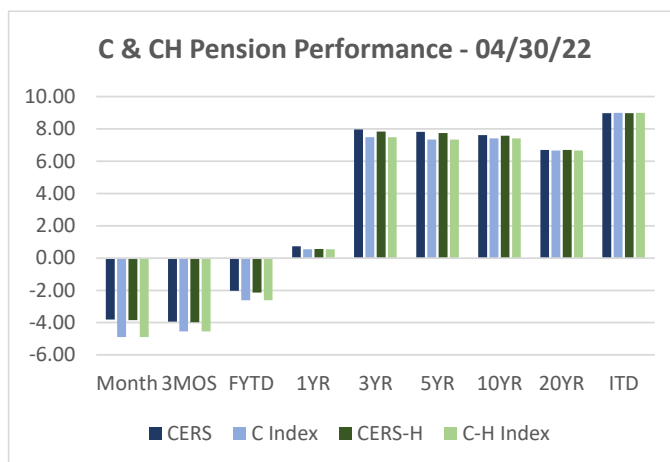
US equity markets fell -9.0% during the month (R3000), and the KPPA portfolio lost -8.7%, providing 30bps of downside protection. Midcaps outperformed large caps, while small caps brought up the rear (MC: -7.1%, LC: -8.7%, SC: -9.9%); value provided significant downside protection versus growth (R3000V: -5.8% vs R3000G: -12.1%). The KPPA portfolio’s relative outperformance was driven by a combination of both stock selection and allocation. Almost all of the individual strategies outpaced their respective indices, and the slight value and midcap tilts were beneficial as these areas held up better.

NonUS equity markets held up better than their domestic counterparts, falling -6.3% during the month (MSCI ACWI Ex-US). Emerging markets fell -5.6%, while developed countries lost -6.5% (MSCI World Ex-US). The KPPA portfolio trailed its index by -47bps due to significant weakness across the growth portion of the portfolio. This underperformance was partially offset by outperformance of the value oriented mandates and the net performance of the KPPA emerging market exposure.

The specialty credit portfolio outperformed, declining -39bps compared to its index return of -1.7%. The leveraged loan allocation held up well as evidenced by the S&P LSTA Leveraged Loan Index return of 0.2%; however, high yield investments struggled in the face of rising rates and widening spreads (Bloomberg US Corporate High Yield, -3.6%).

The core fixed income portfolio, produced negative absolute performance during the month; however, it performed well in relative terms, providing 260bps of downside protection versus the Bloomberg Aggregate Index (-1.2%vs-3.8%). The portfolio benefitted from its shorter duration profile and tactical allocation to front end investment grade credit, which outperformed during the market volatility.

The private equity allocation returned 20bps during the month, bringing the fiscal year return to 20.9%. It should be noted that the asset class is reported on a quarter lag, so much of this volatile year is not yet reflected in these performance figures.



The real return portfolio lost -44bps during the month, bringing the fiscal year return to 3.7%. Most of the individual mandates held up fairly well during the month; however, investments in the MLP space were challenged, falling -1.5% during the period, despite the Alerian MLP Index remaining fairly stable (-9bps).

Real estate has performed well for several quarters, and has been one of the best performing asset classes for the portfolio. The allocation returned 1.4% during the month, bringing the fiscal year performance to 21.8%, and has been driven by continued strength in industrial and multi-family properties.

The cash portfolio performed in line with the 3-month T-bill for the month (0.03%). The overweight to cash helped bolster the total investment portfolio.

CERS Board Meeting - Investment Committee Report

CERS & CERS-HAZ - PENSION FUND PLAN NET RETURNS - 04/30/22											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS	8,296,378,491.06	-3.81	-3.94	-2.03	0.72	7.96	7.81	7.61	6.70	7.93	8.97
KY Ret. CKERS Plan Index		-4.89	-4.54	-2.62	0.54	7.49	7.34	7.41	6.66	7.84	9.00
CERS- H	2,823,467,920.76	-3.84	-3.98	-2.13	0.57	7.84	7.75	7.58	6.69	7.92	8.97
KY Ret. CERS Haz Plan Index		-4.89	-4.54	-2.62	0.54	7.49	7.34	7.41	6.66	7.84	9.00

KPPA PENSION FUND UNIT - NET RETURNS - 04/30/22 - PROXY PLAN ASSET PERFORMANCE											
Structure	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD	
PUBLIC EQUITY	-7.89	-7.89	-10.35	-8.26	8.86	9.05	9.03	7.00	8.83	10.32	
Global Equity Blended Index	-8.00	-8.00	-9.45	-7.04	8.77	9.01	8.95	7.01	8.63	10.18	
PRIVATE EQUITY	0.20	0.20	20.91	36.07	21.14	18.12	15.11			12.56	
Russell 3000 + 3%(Qtr Lag)	0.20	0.20	20.91	36.07	21.14	18.12	18.34			12.81	
SPECIALTY CREDIT	-0.39	-0.39	2.65	4.80	5.81					5.91	
Custom Benchmark	-1.67	-1.67	-2.45	-1.18	3.31					3.84	
CORE FIXED INCOME	-1.19	-1.19	-4.60	-4.19	2.07	2.37				2.68	
Bloomberg Barclays US Aggregate	-3.79	-3.79	-9.45	-8.51	0.38	1.20				1.94	
CASH	0.03	0.03	0.10	0.11	0.85	1.30	0.89	1.62	2.72	3.32	
Citigroup Treasury Bill-3 Month	0.03	0.03	0.08	0.08	0.71	1.09	0.61	1.20	2.33	2.90	
REAL ESTATE	1.43	1.43	21.80	25.46	14.12	12.71	10.98	7.74	6.47	6.79	
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^	0.00	0.00	18.78	21.02	8.23	7.74	9.43	7.30	7.26	6.59	
REAL RETURN	-0.44	-0.44	3.71	7.27	5.94	4.64	3.55			4.32	
Pension Real Return Custom Benchmark	-0.44	-0.44	3.71	7.27	5.94	4.64	3.64			3.73	

Plan	Global Equity	Private Equity	Specialty Credit	Core Fixed Income	Cash	Real Estate	Real Return
CERS	45.3	9.1	19.8	11.4	4.3	6.2	3.9
CERS-H	45.4	9.0	19.8	11.4	4.8	5.8	3.8

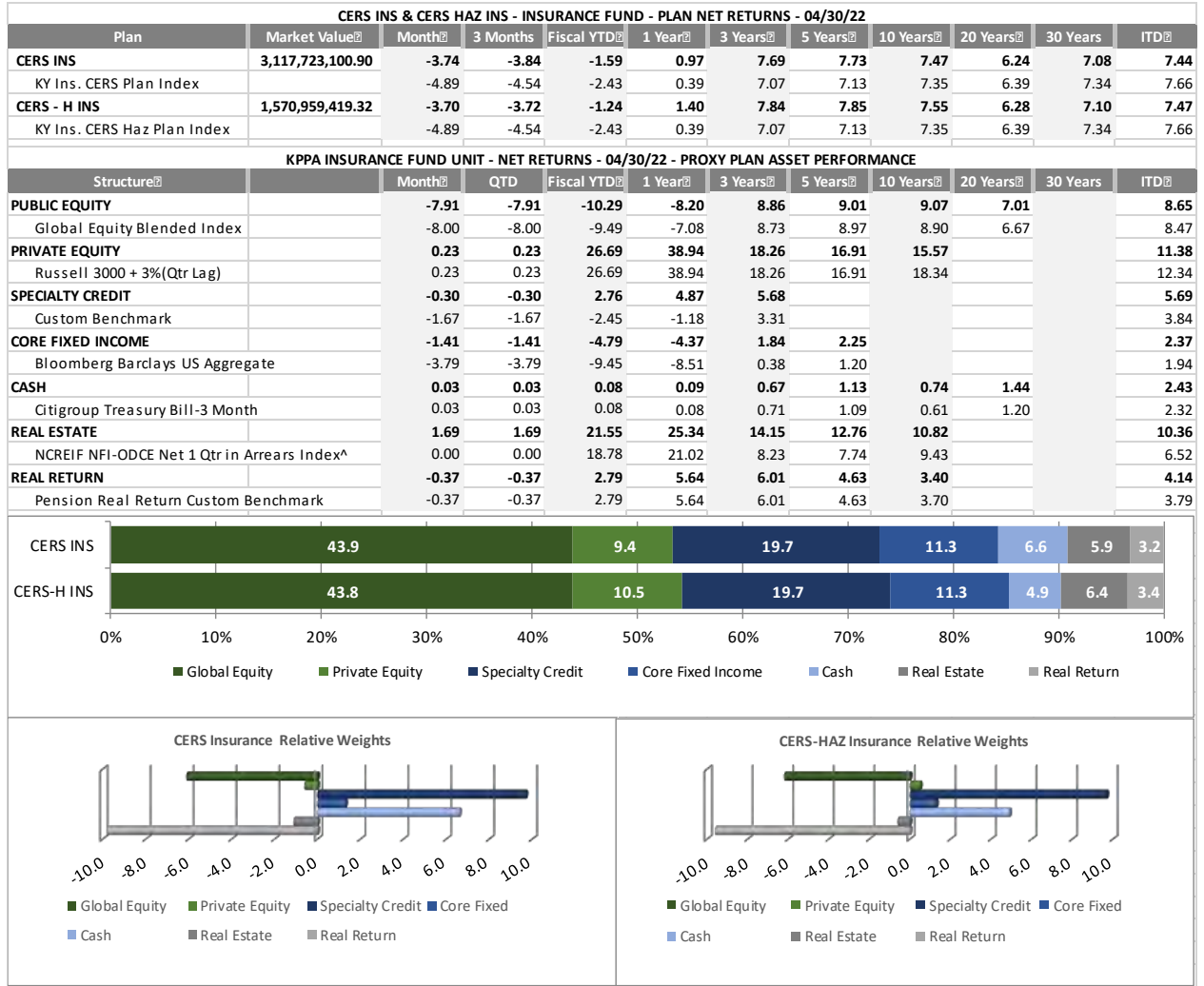
CERS PEN Relative Weights

Global Equity: ~45.3%
Private Equity: ~9.1%
Specialty Credit: ~19.8%
Core Fixed: ~11.4%
Cash: ~4.3%
Real Estate: ~6.2%
Real Return: ~3.9%

CERS-HAZ PEN Relative Weights

Global Equity: ~45.4%
Private Equity: ~9.0%
Specialty Credit: ~19.8%
Core Fixed: ~11.4%
Cash: ~4.8%
Real Estate: ~5.8%
Real Return: ~3.8%

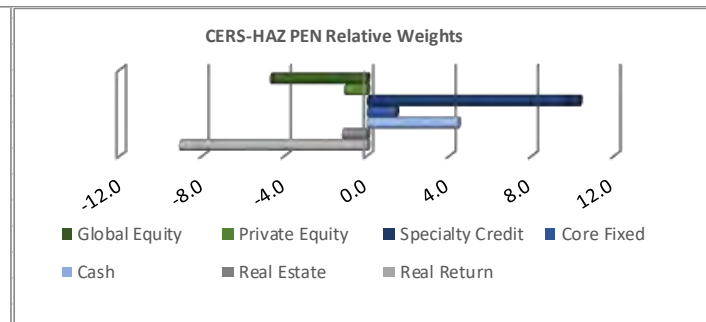
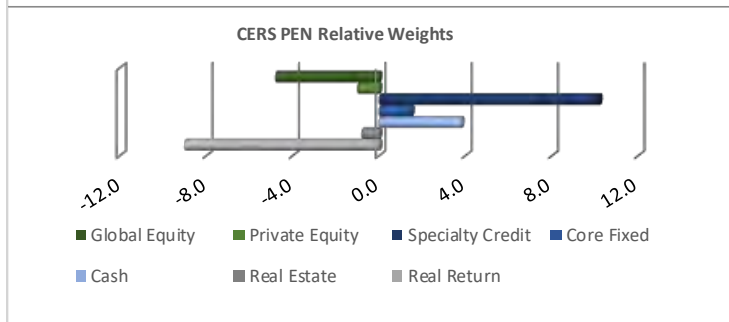
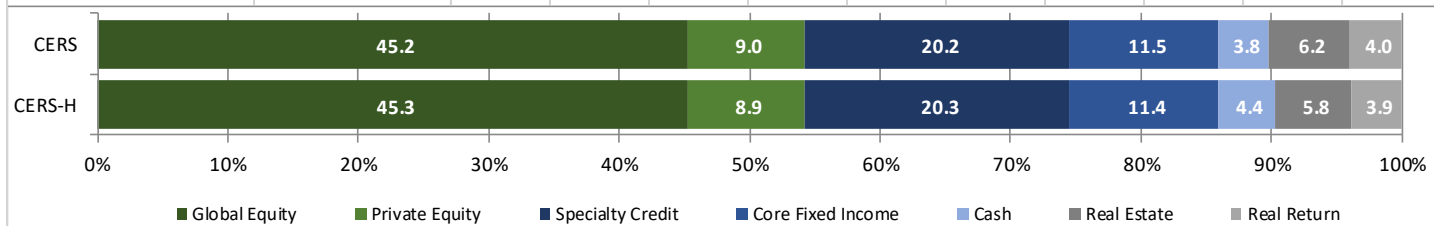
CERS Board Meeting - Investment Committee Report



CERS Board Meeting - Investment Committee Report

PRELIMINARY DRAFT ---- CERS & CERS-HAZ - PENSION FUND PLAN NET RETURNS - 05/31/22											
Plan	Market Value	Month	3 Months	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD
CERS	8,293,448,464.17	0.11	-2.62	-1.92	-0.39	8.77	7.57	8.00	6.70	7.91	8.95
KY Ret. CKERS Plan Index		-0.10	-3.22	-2.73	-0.64	8.29	7.03	7.76	6.66	7.81	8.98
CERS- H	2,823,957,197.63	0.11	-2.66	-2.02	-0.53	8.65	7.51	7.98	6.69	7.90	8.95
KY Ret. CERS Haz Plan Index		-0.10	-3.22	-2.73	-0.64	8.29	7.03	7.76	6.66	7.81	8.98

PRELIMINARY DRAFT ---- KPPA PENSION FUND UNIT - NET RETURNS - 05/31/22 - PROXY PLAN ASSET PERFORMANCE											
Structure	Month	QTD	Fiscal YTD	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years	ITD	
PUBLIC EQUITY	-0.03	-7.92	-10.39	-9.94	11.02	8.60	10.08	7.04	8.82	10.30	
Global Equity Blended Index	0.12	-7.90	-9.34	-8.51	11.04	8.57	9.98	7.06	8.61	10.16	
PRIVATE EQUITY	0.08	0.28	21.00	35.28	21.13	17.91	14.73			12.51	
Russell 3000 + 3%(Qtr Lag)	0.08	0.28	21.00	35.28	21.13	17.91	17.57			12.63	
SPECIALTY CREDIT	0.06	-0.33	2.71	4.19	5.75					5.82	
Custom Benchmark	-1.16	-2.81	-3.58	-2.75	3.15					3.53	
CORE FIXED INCOME	0.42	-0.77	-4.20	-4.04	1.82	2.31				2.70	
Bloomberg Barclays US Aggregate	0.64	-3.17	-8.86	-8.22	0.00	1.18				1.99	
CASH	0.06	0.09	0.16	0.17	0.79	1.30	0.90	1.61	2.72	3.31	
Citigroup Treasury Bill-3 Month	0.05	0.08	0.13	0.13	0.65	1.09	0.61	1.19	2.32	2.90	
REAL ESTATE	0.18	1.60	22.01	25.44	14.21	12.72	10.86	7.63	6.46	6.78	
NCREIF NFI-ODCE Net 1 Qtr in Arrears Index^	0.00	0.00	18.78	21.02	8.23	7.74	9.43	7.30	7.26	6.58	
REAL RETURN	1.74	1.28	5.51	7.38	6.76	4.94	3.71			4.45	
Pension Real Return Custom Benchmark	1.74	1.28	5.51	7.38	6.76	4.94	0.00			0.00	



Wilshire

**Kentucky Public Pensions Authority
County Employees Retirement System (CERS)**

Quarterly Board Summary

March 31, 2022

Capital Market Update

Asset Class Performance

Asset Class Returns - Best to Worst						Annualized 5-Year as of 3/22
2017	2018	2019	2020	2021	2022 YTD	
Emrg Mrkts 37.7%	T-Bills 1.9%	U.S. Equity 31.0%	U.S. Equity 20.8%	REITs 46.2%	Commodities 25.5%	U.S. Equity 15.7%
Developed 25.6%	Core Bond 0.0%	REITs 25.8%	Emrg Mrkts 18.7%	Commodities 27.1%	T-Bills 0.0%	REITs 10.0%
U.S. Equity 21.0%	U.S. TIPS -1.3%	Developed 22.7%	U.S. TIPS 11.0%	U.S. Equity 26.7%	U.S. TIPS -3.0%	Commodities 9.0%
High Yield 7.5%	High Yield -2.1%	Emrg Mrkts 18.9%	Developed 8.3%	Developed 11.8%	REITs -3.9%	Developed 7.2%
REITs 4.2%	REITs -4.8%	High Yield 14.3%	Core Bond 7.5%	U.S. TIPS 6.0%	High Yield -4.8%	Emrg Mrkts 6.4%
Core Bond 3.6%	U.S. Equity -5.3%	Core Bond 8.7%	High Yield 7.1%	High Yield 5.3%	U.S. Equity -4.9%	High Yield 4.7%
U.S. TIPS 3.0%	Commodities -11.2%	U.S. TIPS 8.4%	T-Bills 0.7%	T-Bills 0.0%	Developed -5.8%	U.S. TIPS 4.4%
Commodities 1.7%	Developed -13.4%	Commodities 7.7%	Commodities -3.1%	Core Bond -1.5%	Core Bond -5.9%	Core Bond 2.1%
T-Bills 0.8%	Emrg Mrkts -14.2%	T-Bills 2.3%	REITs -7.9%	Emrg Mrkts -2.2%	Emrg Mrkts -6.9%	T-Bills 1.1%

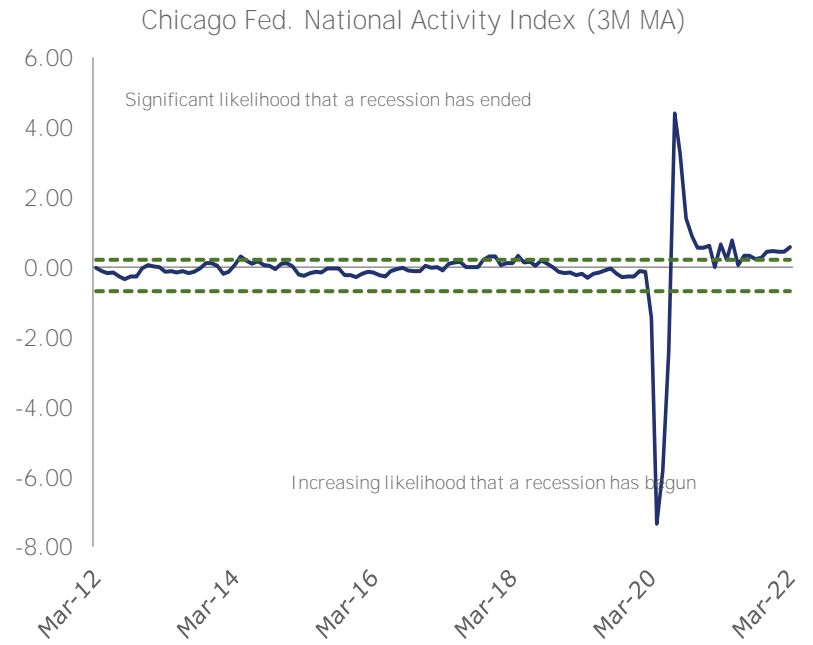
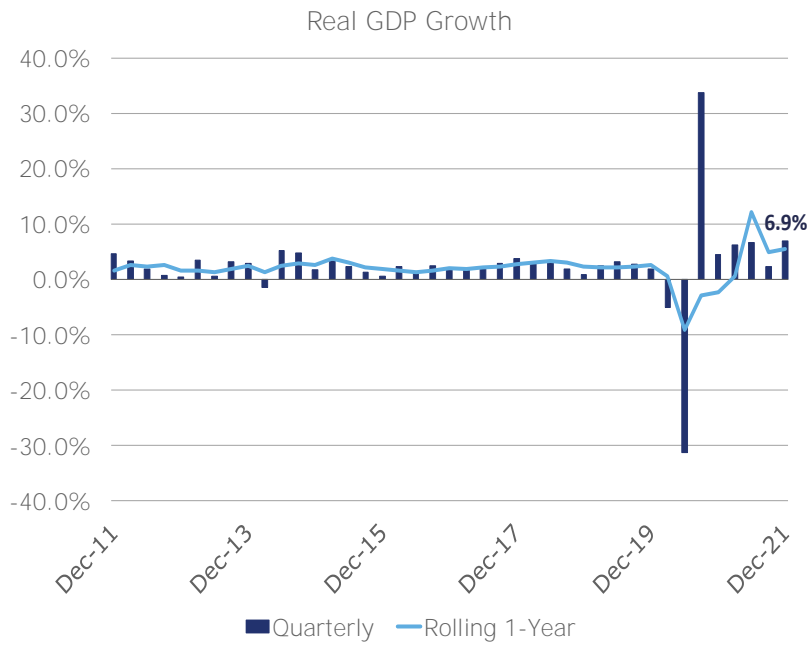
Data Sources: Bloomberg

Note: Developed asset class is developed equity markets ex-U.S., ex-Canada

March 2022 Asset Class Assumptions

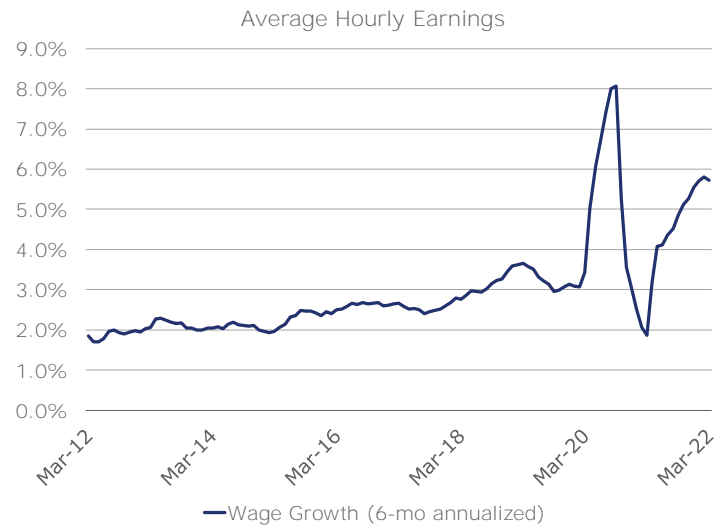
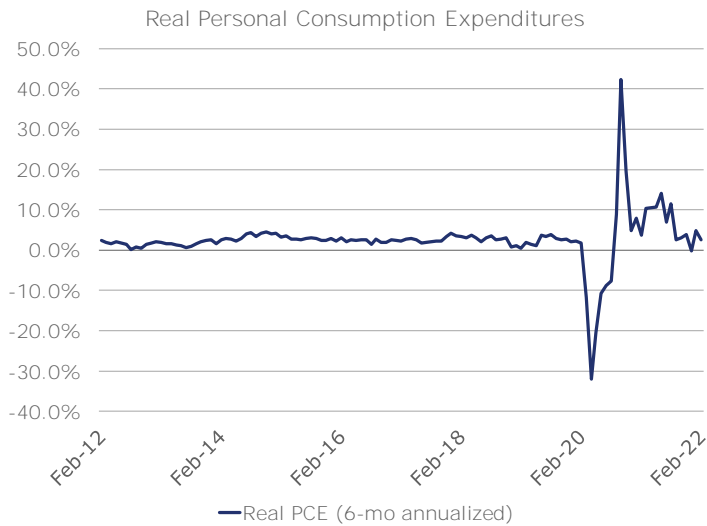
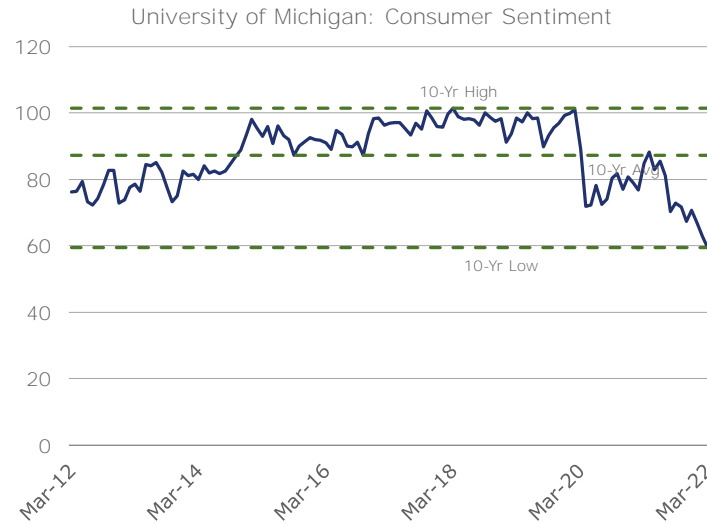
	Equity						Cash	Fixed Income					Real Assets						
	US Stock	Dev ex-US Stock	Emg Stock	Global ex-US Stock	Global Stock	Private Equity		Core Bond	LT Core Bond	TIPS	High Yield	Dev ex-US Bond (Hdg)	US RES	Global RES	Private RE	Cmdty	Real Assets	US CPI	
Compound Return (%)	5.25	6.25	6.25	6.50	5.85	9.10	1.95	3.05	3.30	2.45	4.65	1.50	5.00	5.15	6.55	4.80	6.40	2.85	
Expected Risk (%)	17.00	18.00	26.00	19.10	17.10	28.00	0.75	4.25	8.90	6.00	10.00	4.25	17.50	16.45	14.00	16.00	10.35	1.75	
Cash Yield (%)	1.35	2.90	2.35	2.75	1.90	0.00	1.95	3.40	3.80	3.00	8.05	2.10	2.85	2.85	2.30	1.95	2.15	0.00	
Growth Exposure	8.00	8.00	8.00	8.00	8.00	13.50	0.00	-0.85	-2.25	-3.00	4.00	-1.00	6.00	6.00	3.50	0.00	1.80	0.00	
Inflation Exposure	-3.00	0.00	5.00	1.50	-1.25	-3.80	0.00	-2.50	-6.70	2.50	-1.00	-3.00	1.00	1.80	1.00	12.00	4.85	1.00	
Correlations																			
US Stock	1.00																		
Dev ex-US Stock (USD)	0.81	1.00																	
Emerging Mkt Stock	0.74	0.74	1.00																
Global ex-US Stock	0.83	0.96	0.87	1.00															
Global Stock	0.95	0.92	0.83	0.94	1.00														
Private Equity	0.74	0.64	0.62	0.67	0.74	1.00													
Cash Equivalents	-0.05	-0.09	-0.05	-0.08	-0.07	0.00	1.00												
Core Bond	0.28	0.13	0.00	0.09	0.20	0.31	0.19	1.00											
LT Core Bond	0.31	0.16	0.01	0.12	0.23	0.32	0.11	0.92	1.00										
TIPS	-0.05	0.00	0.15	0.05	0.00	-0.03	0.20	0.59	0.47	1.00									
High Yield Bond	0.54	0.39	0.49	0.45	0.51	0.34	-0.10	0.25	0.32	0.05	1.00								
Dev ex-US Bond (Hdg)	0.16	0.25	-0.01	0.17	0.18	0.26	0.10	0.66	0.65	0.39	0.26	1.00							
US RE Securities	0.58	0.47	0.44	0.49	0.56	0.50	-0.05	0.17	0.23	0.10	0.56	0.05	1.00						
Global RE Securities	0.64	0.58	0.56	0.61	0.65	0.58	-0.05	0.17	0.22	0.11	0.61	0.03	0.96	1.00					
Private Real Estate	0.54	0.44	0.44	0.47	0.52	0.51	-0.05	0.19	0.25	0.09	0.57	0.05	0.77	0.75	1.00				
Commodities	0.25	0.34	0.39	0.38	0.32	0.27	0.00	-0.02	-0.02	0.25	0.29	-0.10	0.25	0.28	0.25	1.00			
Real Assets	0.48	0.51	0.58	0.57	0.54	0.47	-0.02	0.23	0.25	0.39	0.56	0.05	0.70	0.75	0.70	0.65	1.00		
Inflation (CPI)	-0.10	-0.15	-0.13	-0.15	-0.13	-0.10	0.10	-0.12	-0.12	0.15	-0.08	-0.08	0.05	0.03	0.05	0.44	0.26	1.00	

Economic Growth



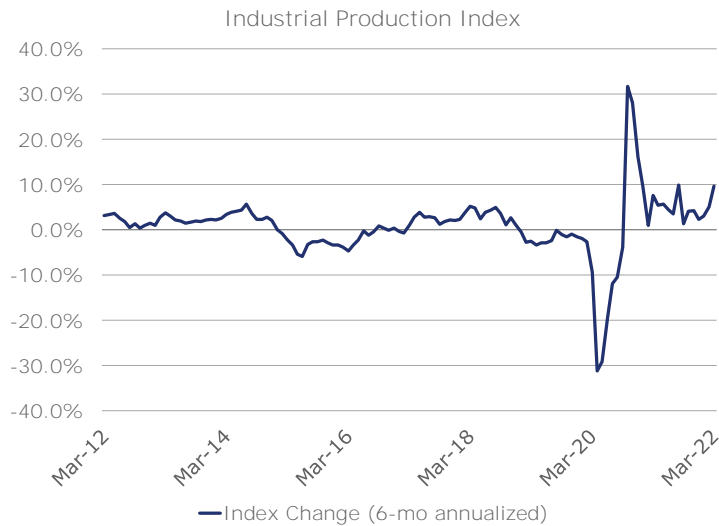
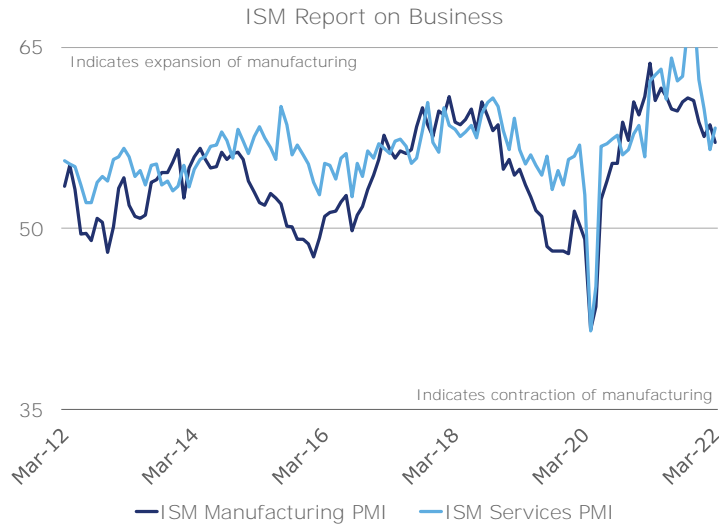
Data Sources: Bloomberg

Consumer Activity



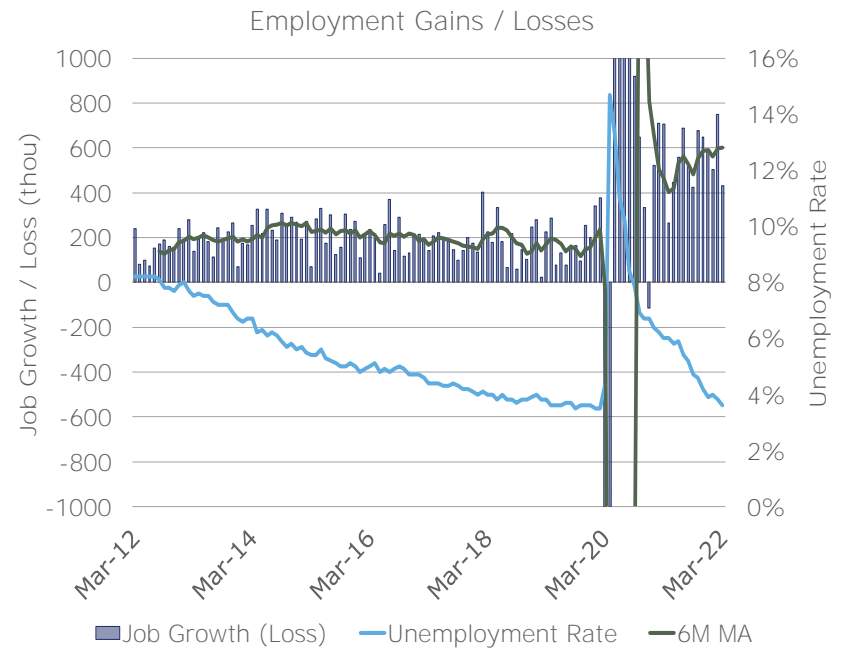
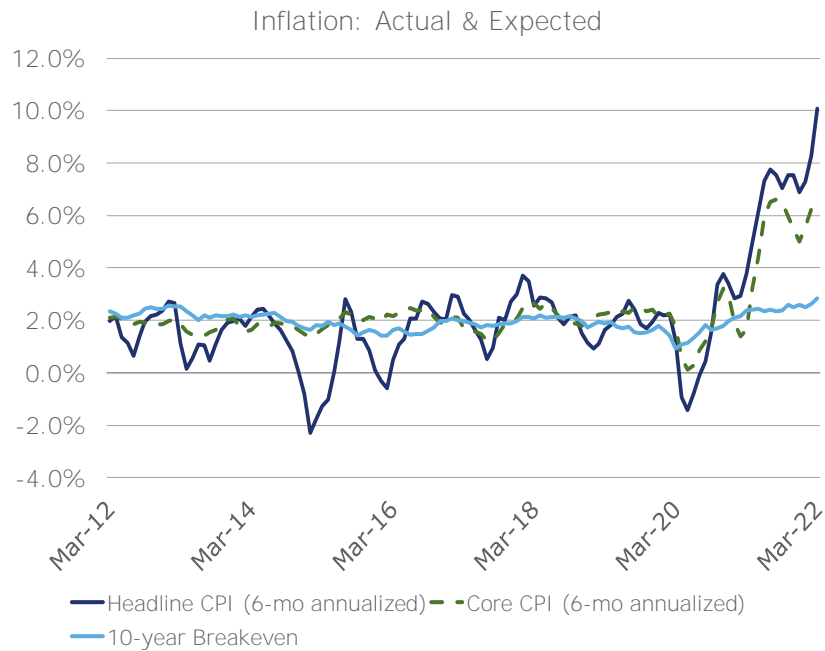
Data Sources: Bloomberg

Business Activity



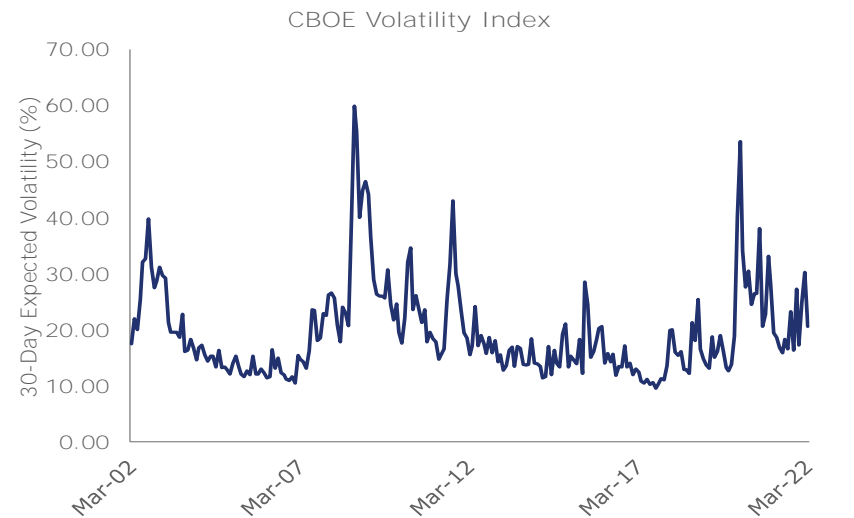
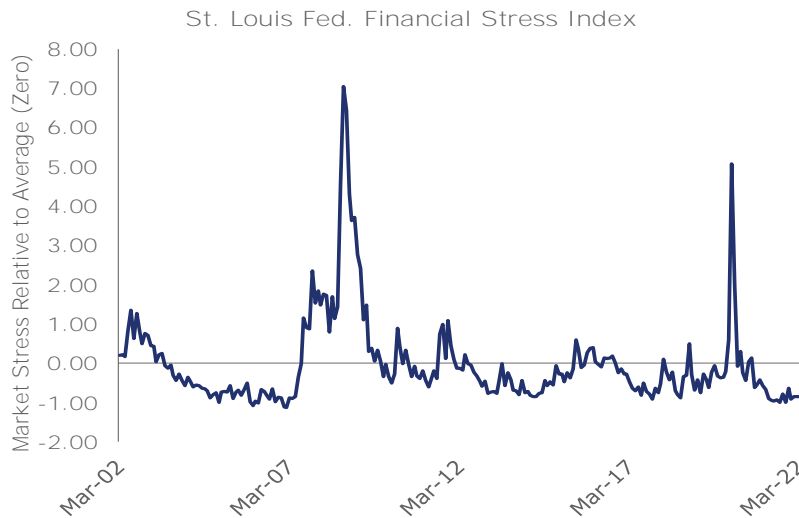
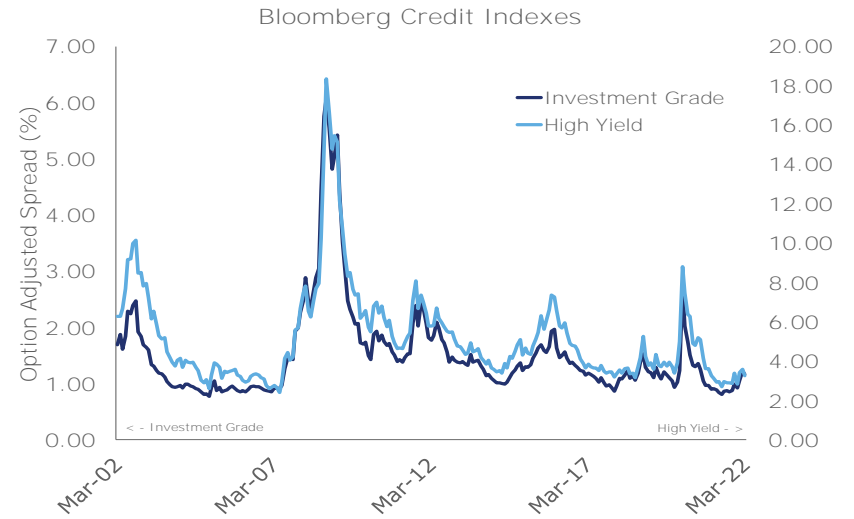
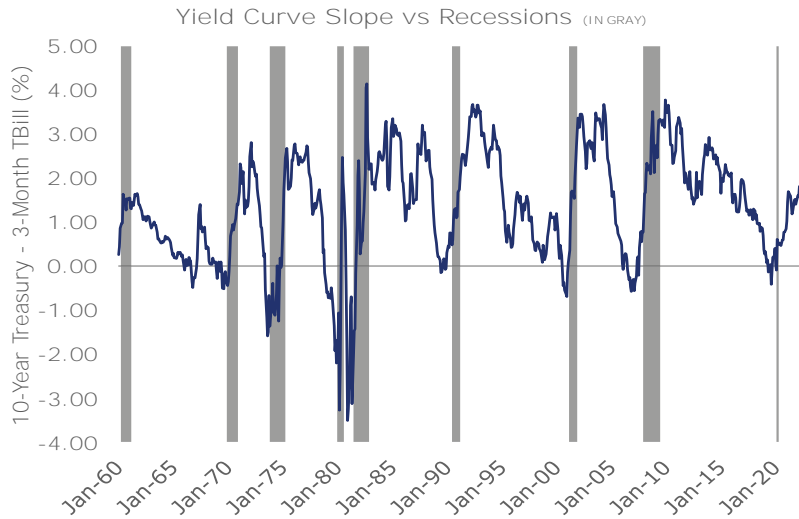
Data Sources: Bloomberg

Inflation and Employment



Data Sources: Bloomberg

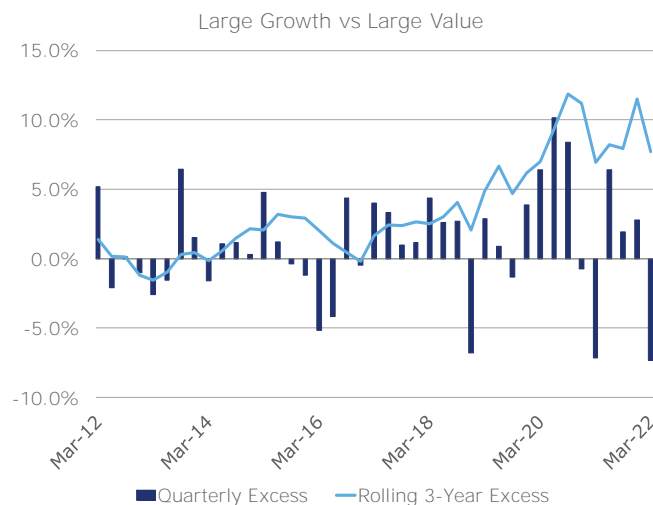
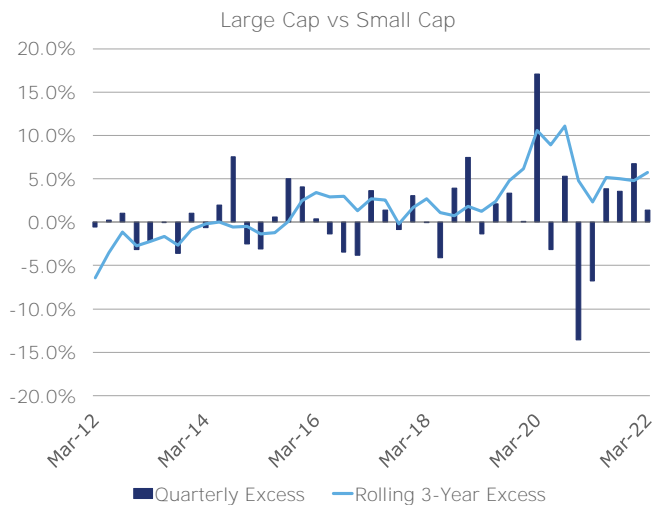
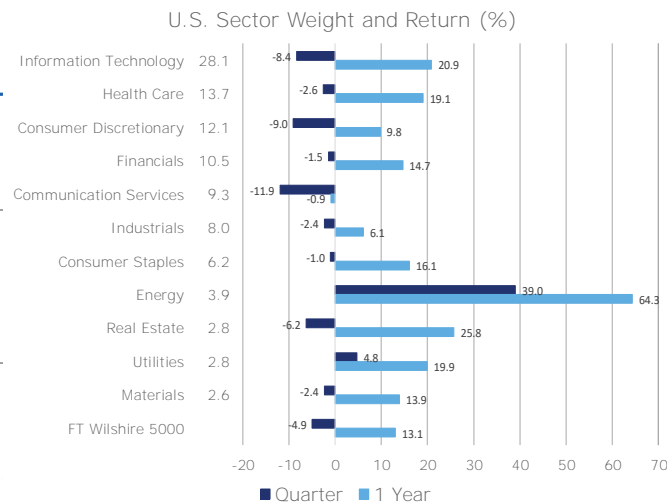
Risk Monitor



Data Sources: Bloomberg

U.S. Equity Market

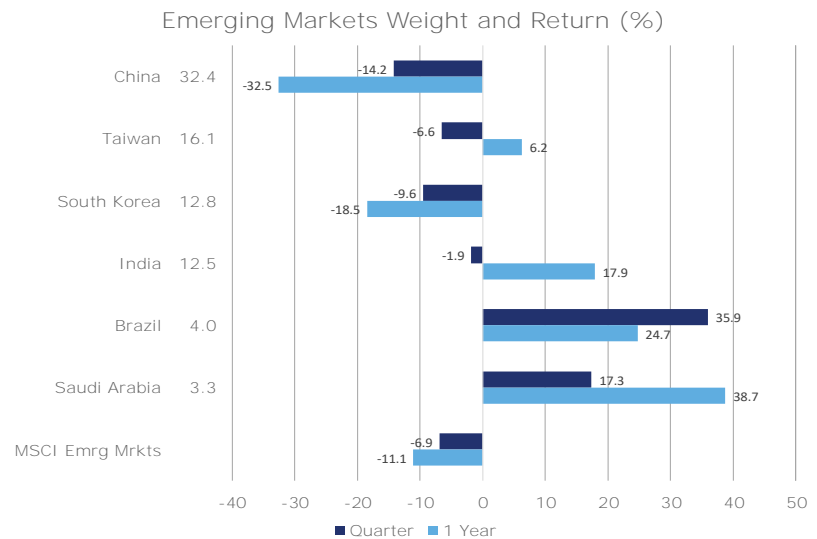
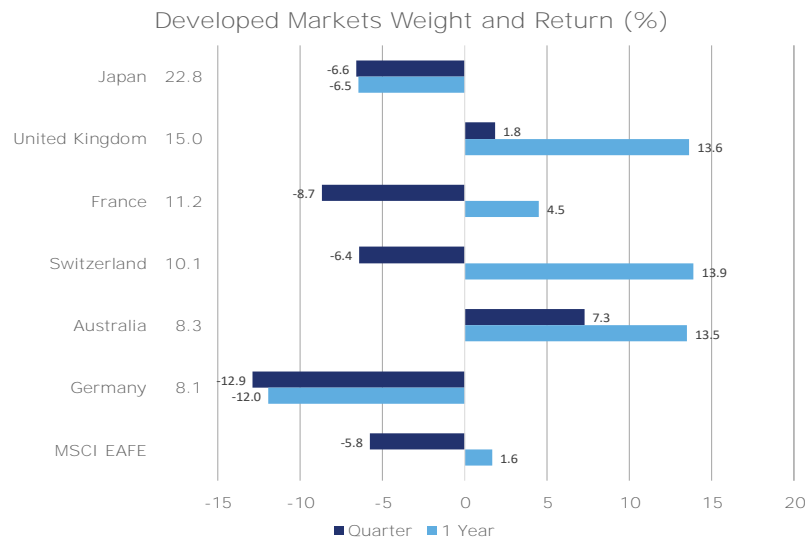
As of 3/31/2022	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
FT Wilshire 5000	-4.9	-4.9	13.1	18.7	15.7	14.4
Wilshire U.S. Large Cap	-4.8	-4.8	14.6	19.3	16.2	14.7
Wilshire U.S. Small Cap	-6.1	-6.1	-1.4	12.8	10.4	11.8
Wilshire U.S. Large Growth	-8.0	-8.0	16.3	23.5	19.9	16.8
Wilshire U.S. Large Value	-0.7	-0.7	12.6	14.7	12.3	12.5
Wilshire U.S. Small Growth	-10.3	-10.3	-9.4	12.5	11.5	11.9
Wilshire U.S. Small Value	-1.8	-1.8	7.3	13.1	9.2	11.5
Wilshire REIT Index	-3.9	-3.9	29.1	11.9	10.0	9.9
MSCI USA Min. Vol. Index	-3.8	-3.8	13.8	11.8	12.5	13.0
FTSE RAFI U.S. 1000 Index	0.1	0.1	15.1	17.5	13.5	13.6



Data Sources: Bloomberg, Wilshire Atlas

Non-U.S. Equity Market

As of 3/31/2022	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
MSCI ACWI ex-US (\$G)	-5.3	-5.3	-1.0	8.0	7.3	6.0
MSCI EAFE (\$G)	-5.8	-5.8	1.6	8.3	7.2	6.8
MSCI Emerging Markets (\$G)	-6.9	-6.9	-11.1	5.3	6.4	3.7
MSCI Frontier Markets (\$G)	0.6	0.6	11.9	2.4	3.6	3.0
MSCI ACWI ex-US Growth (\$G)	-10.7	-10.7	-5.9	9.5	9.0	7.1
MSCI ACWI ex-US Value (\$G)	-0.1	-0.1	3.9	6.5	5.5	5.2
MSCI ACWI ex-US Small (\$G)	-6.4	-6.4	0.4	10.7	8.3	7.7
MSCI ACWI Minimum Volatility	-2.9	-2.9	9.2	8.3	9.2	9.7
MSCI EAFE Minimum Volatility	-5.3	-5.3	2.4	3.6	5.4	6.8
FTSE RAFI Developed ex-US	-1.3	-1.3	5.0	8.5	6.7	6.3
MSCI EAFE LC (G)	-3.6	-3.6	6.7	8.7	7.1	9.1
MSCI Emerging Markets LC (G)	-6.1	-6.1	-9.6	6.6	7.9	6.7

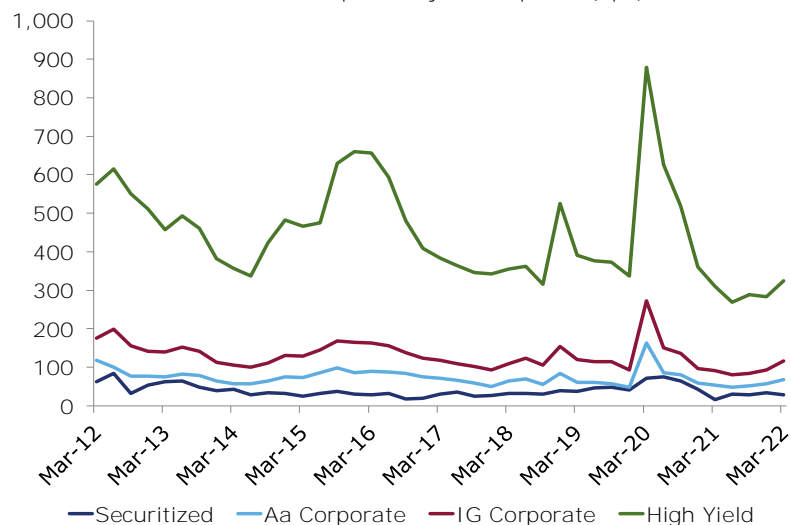


Data Sources: Bloomberg

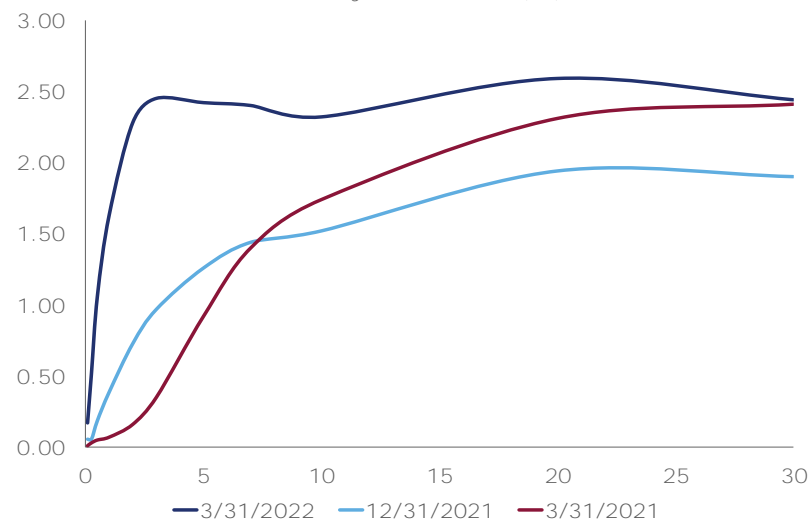
U.S. Fixed Income

As of 3/31/2022	YTW	DUR.	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg Aggregate	2.9	6.6	-5.9	-5.9	-4.2	1.7	2.1	2.2
Bloomberg Treasury	2.4	6.8	-5.6	-5.6	-3.7	1.4	1.8	1.7
Bloomberg Gov't-Rel.	2.9	5.9	-5.4	-5.4	-3.9	1.5	2.1	2.2
Bloomberg Securitized	3.0	5.1	-5.0	-5.0	-4.9	0.7	1.4	1.8
Bloomberg Corporate	3.6	8.1	-7.7	-7.7	-4.2	3.0	3.3	3.6
Bloomberg LT Gov't/Credit	3.4	15.7	-11.0	-11.0	-3.1	4.2	4.6	4.7
Bloomberg LT Treasury	2.6	17.8	-10.6	-10.6	-1.4	3.3	3.9	4.0
Bloomberg LT Gov't-Rel.	3.9	12.9	-9.7	-9.7	-4.0	2.7	4.0	4.3
Bloomberg LT Corporate	4.0	14.4	-11.4	-11.4	-4.3	4.6	4.9	5.2
Bloomberg U.S. TIPS *	2.4	8.1	-3.0	-3.0	4.3	6.2	4.4	2.7
Bloomberg High Yield	6.0	3.9	-4.8	-4.8	-0.7	4.6	4.7	5.7
S&P/LSTA Leveraged Loan	4.4	0.3	-0.1	-0.1	3.3	4.2	4.0	4.3
Treasury Bills	0.6	0.3	0.0	0.0	0.0	0.8	1.1	0.6

* Yield and Duration statistics are for a proxy index based on similar maturity, the Bloomberg Barclays U.S. Treasury 7-10 Year Index
Fixed Income Option Adjusted Spread (bps)



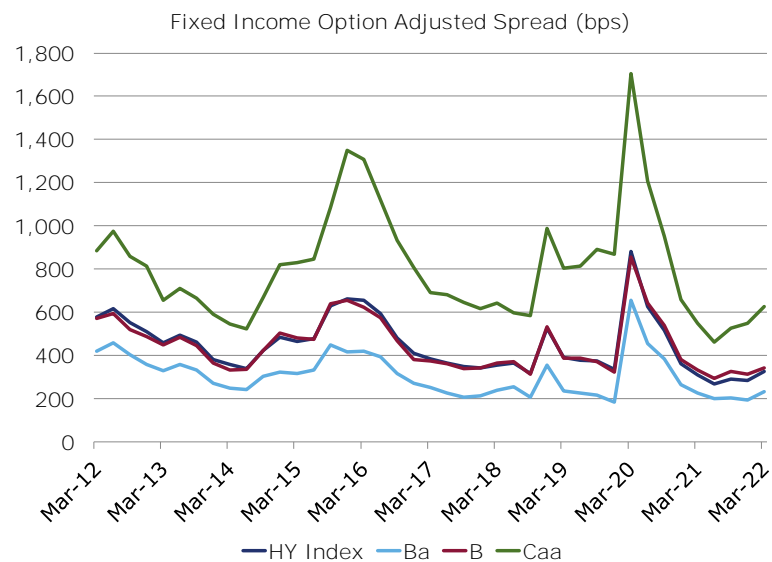
Treasury Yield Curve (%)



Data Sources: Bloomberg

High Yield Bond Market

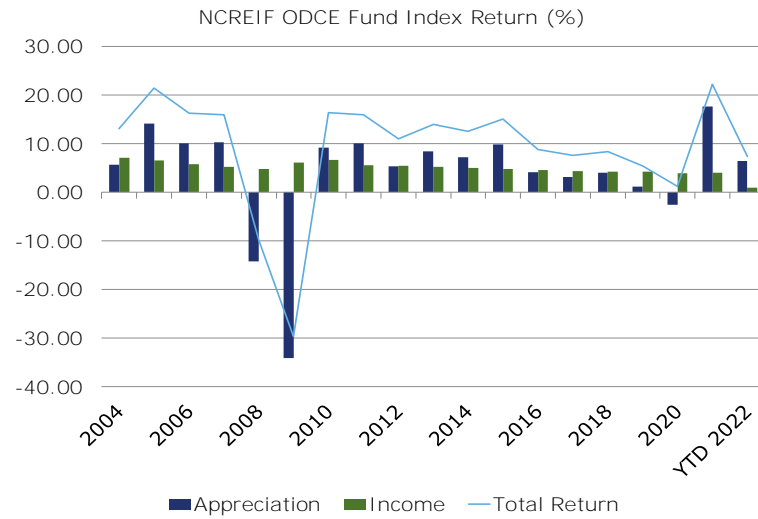
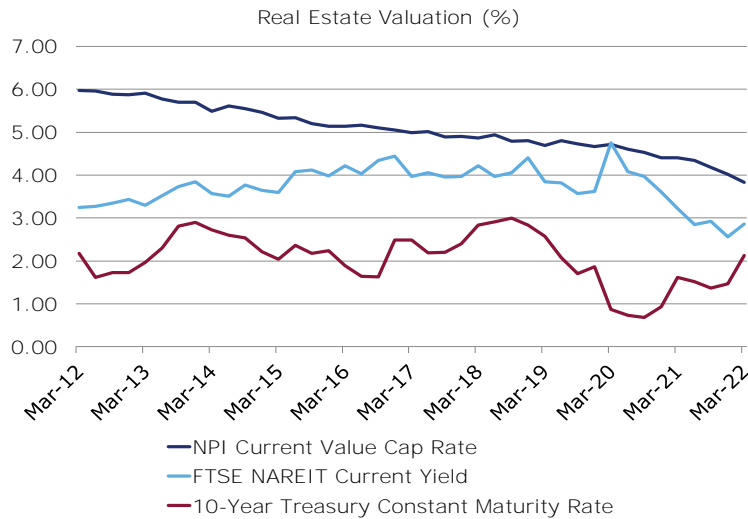
As of 3/31/2022		YTW	QTR	YTD	1 YR	3 YR	5 YR	10 YR
Bloomberg High Yield		6.0	-4.8	-4.8	-0.7	4.6	4.7	5.7
S&P LSTA Leveraged Loan		4.4	-0.2	-0.2	2.3	3.8	3.7	3.9
High Yield Quality Distribution	Weight							
Ba U.S. High Yield	51.3%	5.0	-5.9	-5.9	-1.5	5.3	5.1	5.9
B U.S. High Yield	37.0%	6.3	-3.5	-3.5	0.0	4.2	4.5	5.4
Caa U.S. High Yield	11.5%	9.1	-3.9	-3.9	0.8	2.9	3.5	5.8
Ca to D U.S. High Yield	0.3%	30.8	-3.8	-3.8	-5.5	-1.9	2.7	-3.0
Non-Rated U.S. High Yield	0.0%	0.0	0.0	0.0	0.0	-1.4	0.8	1.6



Data Sources: Bloomberg

Real Assets

As of 3/31/2022	Quarter	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg U.S. TIPS	-3.0	-3.0	4.3	6.2	4.4	2.7
Bloomberg Commodity Index	25.5	25.5	49.3	16.1	9.0	-0.7
Bloomberg Gold Index	6.6	6.6	13.1	13.0	8.1	0.7
Wilshire Global RESI Index	-3.0	-3.0	22.0	8.7	8.5	8.8
NCREIF ODCE Fund Index	7.4	7.4	28.5	11.3	9.9	10.9
NCREIF Timberland Index	3.2	3.2	11.8	4.7	4.1	5.6
FTSE Global Core Infrastructure 50/50	3.9	3.9	15.3	9.0	9.4	9.7
Alerian Midstream Energy	24.0	24.0	41.9	10.1	6.1	n.a.
Bitcoin	-1.2	-1.2	-22.4	123.6	111.8	149.7



Data Sources: Bloomberg, National Council of Real Estate Investment Fiduciaries

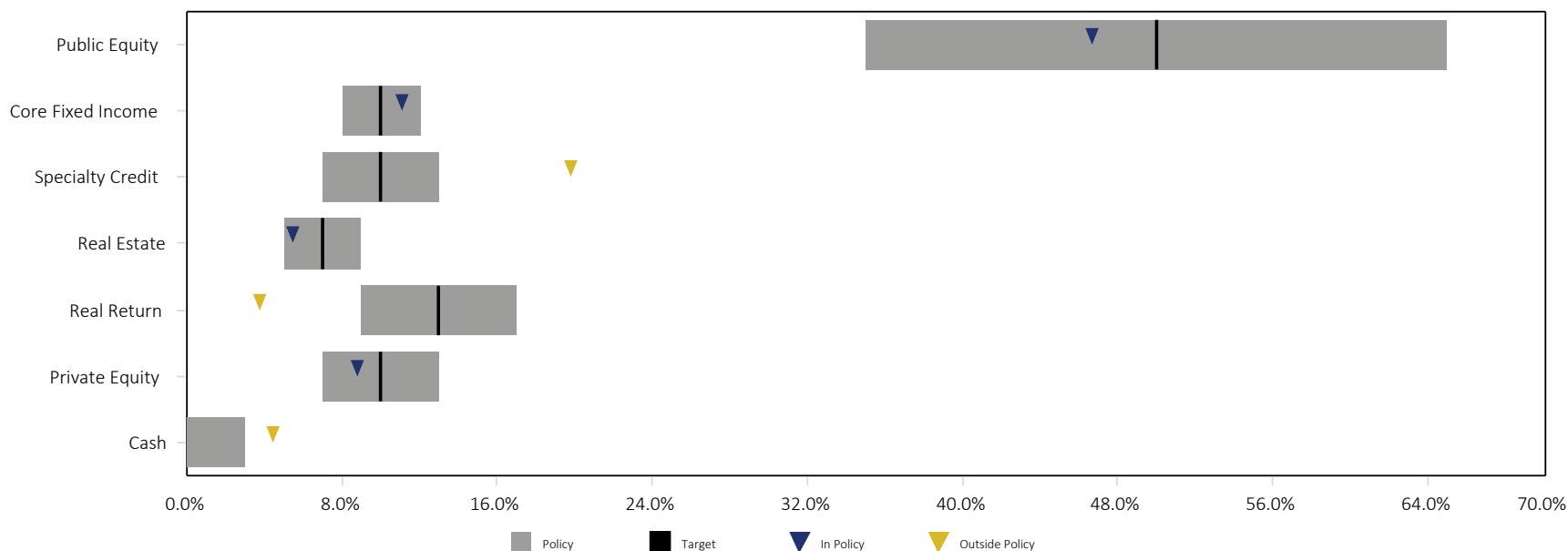
CERS Total Fund Composites

Asset Allocation Compliance

CERS Pension Plan

Periods Ended As of March 31, 2022

Executive Summary



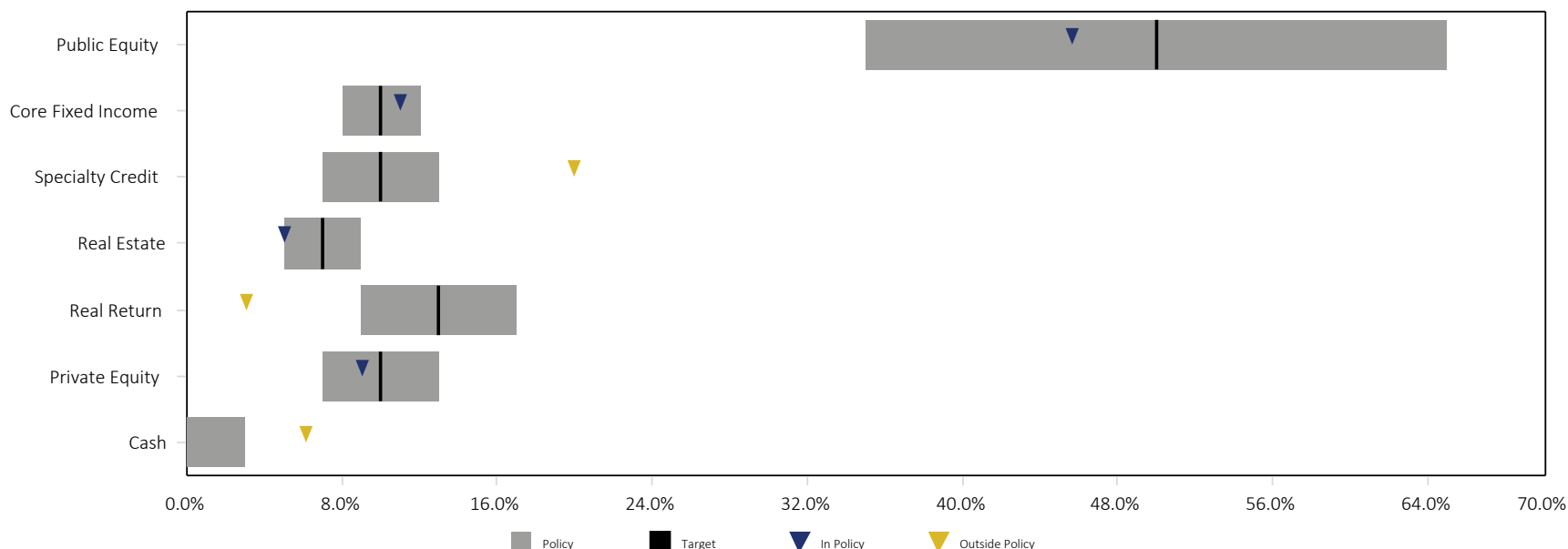
	Asset Allocation \$	Asset Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)	Target Rebalance \$
Public Equity	4,036,160,428	46.69	35.00	65.00	50.00	286,468,056
Core Fixed Income	957,697,669	11.08	8.00	12.00	10.00	-93,171,972
Specialty Credit	1,711,019,601	19.79	7.00	13.00	10.00	-846,493,904
Real Estate	473,909,032	5.48	5.00	9.00	7.00	131,258,956
Real Return	323,960,116	3.75	9.00	17.00	13.00	799,923,290
Private Equity	757,151,561	8.76	7.00	13.00	10.00	107,374,136
Cash	385,358,560	4.46	0.00	3.00	0.00	-385,358,560
Total Fund	8,645,256,968	100.00			100.00	

Asset Allocation Compliance

CERS Insurance Plan

Periods Ended As of March 31, 2022

Executive Summary



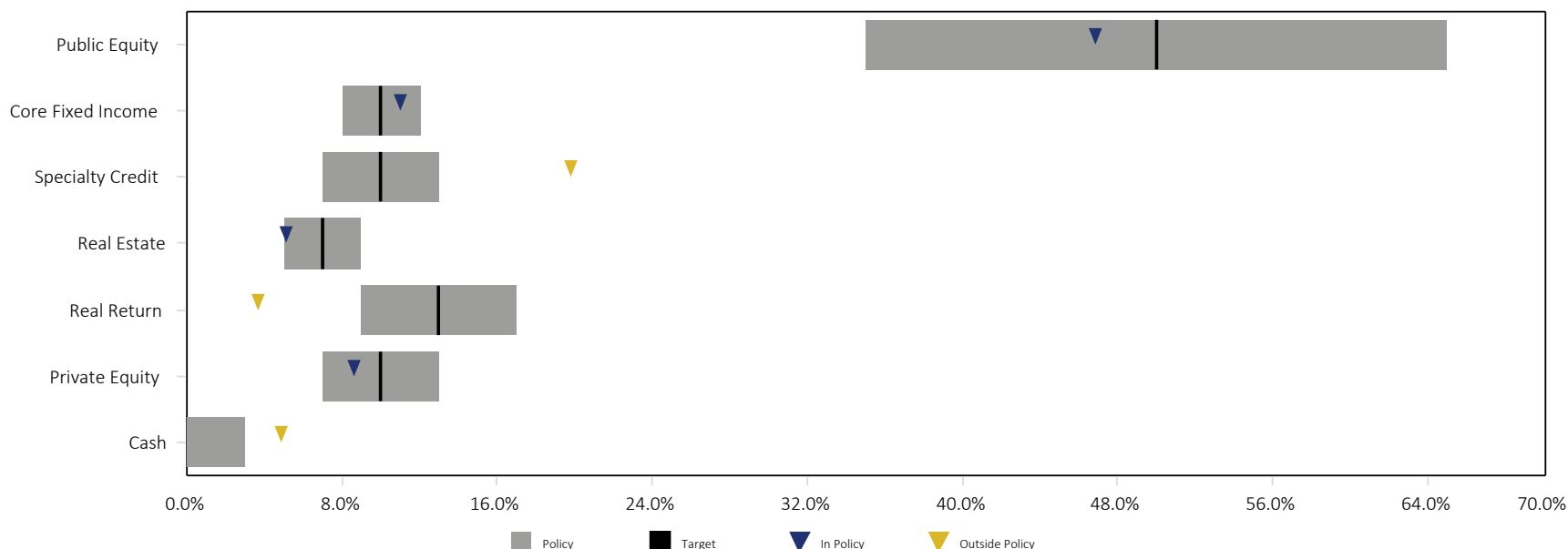
	Asset Allocation \$	Asset Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)	Target Rebalance \$
Public Equity	1,479,360,883	45.71	35.00	65.00	50.00	138,785,571
Core Fixed Income	356,101,313	11.00	8.00	12.00	10.00	-32,472,023
Specialty Credit	645,606,509	19.95	7.00	13.00	10.00	-321,977,218
Real Estate	163,612,557	5.06	5.00	9.00	7.00	62,927,946
Real Return	99,004,733	3.06	9.00	17.00	13.00	321,713,345
Private Equity	292,794,909	9.05	7.00	13.00	10.00	30,834,382
Cash	199,812,003	6.17	0.00	3.00	0.00	-199,812,003
Total Fund	3,236,292,906	100.00			100.00	

Asset Allocation Compliance

CERS (H) Pension Plan

Periods Ended As of March 31, 2022

Executive Summary



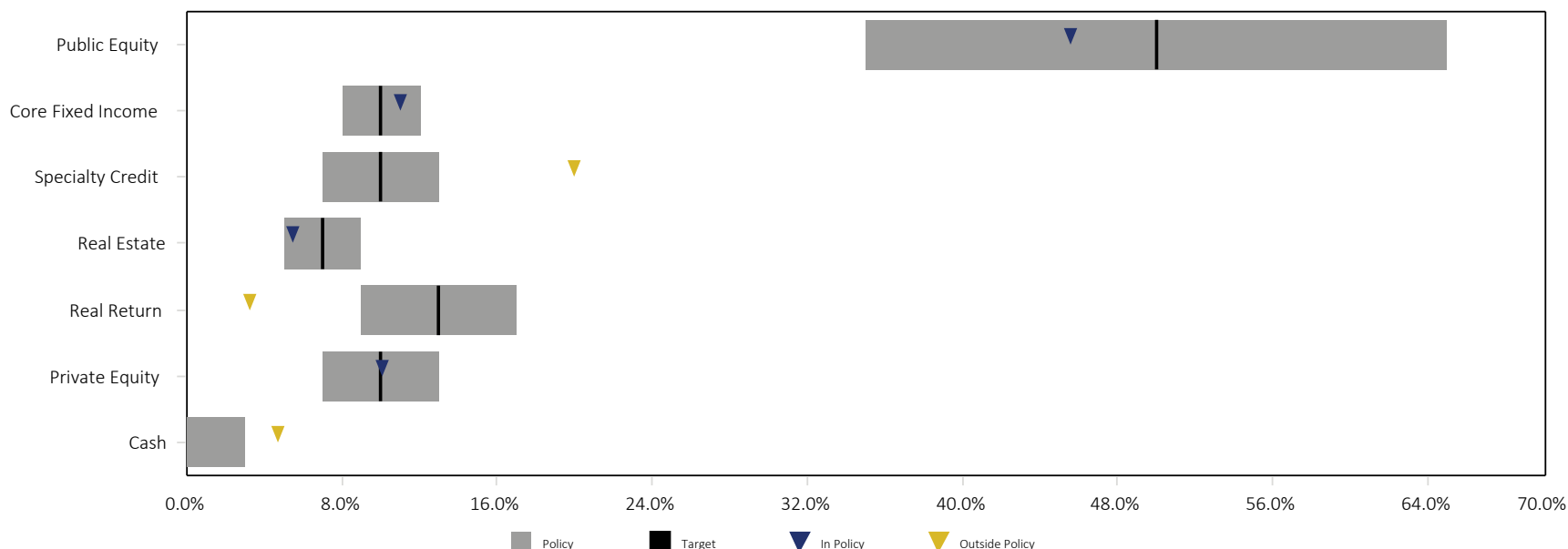
	Asset Allocation \$	Asset Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)	Target Rebalance \$
Public Equity	1,376,294,717	46.83	35.00	65.00	50.00	93,294,043
Core Fixed Income	324,394,800	11.04	8.00	12.00	10.00	-30,477,048
Specialty Credit	582,124,902	19.81	7.00	13.00	10.00	-288,207,150
Real Estate	150,908,383	5.13	5.00	9.00	7.00	54,834,043
Real Return	108,087,404	3.68	9.00	17.00	13.00	274,005,674
Private Equity	253,398,828	8.62	7.00	13.00	10.00	40,518,924
Cash	143,968,485	4.90	0.00	3.00	0.00	-143,968,485
Total Fund	2,939,177,520	100.00			100.00	

Asset Allocation Compliance

CERS (H) Insurance Plan

Periods Ended As of March 31, 2022

Executive Summary



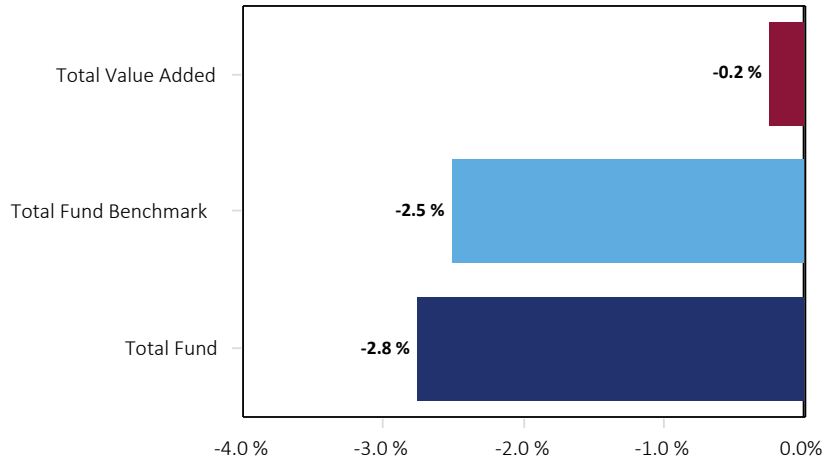
	Asset Allocation \$	Asset Allocation (%)	Minimum Allocation (%)	Maximum Allocation (%)	Target Allocation (%)	Target Rebalance \$
Public Equity	743,706,933	45.55	35.00	65.00	50.00	72,713,405
Core Fixed Income	179,750,505	11.01	8.00	12.00	10.00	-16,466,437
Specialty Credit	325,523,093	19.94	7.00	13.00	10.00	-162,239,026
Real Estate	89,676,215	5.49	5.00	9.00	7.00	24,622,633
Real Return	52,633,564	3.22	9.00	17.00	13.00	159,635,724
Private Equity	164,854,350	10.10	7.00	13.00	10.00	-1,570,282
Cash	76,696,016	4.70	0.00	3.00	0.00	-76,696,016
Total Fund	1,632,840,676	100.00			100.00	

Total Fund Attribution

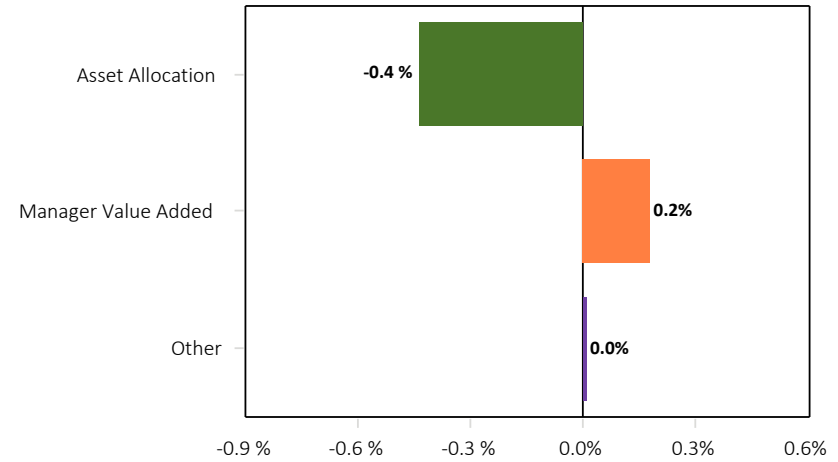
CERS Pension Plan

Periods Ended 1 Quarter Ending March 31, 2022

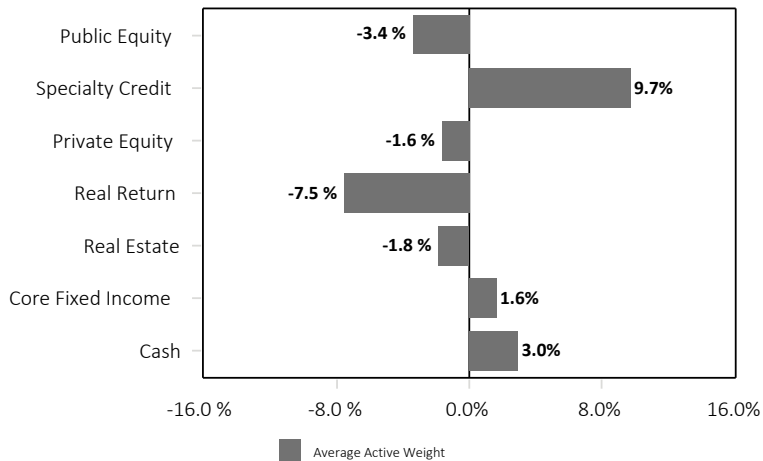
Total Fund Performance



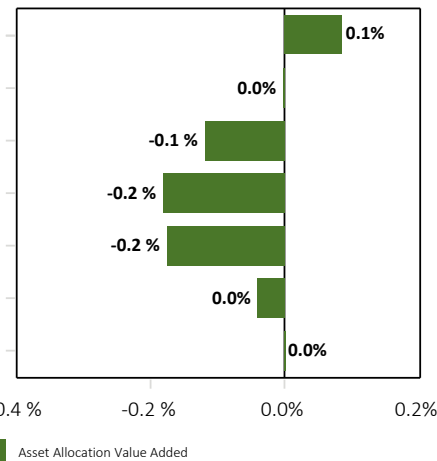
Total Value Added:-0.2 %



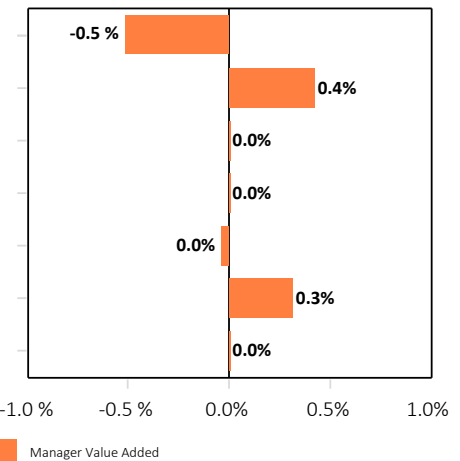
Total Asset Allocation:-0.4 %



Asset Allocation Value Added:-0.4 %



Total Manager Value Added:0.2%

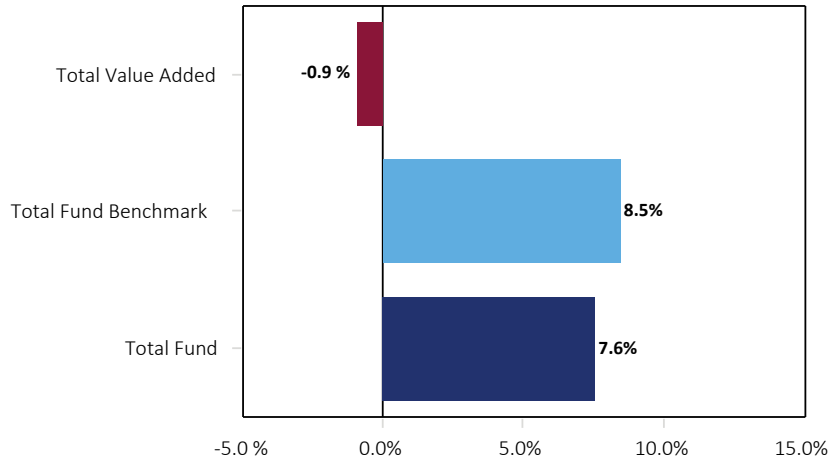


Total Fund Attribution

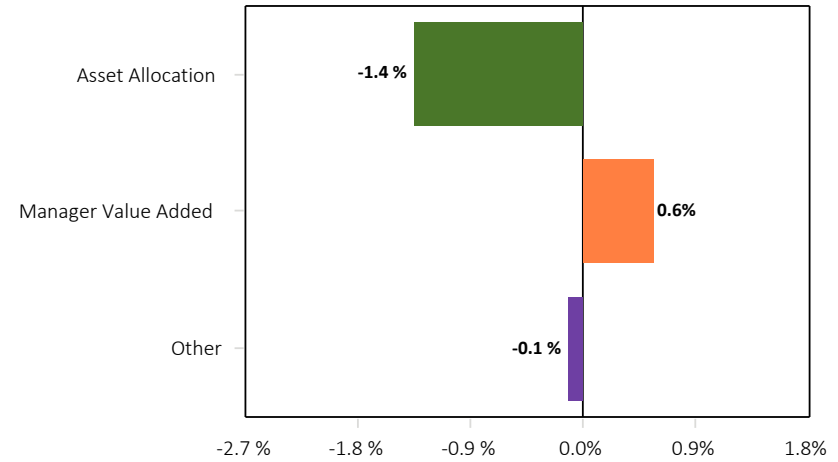
CERS Pension Plan

Periods Ended 1 Year Ending March 31, 2022

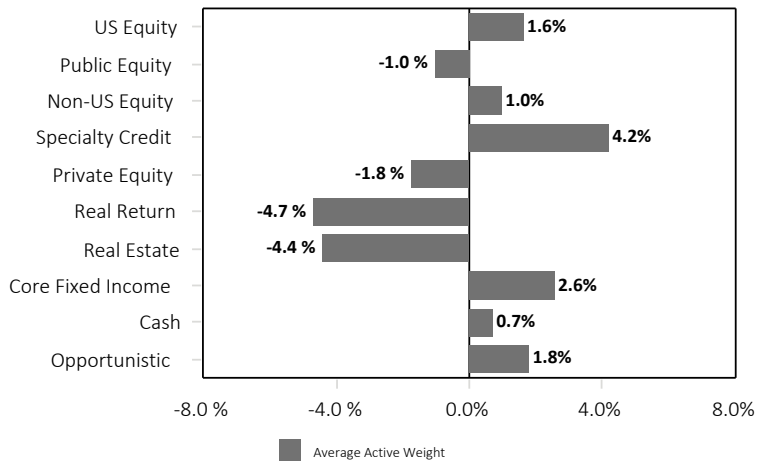
Total Fund Performance



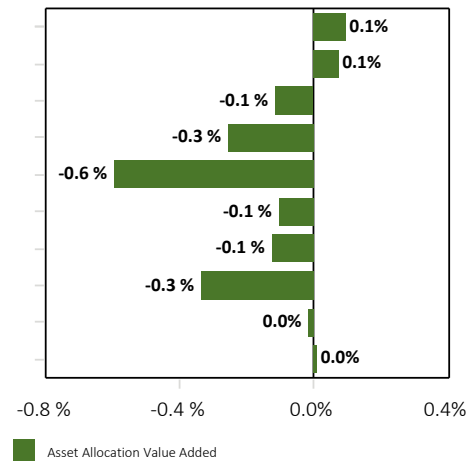
Total Value Added:-0.9 %



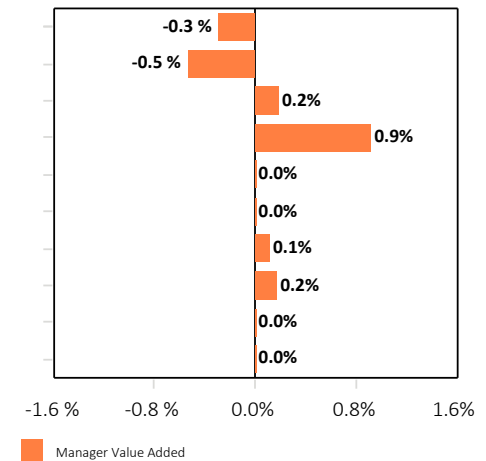
Total Asset Allocation:-1.4 %



Asset Allocation Value Added:-1.4 %



Total Manager Value Added:0.6%

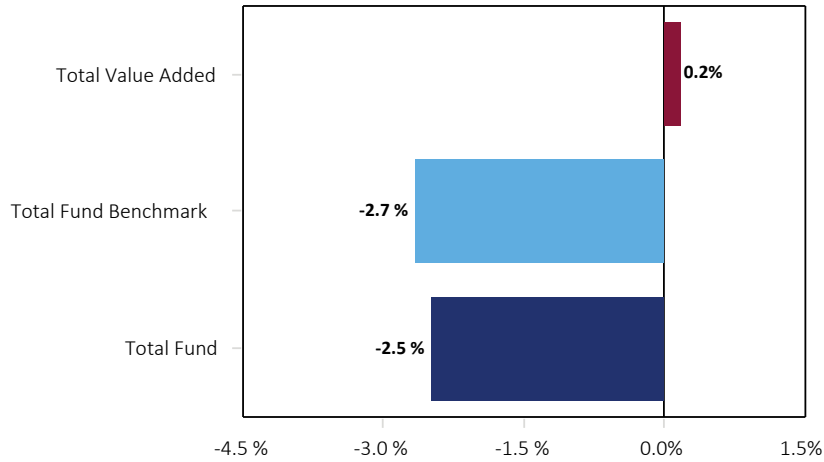


Total Fund Attribution

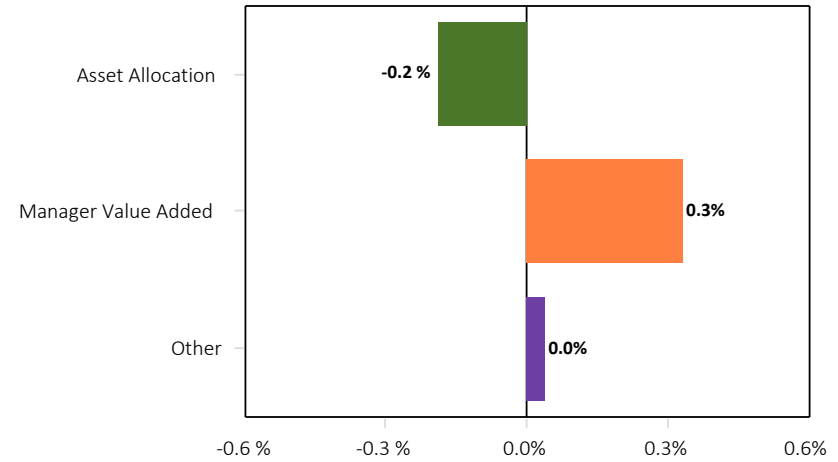
CERS Insurance Plan

Periods Ended 1 Quarter Ending March 31, 2022

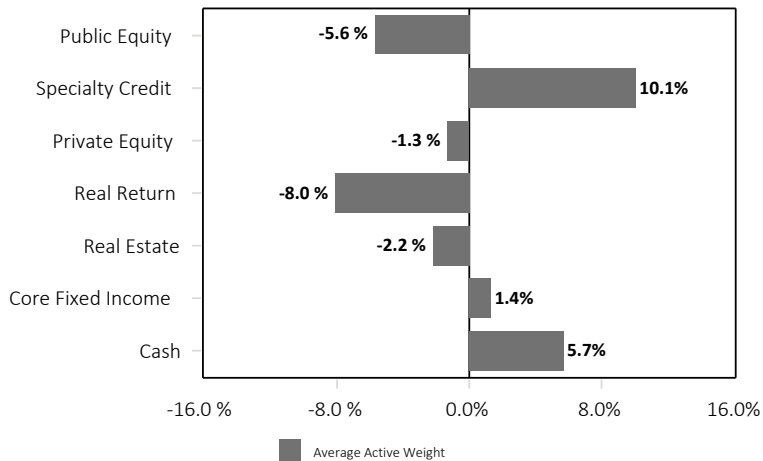
Total Fund Performance



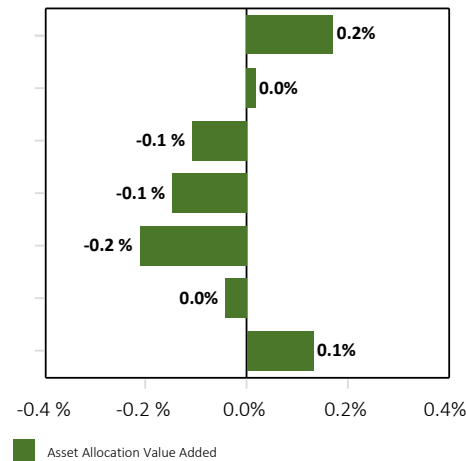
Total Value Added:0.2%



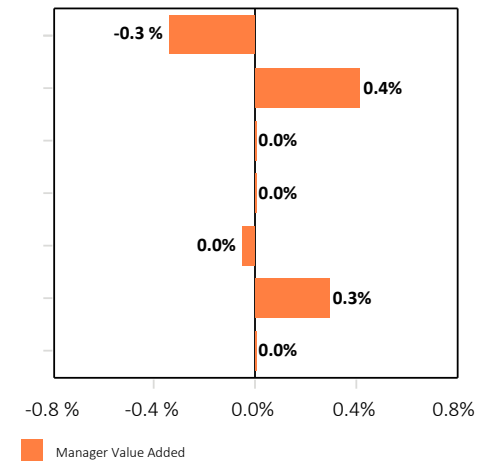
Total Asset Allocation:-0.2%



Asset Allocation Value Added:-0.2%



Total Manager Value Added:0.3%

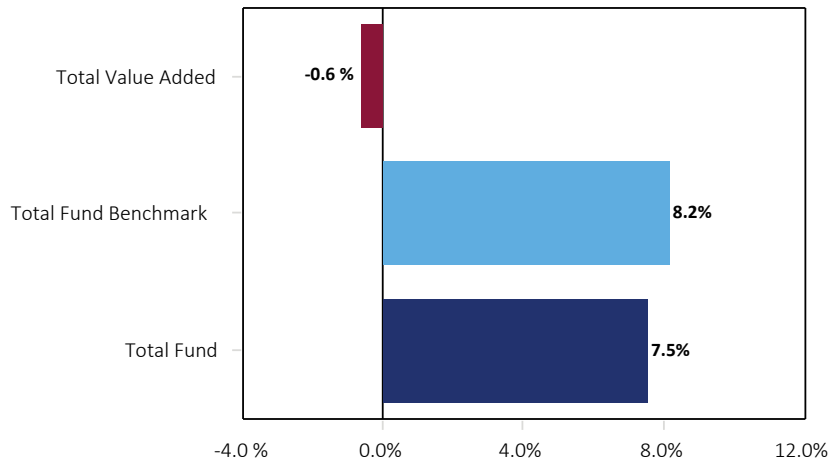


Total Fund Attribution

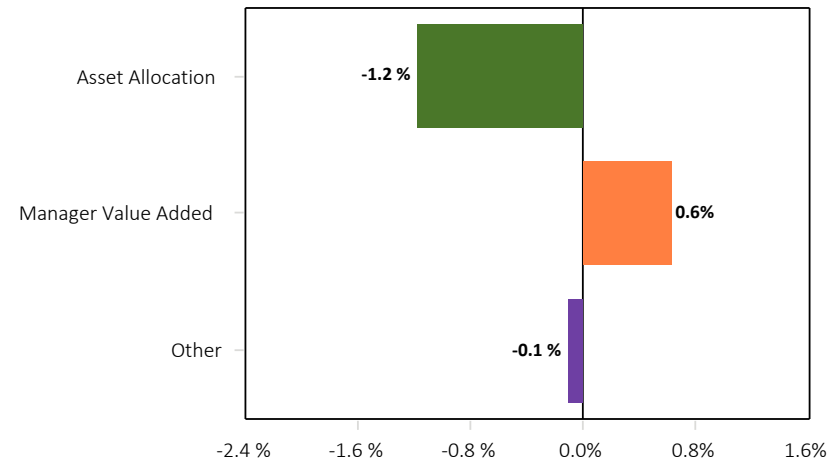
CERS Insurance Plan

Periods Ended 1 Year Ending March 31, 2022

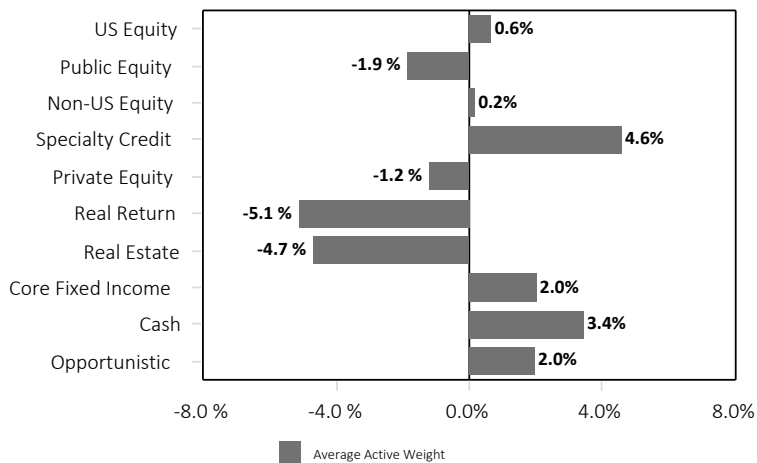
Total Fund Performance



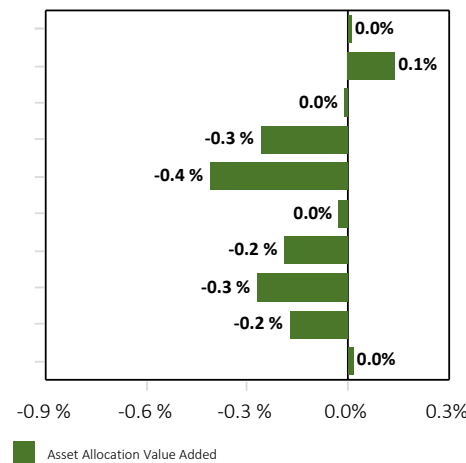
Total Value Added:-0.6 %



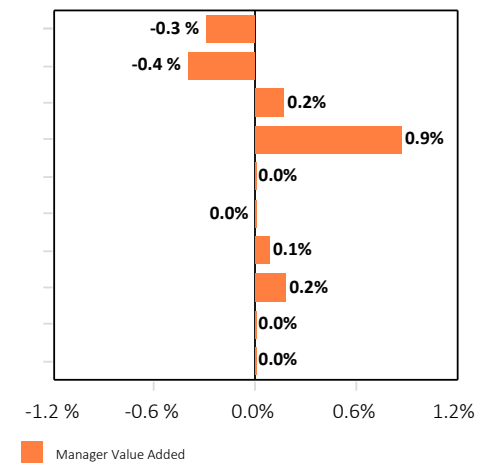
Total Asset Allocation:-1.2 %



Asset Allocation Value Added:-1.2 %



Total Manager Value Added:0.6%

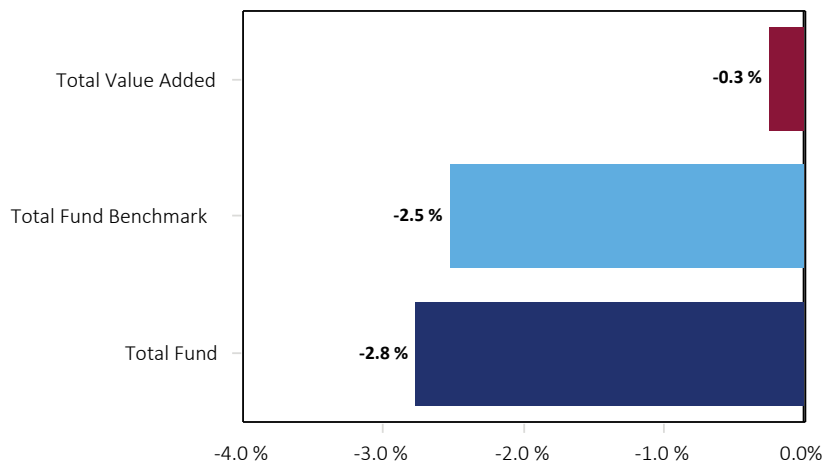


Total Fund Attribution

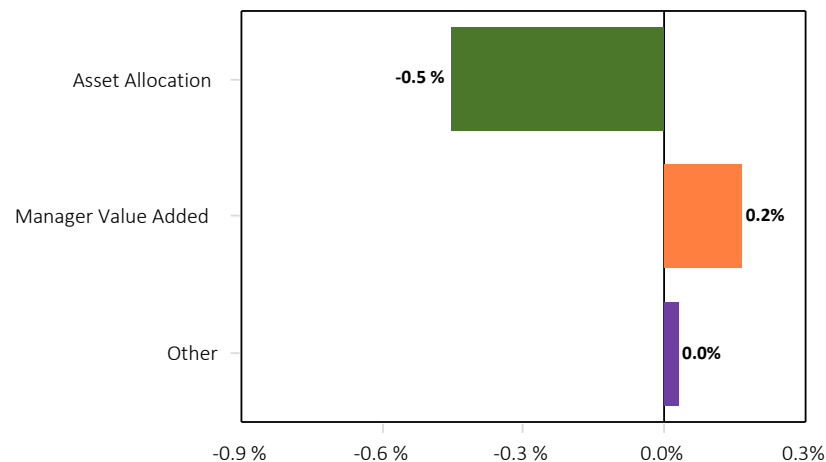
CERS (H) Pension Plan

Periods Ended 1 Quarter Ending March 31, 2022

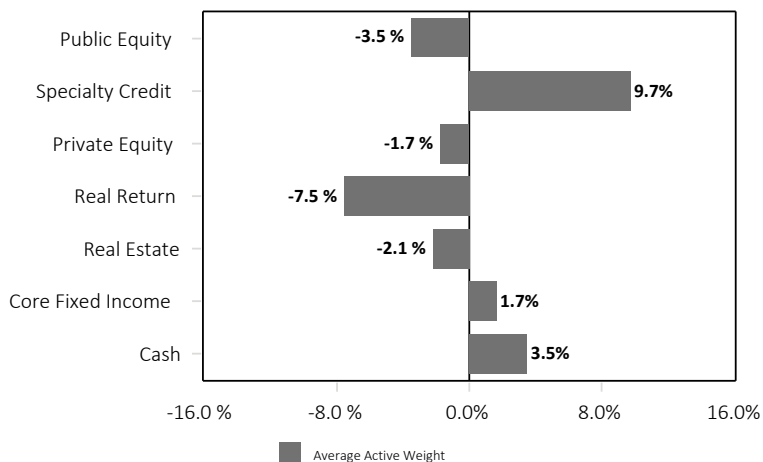
Total Fund Performance



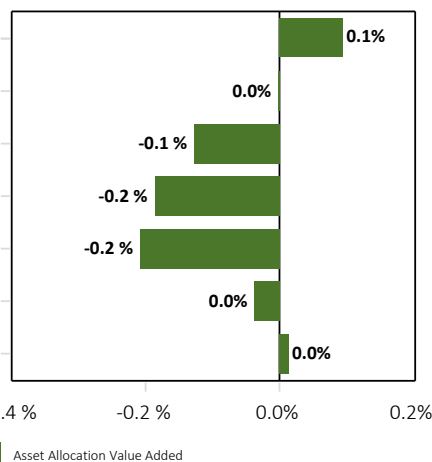
Total Value Added:-0.3 %



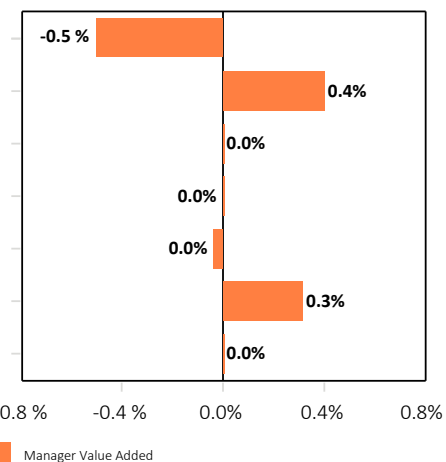
Total Asset Allocation:-0.5 %



Asset Allocation Value Added:-0.5 %



Total Manager Value Added:0.2%

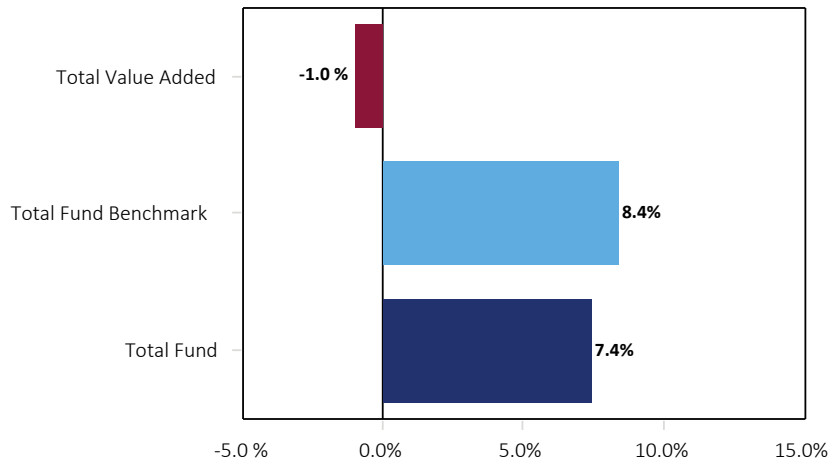


Total Fund Attribution

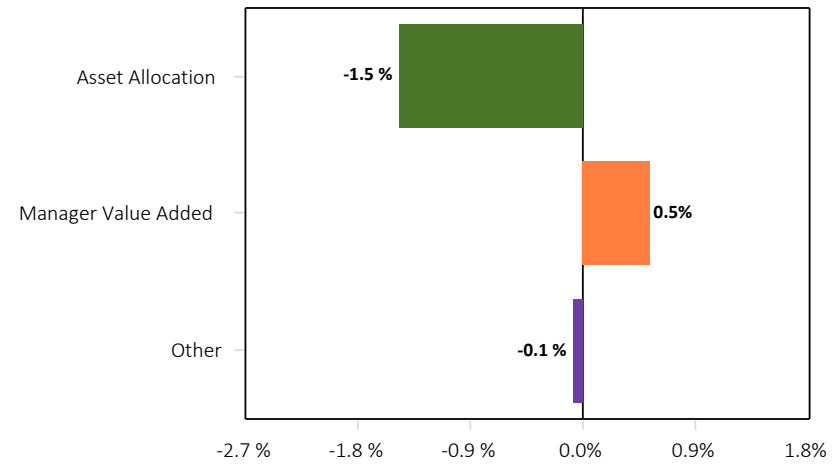
CERS (H) Pension Plan

Periods Ended 1 Year Ending March 31, 2022

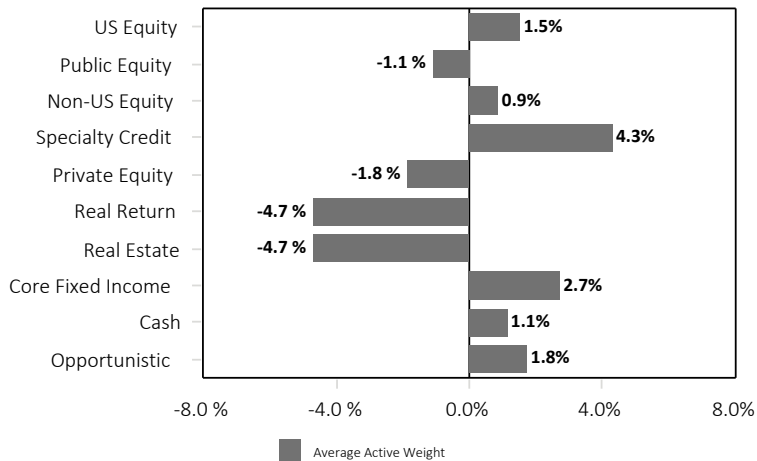
Total Fund Performance



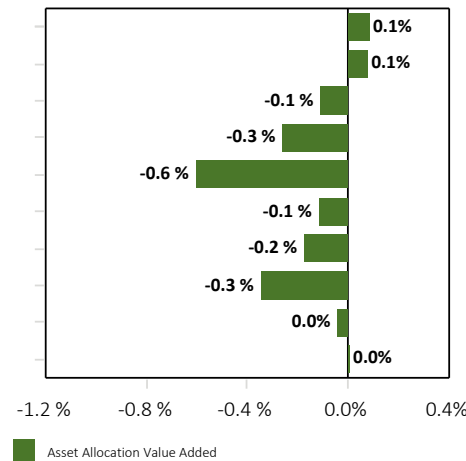
Total Value Added:-1.0 %



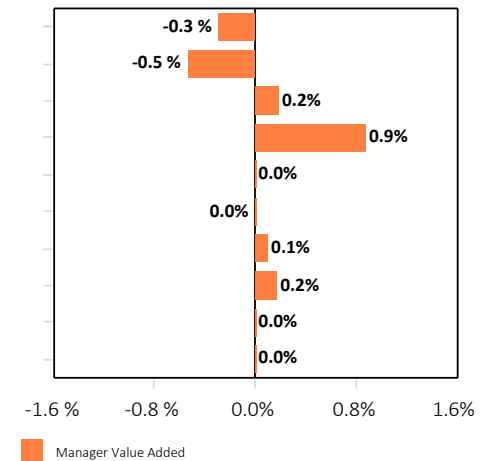
Total Asset Allocation:-1.5 %



Asset Allocation Value Added:-1.5 %



Total Manager Value Added:0.5%

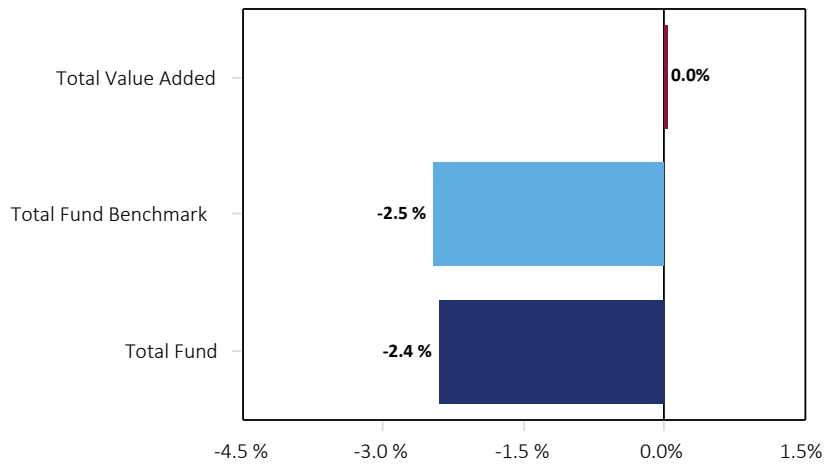


Total Fund Attribution

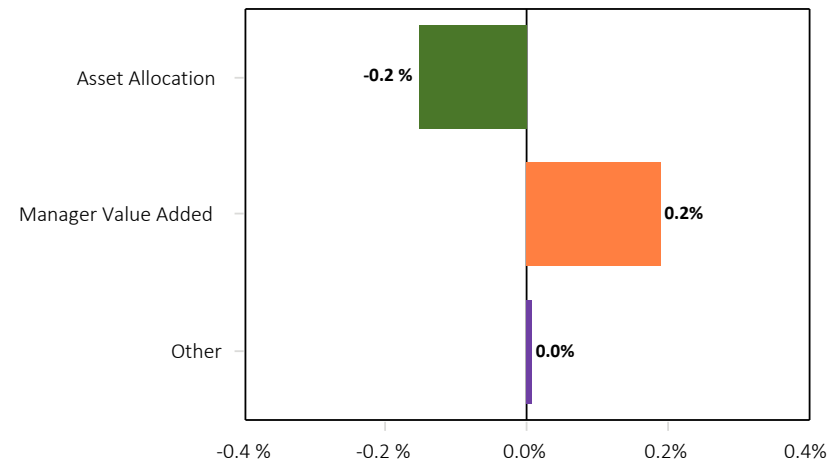
CERS (H) Insurance Plan

Periods Ended 1 Quarter Ending March 31, 2022

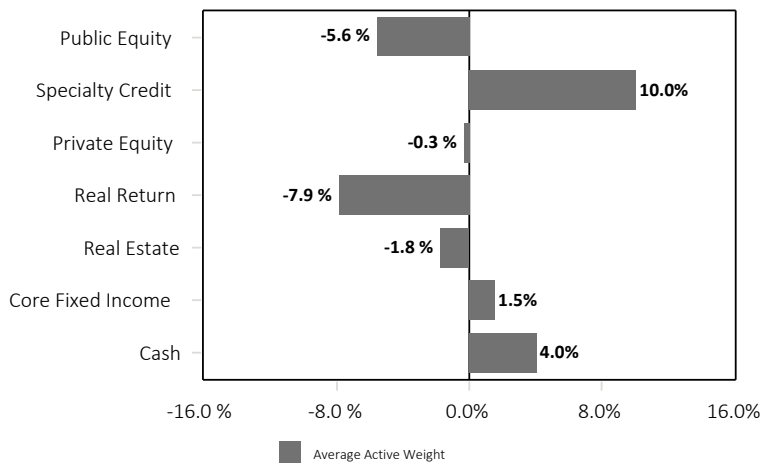
Total Fund Performance



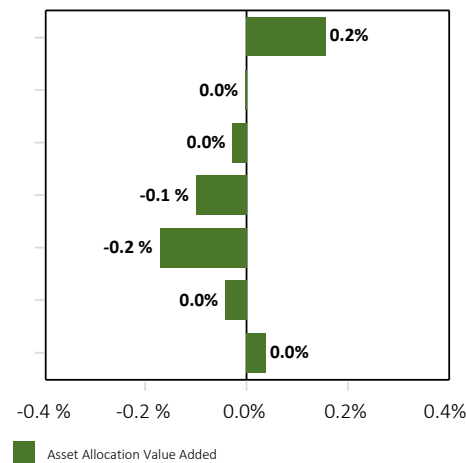
Total Value Added:0.0%



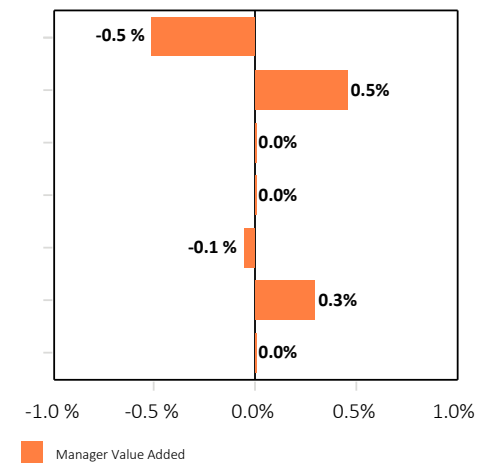
Total Asset Allocation:-0.2%



Asset Allocation Value Added:-0.2%



Total Manager Value Added:0.2%

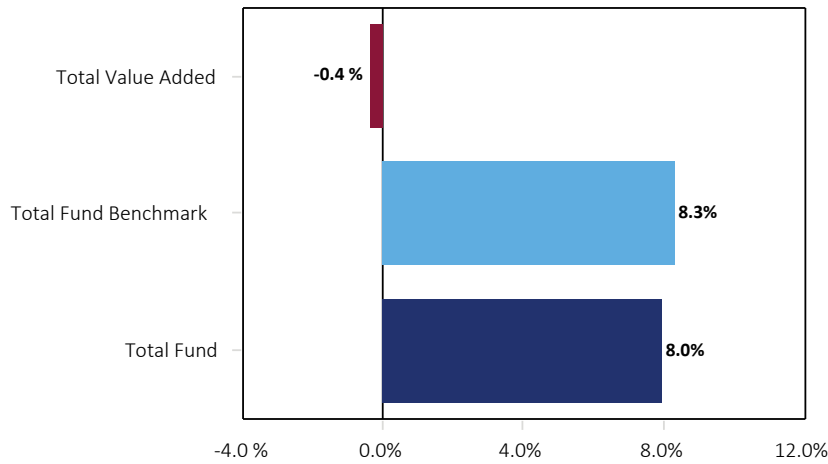


Total Fund Attribution

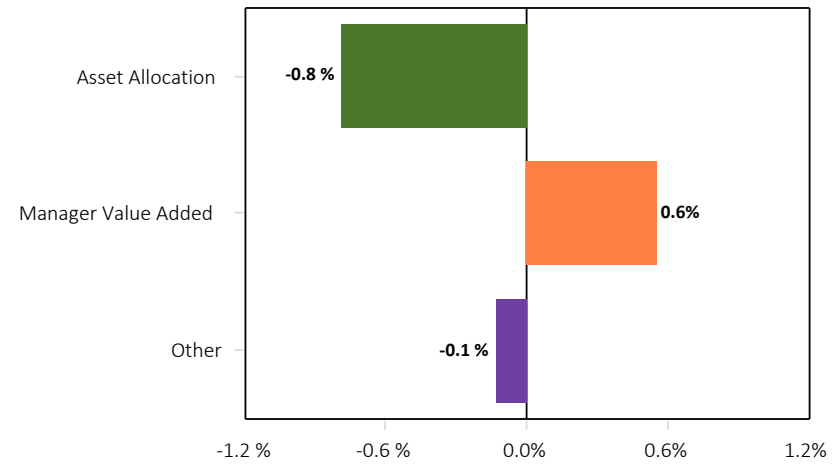
CERS (H) Insurance Plan

Periods Ended 1 Year Ending March 31, 2022

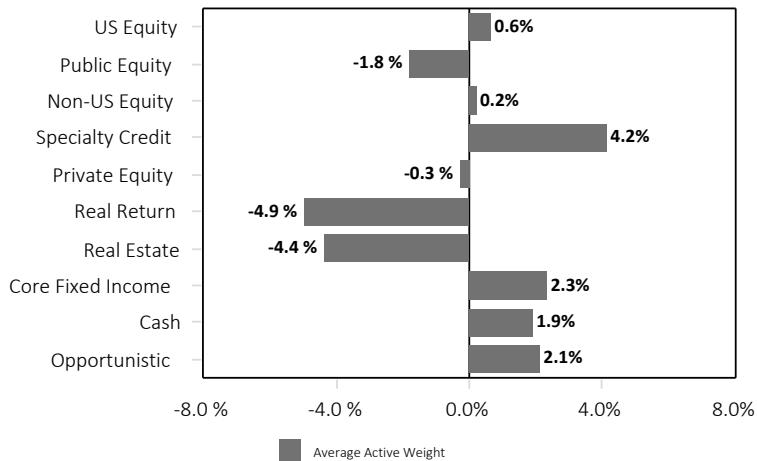
Total Fund Performance



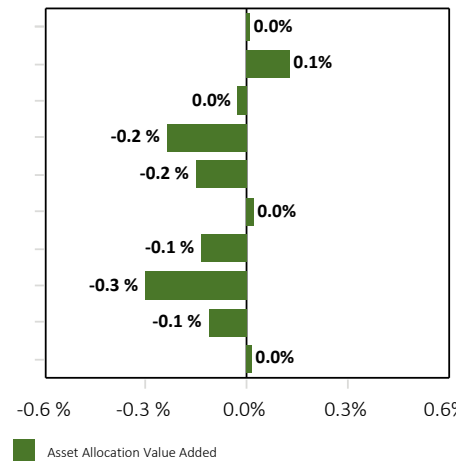
Total Value Added:-0.4 %



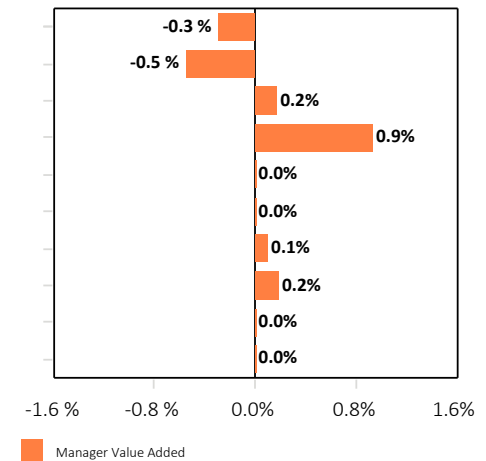
Total Asset Allocation:-0.8 %



Asset Allocation Value Added:-0.8 %



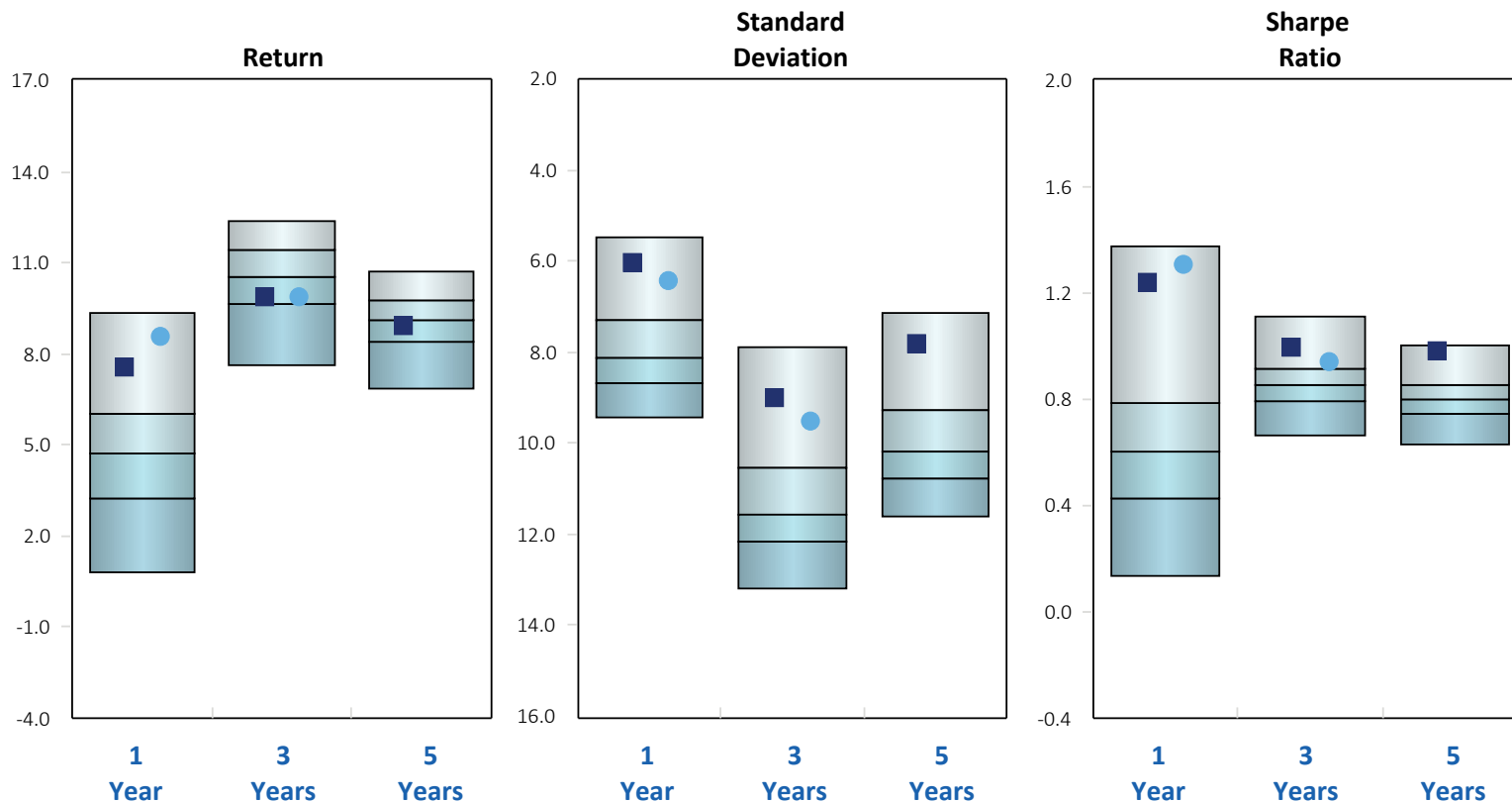
Total Manager Value Added:0.6%



Plan Sponsor Peer Group Analysis - Multi Statistics

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



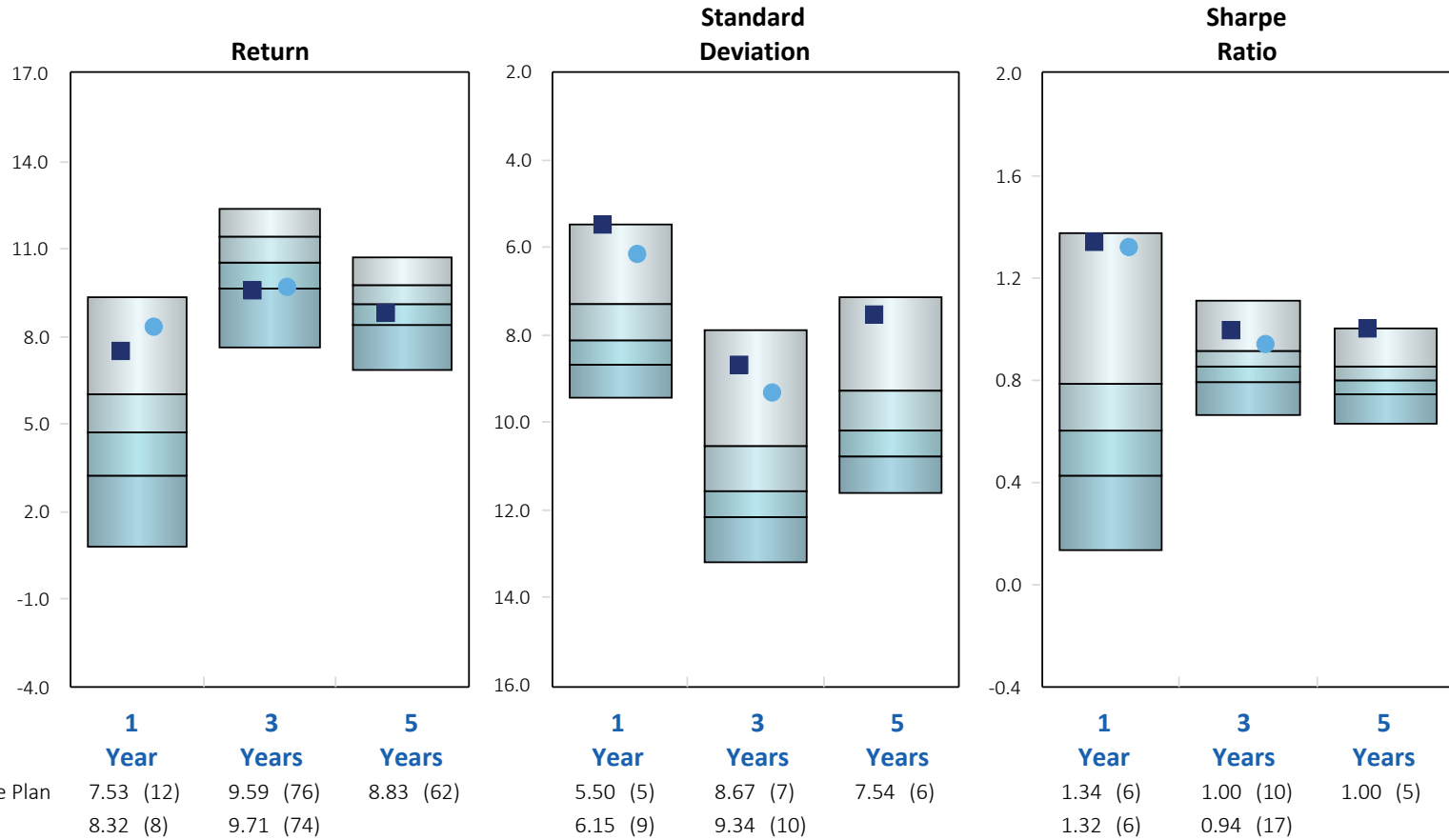
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
■ CERS Pension Plan	7.58 (12)	9.90 (70)	8.92 (59)	6.02 (8)	8.99 (9)	7.80 (8)	1.24 (6)	1.00 (10)	0.98 (6)
● CERS IPS Index	8.57 (7)	9.86 (70)		6.41 (11)	9.50 (11)		1.31 (6)	0.94 (17)	
5th Percentile	9.37	12.38	10.72	5.48	7.90	7.15	1.37	1.12	1.00
1st Quartile	6.04	11.40	9.78	7.30	10.53	9.27	0.79	0.91	0.86
Median	4.73	10.55	9.12	8.13	11.56	10.17	0.61	0.85	0.80
3rd Quartile	3.21	9.64	8.40	8.70	12.17	10.76	0.43	0.80	0.75
95th Percentile	0.79	7.64	6.85	9.42	13.21	11.63	0.14	0.66	0.63

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis - Multi Statistics

CERS Insurance Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



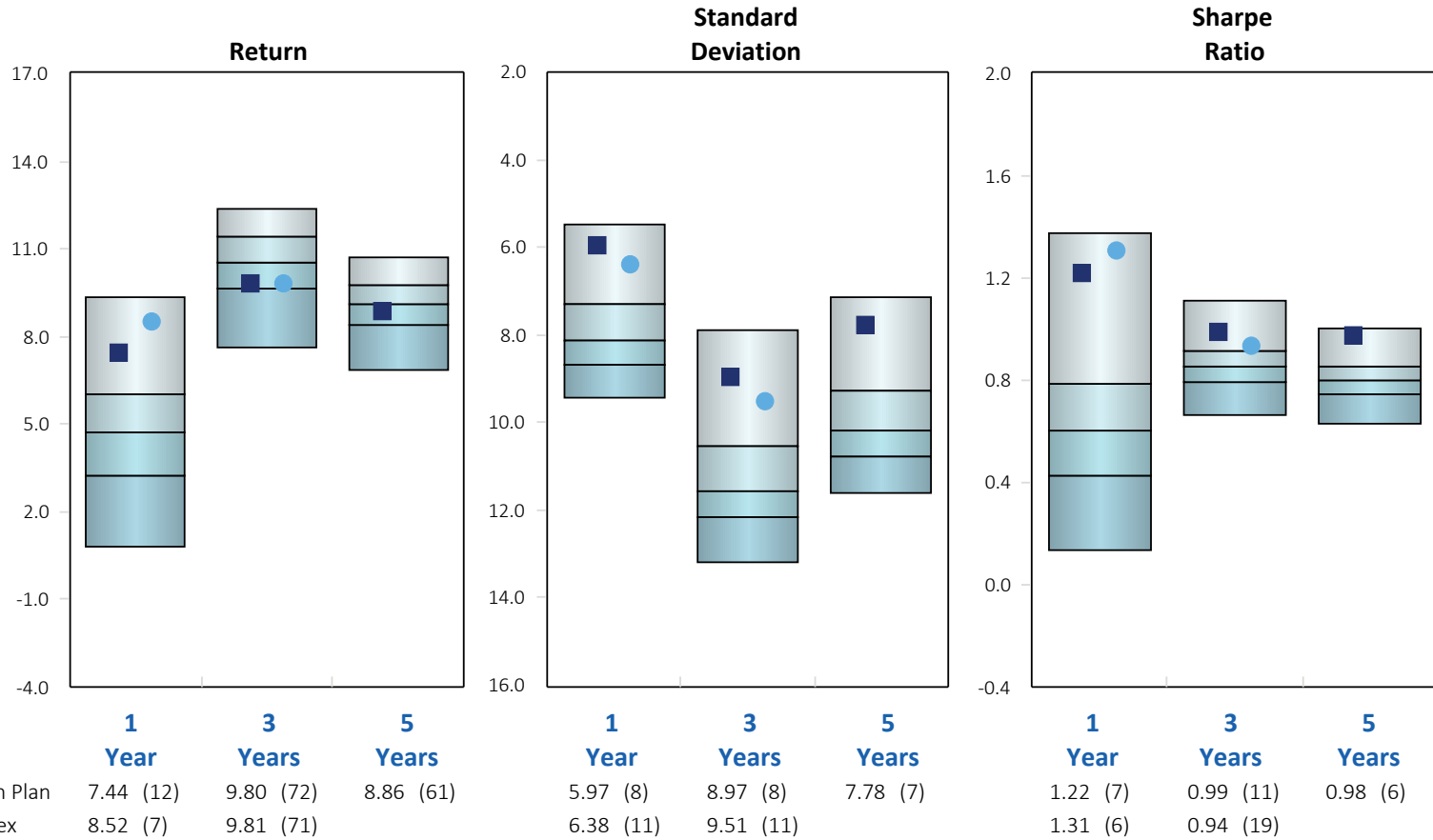
	1 Year	3 Years	5 Years
5th Percentile	9.37	12.38	10.72
1st Quartile	6.04	11.40	9.78
Median	4.73	10.55	9.12
3rd Quartile	3.21	9.64	8.40
95th Percentile	0.79	7.64	6.85

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis - Multi Statistics

CERS (H) Pension Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



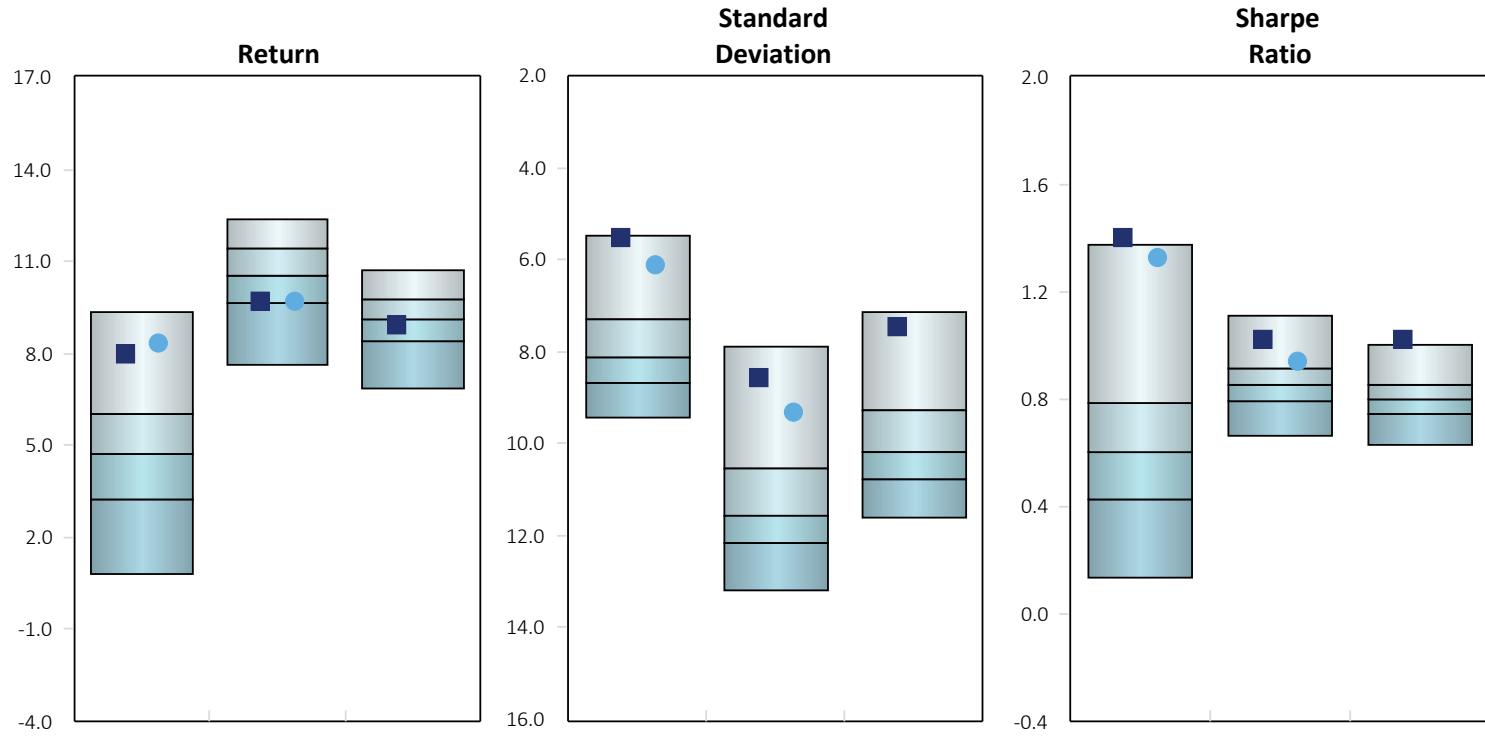
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
■ CERS (H) Pension Plan	7.44 (12)	9.80 (72)	8.86 (61)	5.97 (8)	8.97 (8)	7.78 (7)	1.22 (7)	0.99 (11)	0.98 (6)
● CERS (H) IPS Index	8.52 (7)	9.81 (71)		6.38 (11)	9.51 (11)		1.31 (6)	0.94 (19)	
5th Percentile	9.37	12.38	10.72	5.48	7.90	7.15	1.37	1.12	1.00
1st Quartile	6.04	11.40	9.78	7.30	10.53	9.27	0.79	0.91	0.86
Median	4.73	10.55	9.12	8.13	11.56	10.17	0.61	0.85	0.80
3rd Quartile	3.21	9.64	8.40	8.70	12.17	10.76	0.43	0.80	0.75
95th Percentile	0.79	7.64	6.85	9.42	13.21	11.63	0.14	0.66	0.63

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis - Multi Statistics

CERS (H) Insurance Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



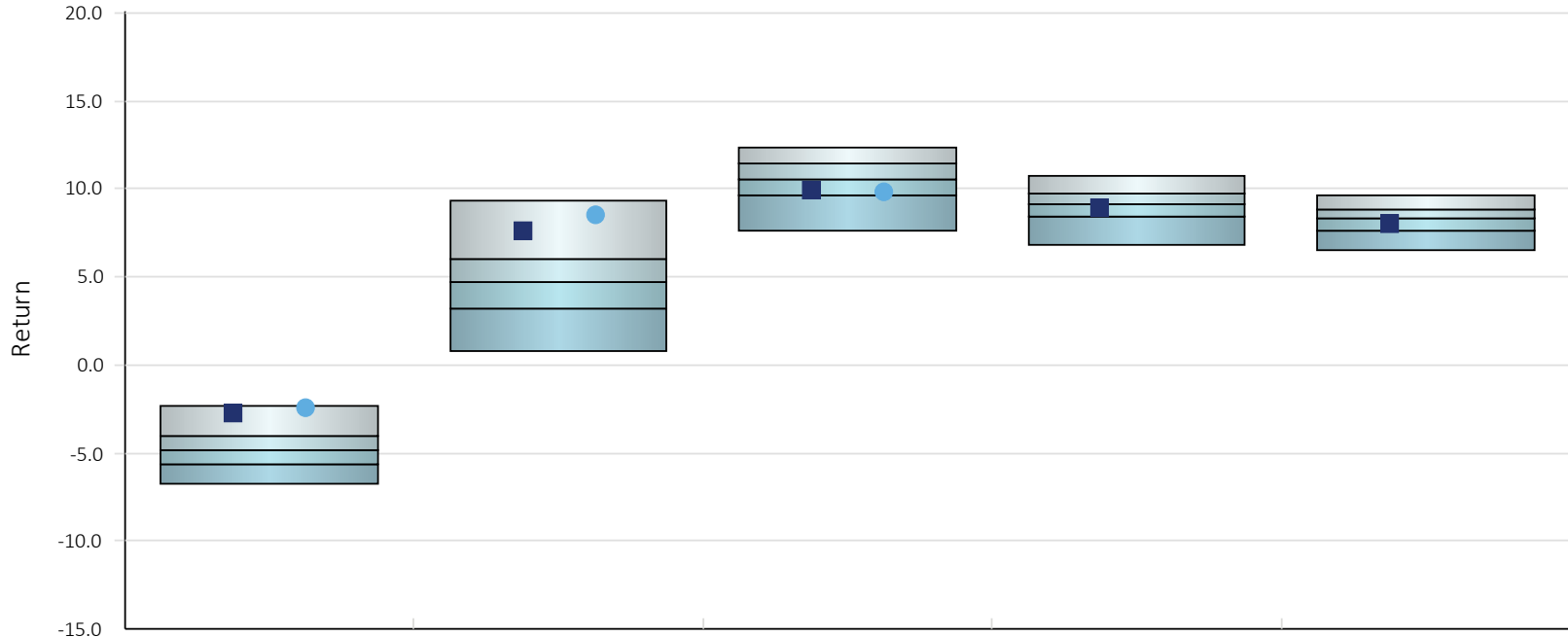
	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
■ CERS (H) Insurance Plan	7.96 (9)	9.73 (74)	8.95 (58)	5.53 (5)	8.56 (7)	7.46 (6)	1.40 (5)	1.02 (8)	1.03 (5)
● CERS (H) IPS Index	8.32 (8)	9.68 (75)		6.13 (9)	9.32 (10)		1.33 (6)	0.94 (17)	
5th Percentile	9.37	12.38	10.72	5.48	7.90	7.15	1.37	1.12	1.00
1st Quartile	6.04	11.40	9.78	7.30	10.53	9.27	0.79	0.91	0.86
Median	4.73	10.55	9.12	8.13	11.56	10.17	0.61	0.85	0.80
3rd Quartile	3.21	9.64	8.40	8.70	12.17	10.76	0.43	0.80	0.75
95th Percentile	0.79	7.64	6.85	9.42	13.21	11.63	0.14	0.66	0.63

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



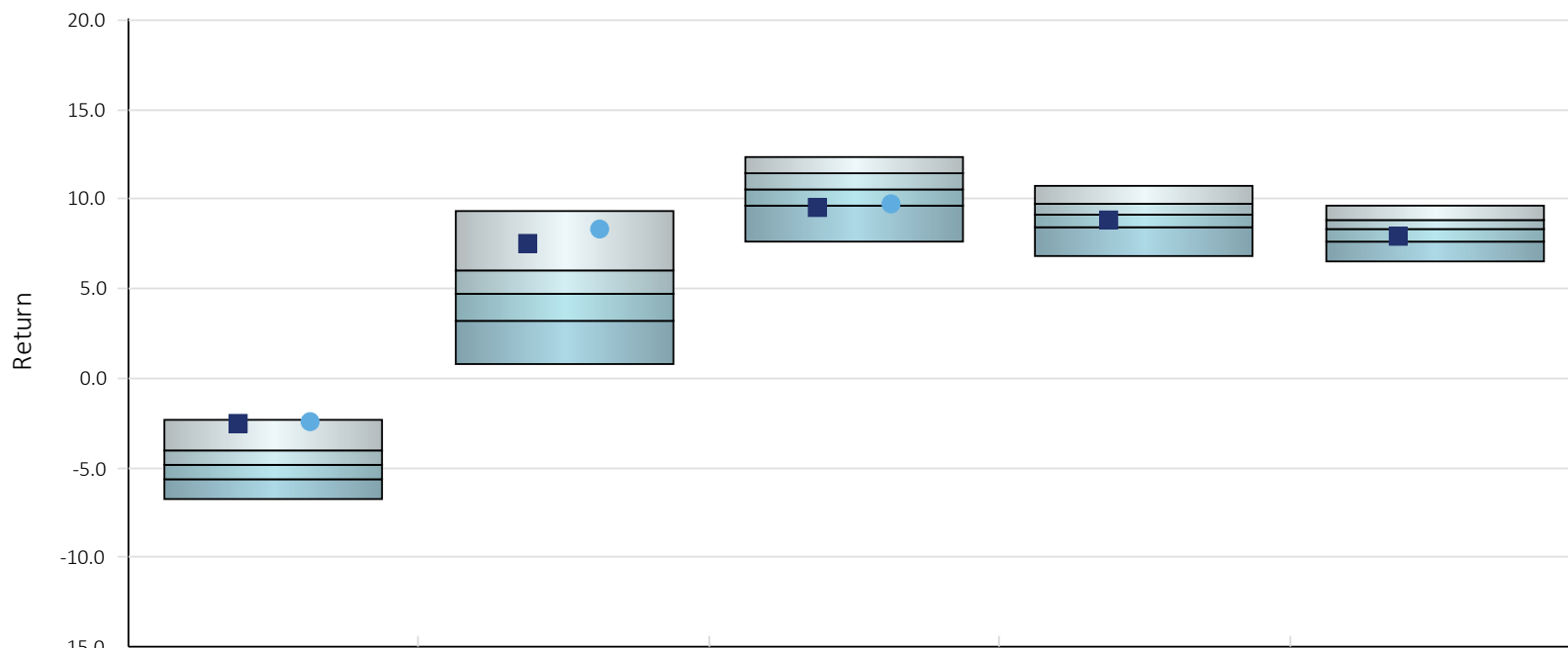
	QTD	1 Year	3 Years	5 Years	10 Years
■ CERS Pension Plan	-2.76 (8)	7.58 (12)	9.90 (70)	8.92 (59)	8.03 (61)
● CERS IPS Index	-2.43 (6)	8.57 (7)	9.86 (70)		
5th Percentile	-2.35	9.37	12.38	10.72	9.60
1st Quartile	-4.03	6.04	11.40	9.78	8.82
Median	-4.83	4.73	10.55	9.12	8.30
3rd Quartile	-5.68	3.21	9.64	8.40	7.67
95th Percentile	-6.75	0.79	7.64	6.85	6.48
Population	627	621	609	576	467

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis

CERS Insurance Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



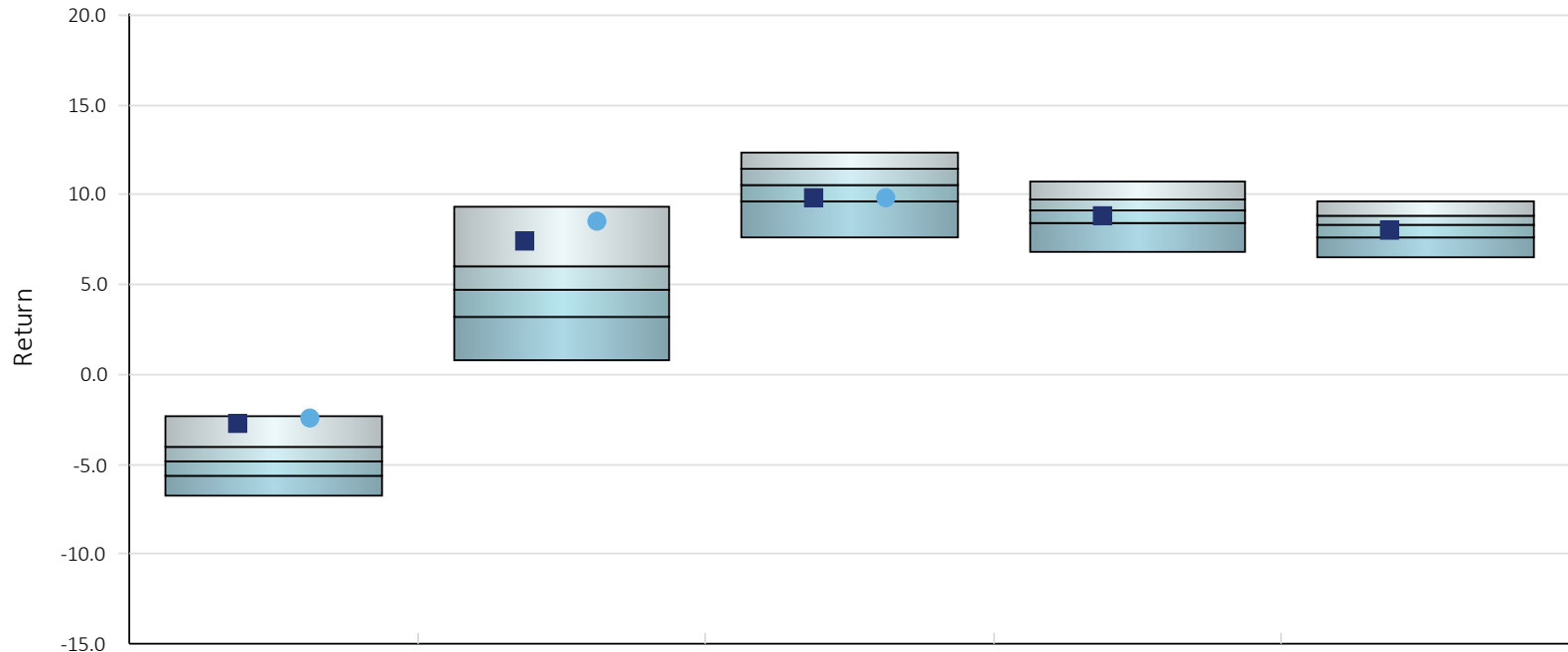
	QTD	1 Year	3 Years	5 Years	10 Years
■ CERS Insurance Plan	-2.48 (6)	7.53 (12)	9.59 (76)	8.83 (62)	7.88 (68)
● CERS IPS Index	-2.48 (6)	8.32 (8)	9.71 (74)		
5th Percentile	-2.35	9.37	12.38	10.72	9.60
1st Quartile	-4.03	6.04	11.40	9.78	8.82
Median	-4.83	4.73	10.55	9.12	8.30
3rd Quartile	-5.68	3.21	9.64	8.40	7.67
95th Percentile	-6.75	0.79	7.64	6.85	6.48
Population	627	621	609	576	467

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis

CERS (H) Pension Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



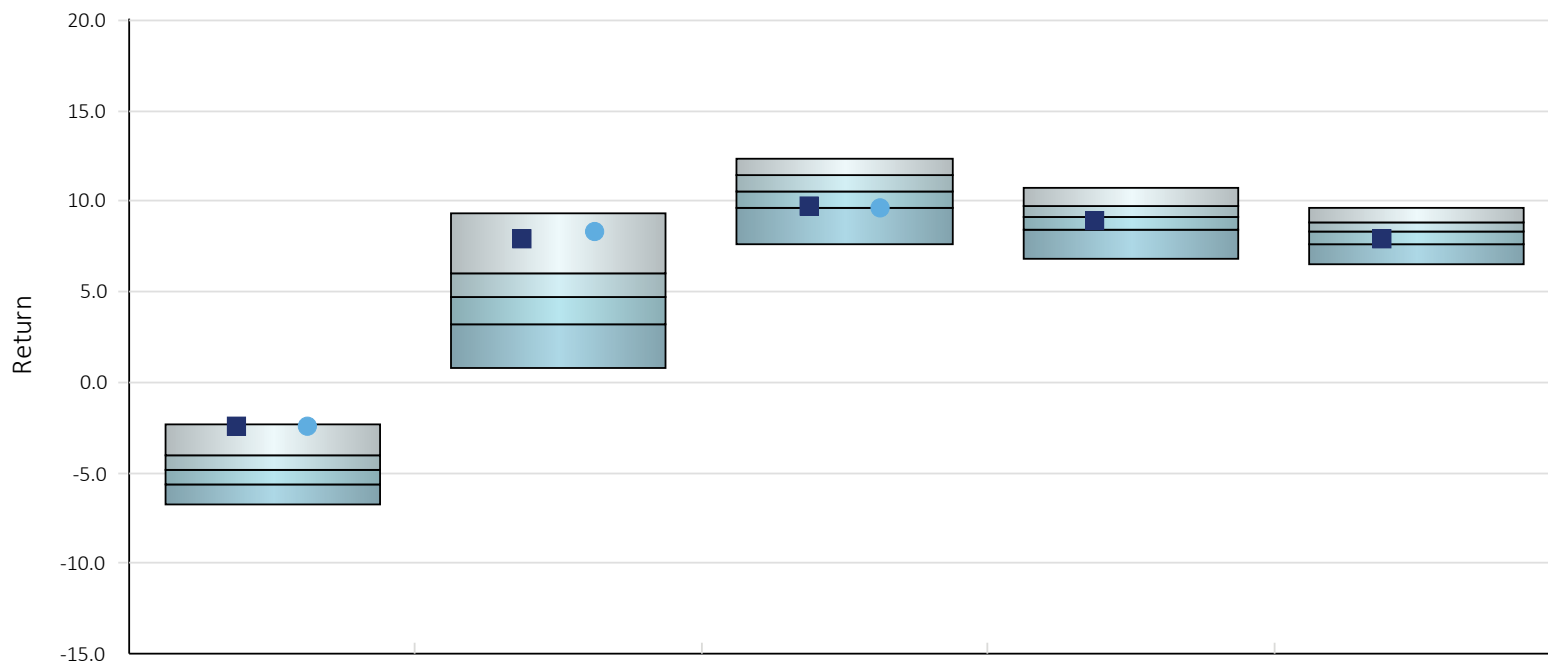
	QTD	1 Year	3 Years	5 Years	10 Years
■ CERS (H) Pension Plan	-2.77 (8)	7.44 (12)	9.80 (72)	8.86 (61)	8.01 (62)
● CERS (H) IPS Index	-2.43 (6)	8.52 (7)	9.81 (71)		
5th Percentile	-2.35	9.37	12.38	10.72	9.60
1st Quartile	-4.03	6.04	11.40	9.78	8.82
Median	-4.83	4.73	10.55	9.12	8.30
3rd Quartile	-5.68	3.21	9.64	8.40	7.67
95th Percentile	-6.75	0.79	7.64	6.85	6.48
Population	627	621	609	576	467

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Peer Group Analysis

CERS (H) Insurance Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



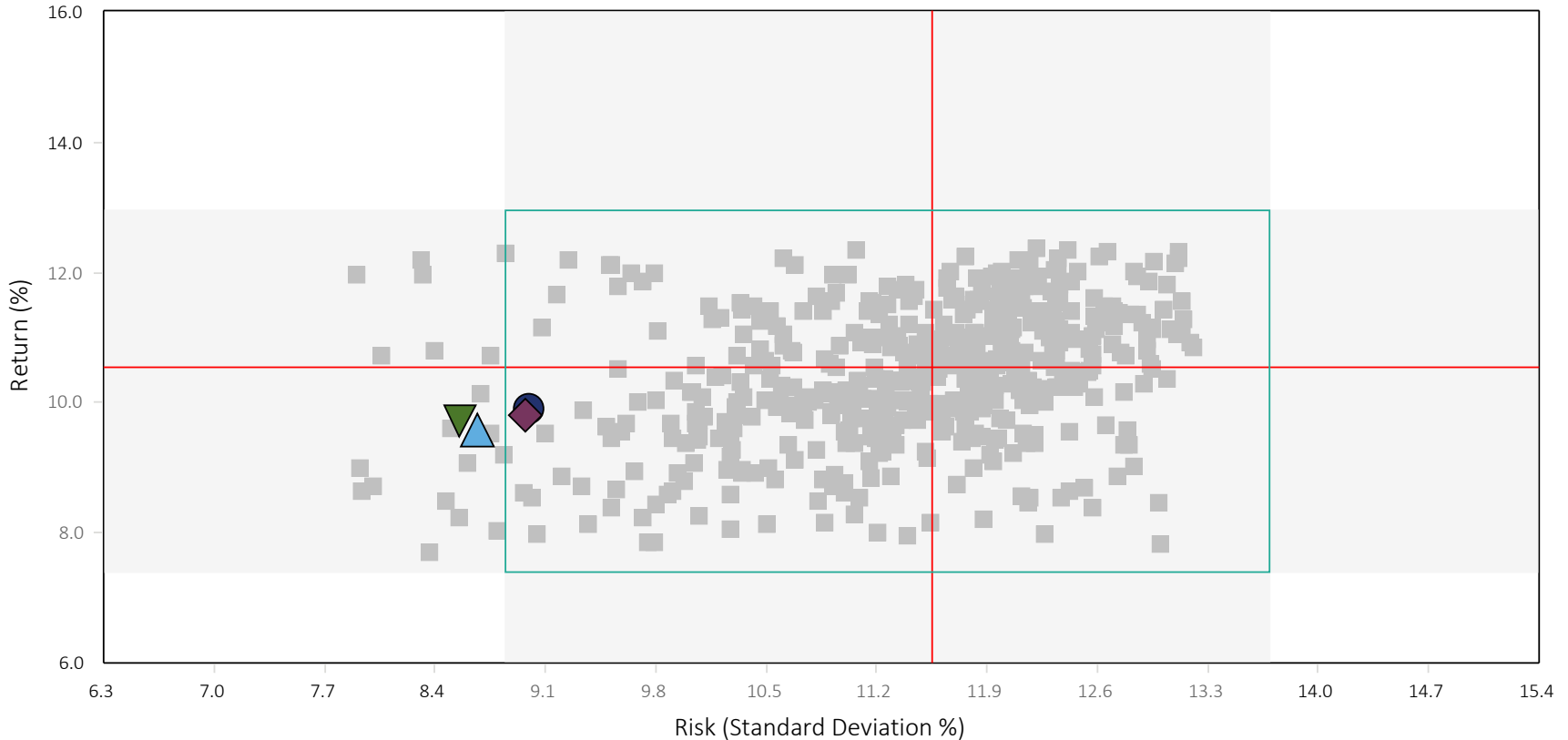
	QTD	1 Year	3 Years	5 Years	10 Years
■ CERS (H) Insurance Plan	-2.41 (6)	7.96 (9)	9.73 (74)	8.95 (58)	7.95 (64)
● CERS (H) IPS Index	-2.46 (6)	8.32 (8)	9.68 (75)		
5th Percentile	-2.35	9.37	12.38	10.72	9.60
1st Quartile	-4.03	6.04	11.40	9.78	8.82
Median	-4.83	4.73	10.55	9.12	8.30
3rd Quartile	-5.68	3.21	9.64	8.40	7.67
95th Percentile	-6.75	0.79	7.64	6.86	6.48
Population	627	621	610	577	468

Parentheses contain percentile rankings.
Calculation based on monthly periodicity.

Plan Sponsor Scattergram

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended 3 Years Ending March 31, 2022



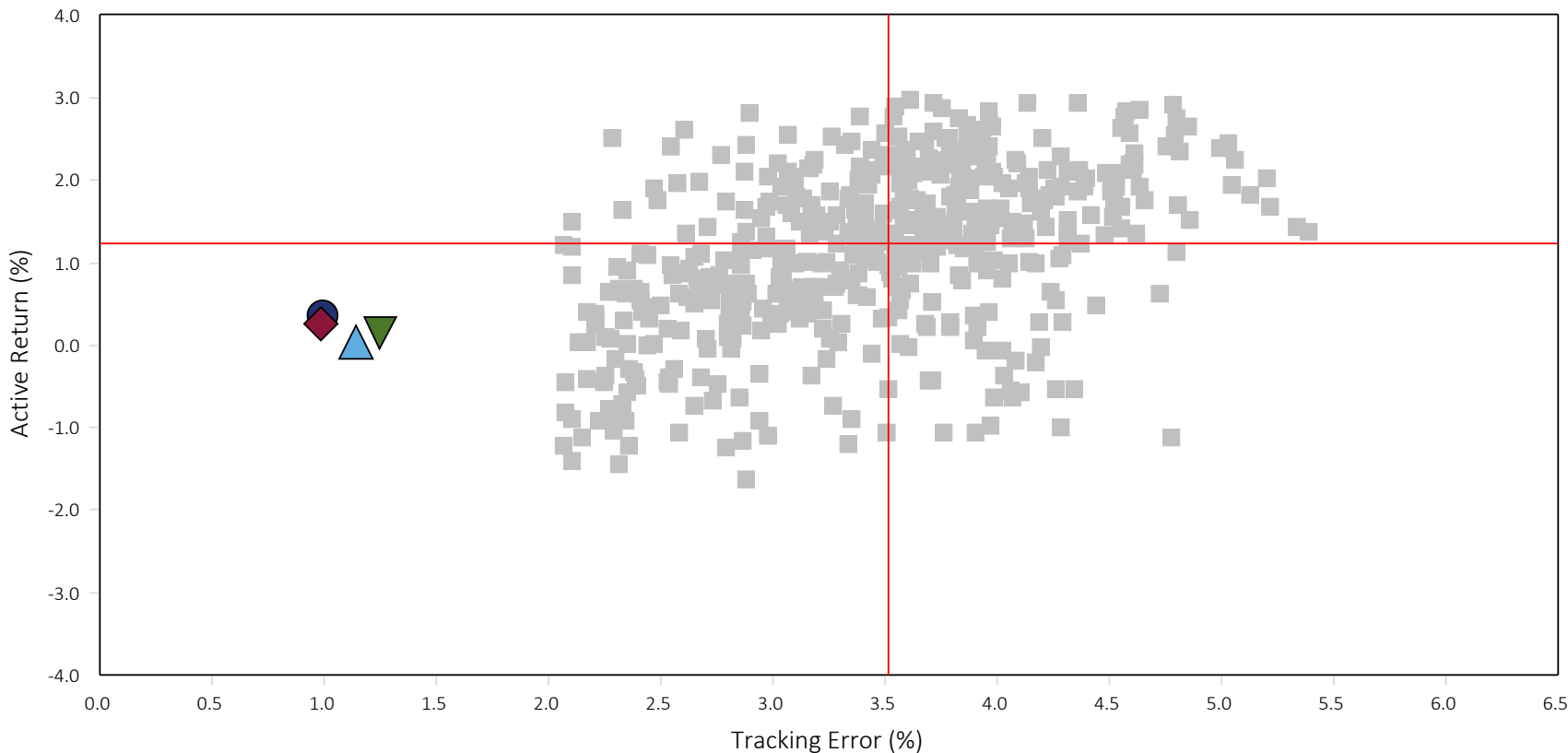
	Return	Standard Deviation
● CERS Pension Plan	9.90	8.99
▲ CERS Insurance Plan	9.59	8.67
◆ CERS (H) Pension Plan	9.80	8.97
▼ CERS (H) Insurance Plan	9.73	8.56
— Median	10.55	11.56

Calculation based on monthly periodicity.

Plan Sponsor Scattergram

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended 3 Years Ending March 31, 2022



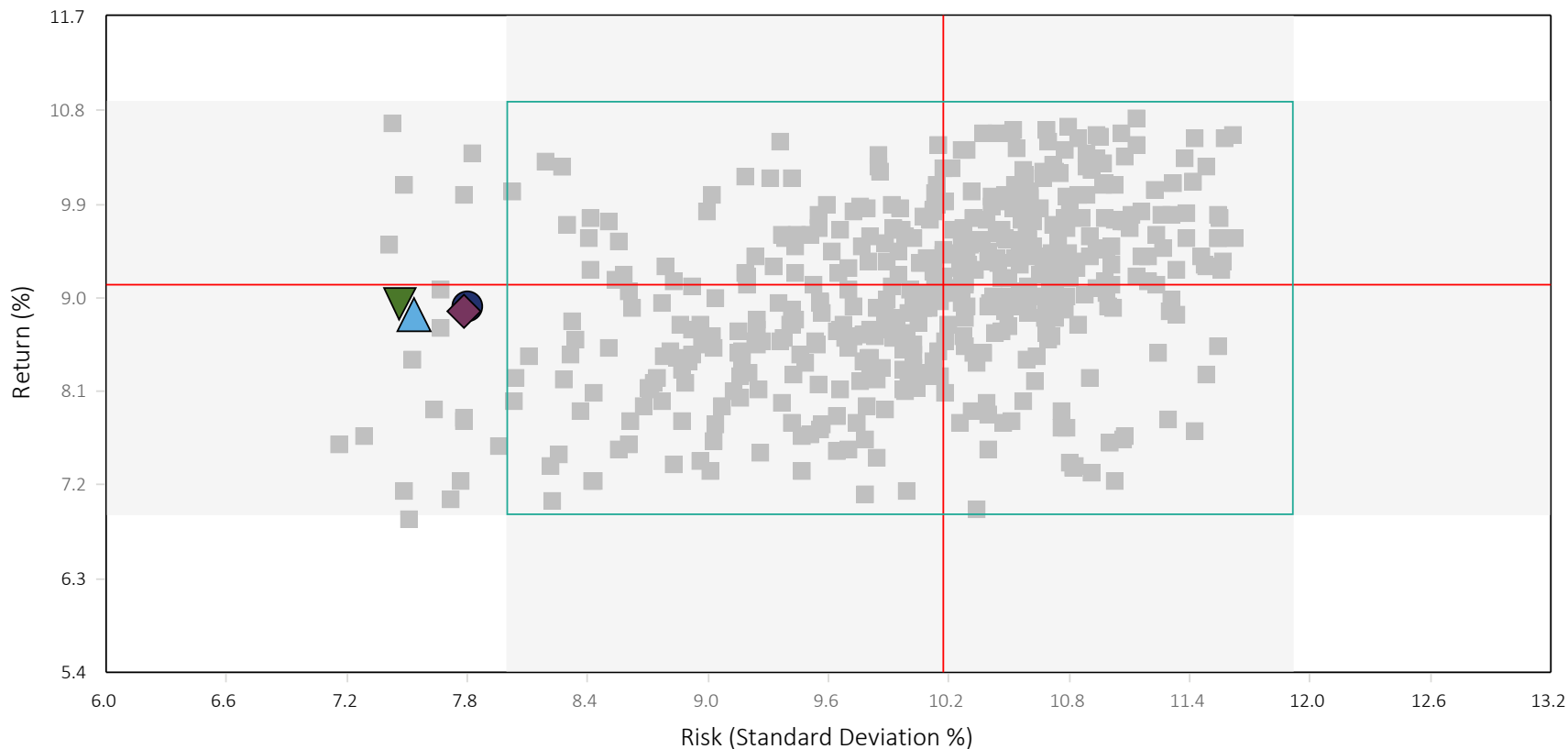
	Active Return	Tracking Error
● CERS Pension Plan	0.36	0.99
▲ CERS Insurance Plan	0.05	1.14
◆ CERS (H) Pension Plan	0.27	0.99
▼ CERS (H) Insurance Plan	0.16	1.25
— Median	1.24	3.52

Calculation based on monthly periodicity.

Plan Sponsor Scattergram

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended 5 Years Ending March 31, 2022



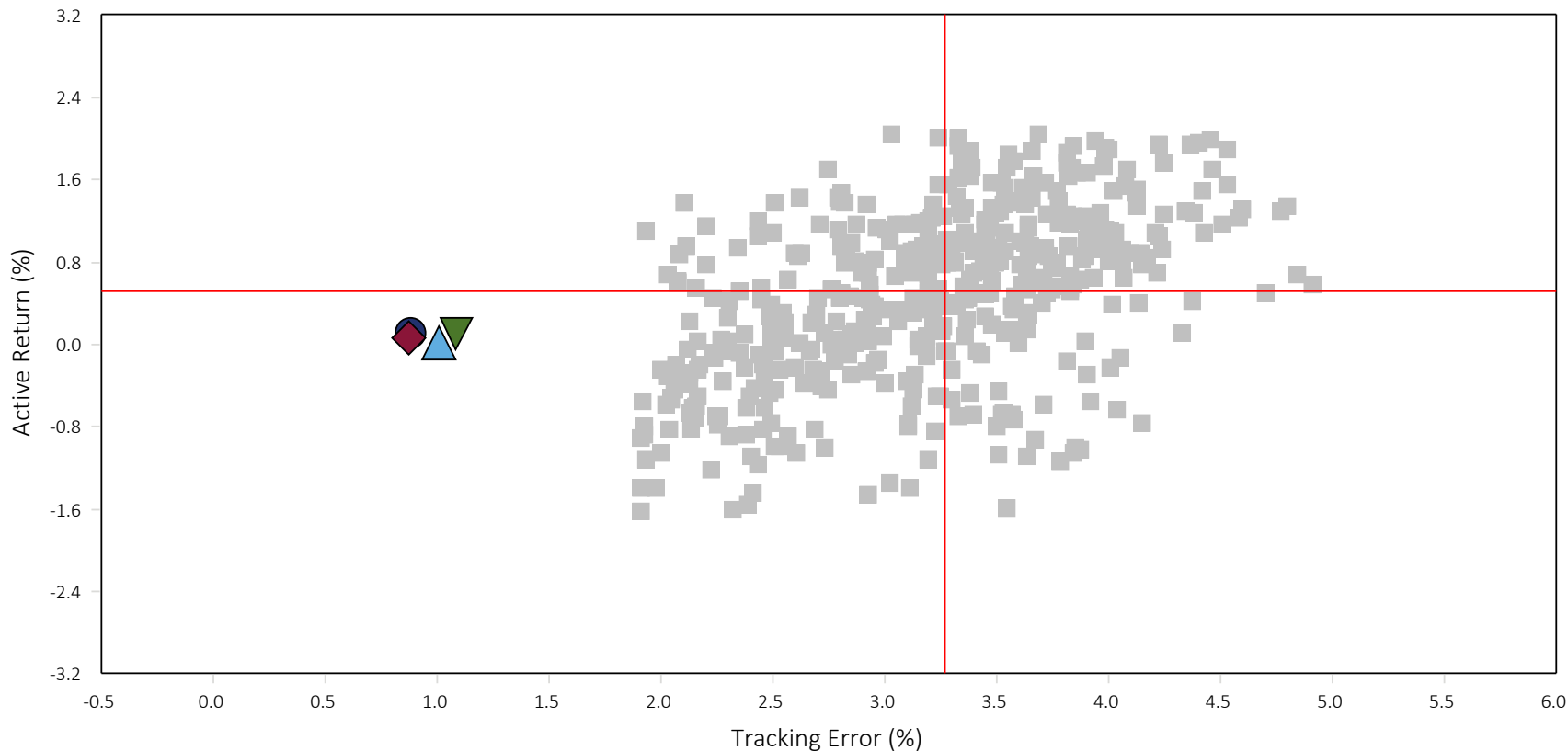
	Return	Standard Deviation
● CERS Pension Plan	8.92	7.80
▲ CERS Insurance Plan	8.83	7.54
◆ CERS (H) Pension Plan	8.86	7.78
▼ CERS (H) Insurance Plan	8.95	7.46
— Median	9.12	10.17

Calculation based on monthly periodicity.

Plan Sponsor Scattergram

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended 5 Years Ending March 31, 2022



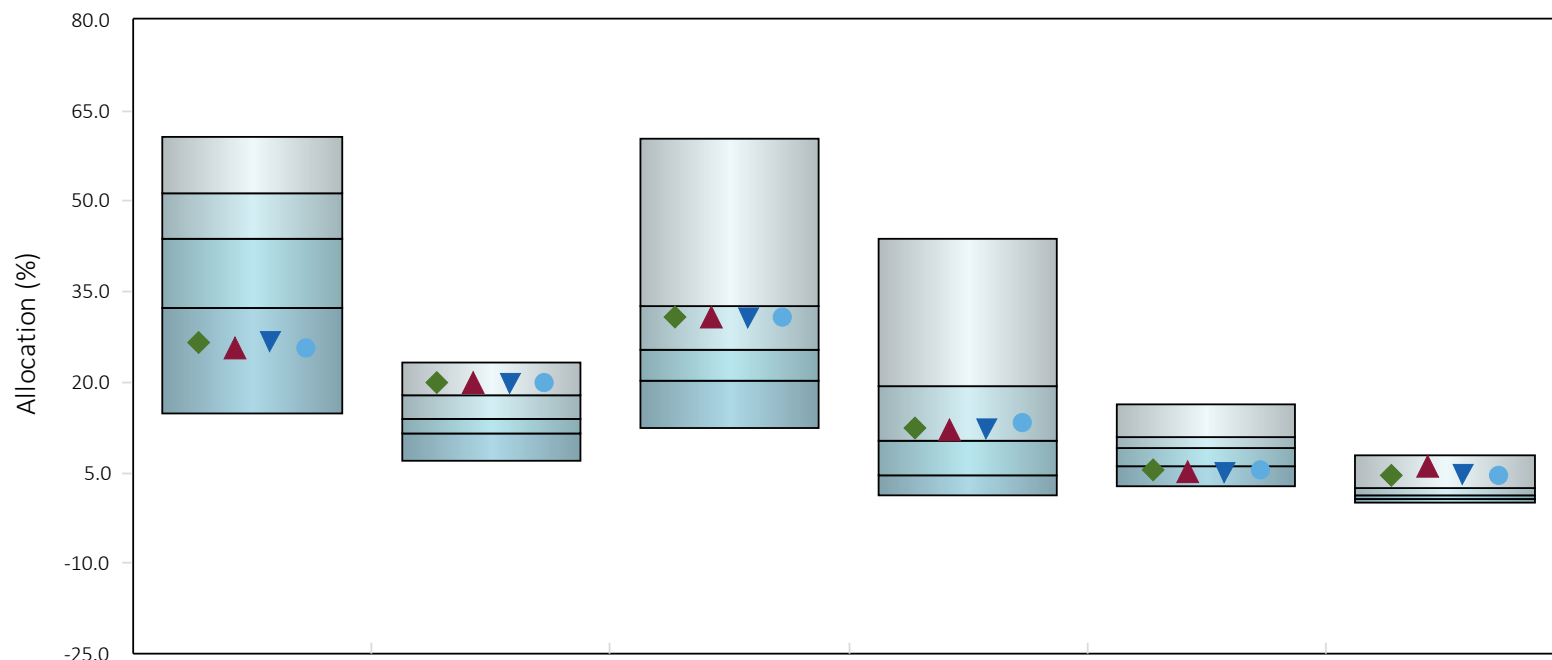
	Active Return	Tracking Error
● CERS Pension Plan	0.11	0.88
▲ CERS Insurance Plan	0.02	1.01
◆ CERS (H) Pension Plan	0.07	0.87
▼ CERS (H) Insurance Plan	0.12	1.08
— Median	0.53	3.27

Calculation based on monthly periodicity.

Plan Sponsor TF Asset Allocation

CERS Pension Plan vs All Public Plans-Total Fund

Periods Ended March 31, 2022



	US Equity	Global ex-US Equity	Total Fixed Income	Alternatives	Total Real Estate	Cash & Equivalents
◆ CERS Pension Plan	26.72	19.96	30.87	12.51	5.48	4.46
▲ CERS Insurance Plan	25.71	20.00	30.95	12.11	5.06	6.17
▼ CERS (H) Pension Plan	26.86	19.97	30.84	12.30	5.13	4.90
● CERS (H) Insurance Plan	25.58	19.97	30.94	13.32	5.49	4.70
5th Percentile	60.84	23.18	60.30	43.70	16.26	7.88
1st Quartile	51.30	17.90	32.53	19.48	11.00	2.57
Median	43.86	14.00	25.46	10.42	9.17	1.21
3rd Quartile	32.47	11.38	20.28	4.46	6.10	0.55
95th Percentile	14.72	7.06	12.43	1.37	2.64	0.08

Asset Allocation & Performance

Total Fund

Periods Ended March 31, 2022

	Market Value \$	Performance (%) net of fees							
		1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
CERS Pension Plan	8,645,256,968	1.13	-2.76	1.84	7.58	9.90	8.92	9.10	4/1/1984
CERS IPS Index		1.91	-2.43	2.65	8.57	9.86			
Value Added		-0.78	-0.33	-0.81	-0.99	0.04			
Assumed Rate 6.25%		0.51	1.53	4.65	6.25	6.25			
Value Added		0.62	-4.29	-2.81	1.33	3.65			
CERS Insurance Plan	3,236,292,906	1.13	-2.48	2.23	7.53	9.59	8.83	7.58	4/1/1987
CERS IPS Index		1.93	-2.48	2.88	8.32	9.71			
Value Added		-0.80	0.00	-0.65	-0.79	-0.12			
Assumed Rate 6.25%		0.51	1.53	4.65	6.25	6.25			
Value Added		0.62	-4.01	-2.42	1.28	3.34			
CERS (H) Pension Plan	2,939,177,520	1.11	-2.77	1.78	7.44	9.80	8.86	9.10	4/1/1984
CERS (H) IPS Index		1.91	-2.43	2.66	8.52	9.81			
Value Added		-0.80	-0.34	-0.88	-1.08	-0.01			
Assumed Rate 6.25%		0.51	1.53	4.65	6.25	6.25			
Value Added		0.60	-4.30	-2.87	1.19	3.55			
CERS (H) Insurance Plan	1,632,840,676	1.21	-2.41	2.55	7.96	9.73	8.95	7.60	4/1/1987
CERS (H) IPS Index		1.94	-2.46	2.90	8.32	9.68			
Value Added		-0.73	0.05	-0.35	-0.36	0.05			
Assumed Rate 6.25%		0.51	1.53	4.65	6.25	6.25			
Value Added		0.70	-3.94	-2.10	1.71	3.48			

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Public Equity	1.67	-6.61					-2.78	12/1/2021
MSCI AC World Index	2.22	-5.26					-1.44	
Value Added	-0.55	-1.35					-1.34	
US Equity Composite	2.82	-5.03	3.46	11.48	17.80	14.70	10.39	7/1/1992
Russell 3000 Index	3.24	-5.28	3.40	11.92	18.24	15.40	10.61	
Value Added	-0.42	0.25	0.06	-0.44	-0.44	-0.70	-0.22	
S&P 500 Index	3.78	-4.59	6.44	15.43	19.20	16.24	9.05	7/1/2001
S&P 500 Index	3.71	-4.60	6.54	15.65	18.92	15.99	8.62	
value added	0.07	0.01	-0.10	-0.22	0.28	0.25	0.43	
Scientific Beta	2.69	-4.48	3.99	11.37	14.13	12.53	12.57	7/1/2016
S&P 500 Index	3.71	-4.60	6.54	15.65	18.92	15.99	16.45	
Value Added	-1.02	0.12	-2.55	-4.28	-4.79	-3.46	-3.88	
River Road FAV	0.23	-6.16	-5.00	-0.14	8.63	9.39	11.86	7/1/2016
Russell 3000 Value Index	2.77	-0.85	5.64	11.10	12.99	10.16	11.41	
Value Added	-2.54	-5.31	-10.64	-11.24	-4.36	-0.77	0.45	
Westfield Capital	2.33	-7.45	0.51	11.36	22.98	20.11	15.53	7/1/2011
Russell 3000 Growth Index	3.71	-9.25	1.33	12.86	22.68	20.16	16.36	
Value Added	-1.38	1.80	-0.82	-1.50	0.30	-0.05	-0.83	
Internal US Mid Cap	1.31	-4.90	0.92	4.47	14.49	11.67	11.33	8/1/2014
S&P MidCap 400 Index	1.38	-4.88	0.92	4.59	14.14	11.10	10.94	
Value Added	-0.07	-0.02	0.00	-0.12	0.35	0.57	0.39	
NTGI Structured	1.10	-5.99	-4.12	0.09	13.40	11.05	11.53	7/1/2011
Russell 2000 Index	1.24	-7.53	-9.66	-5.79	11.74	9.74	10.38	
Value Added	-0.14	1.54	5.54	5.88	1.66	1.31	1.15	

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Next Century Growth	-0.54	-11.14	-8.22	2.14			46.37	11/1/2019
Russell Microcap Growth Index	0.84	-13.71	-27.80	-25.51			14.99	
Value Added	-1.38	2.57	19.58	27.65			31.38	
Non-US Equity Composite	0.23	-8.20	-9.06	-3.73	8.20	7.81	3.01	4/1/2000
MSCI ACWI ex US IMI (10/17)	0.28	-5.60	-6.50	-1.27	7.87	6.98	3.17	
Value Added	-0.05	-2.60	-2.56	-2.46	0.33	0.83	-0.16	
BlackRock World Ex US	1.16	-4.78	-2.42	3.15	8.13	7.14	7.37	6/1/2012
MSCI World ex US (11/19)	1.16	-4.81	-2.46	3.04	8.04	7.08	7.29	
value added	0.00	0.03	0.04	0.11	0.09	0.06	0.08	
American Century	1.11	-13.60	-12.63	-6.17	13.78	13.16	7.56	7/1/2014
MSCI ACWI ex US IMI (10/17)	0.28	-5.60	-6.50	-1.27	7.87	6.94	4.15	
Value Added	0.83	-8.00	-6.13	-4.90	5.91	6.22	3.41	
Franklin Templeton	0.38	-14.98	-19.22	-12.87	7.36	8.71	6.26	7/1/2014
MSCI ACWI ex US IMI (10/17)	0.28	-5.60	-6.50	-1.27	7.87	6.94	4.15	
Value Added	0.10	-9.38	-12.72	-11.60	-0.51	1.77	2.11	
Lazard Asset Mgmt	-1.46	-6.21	-8.21	-4.29	6.65	7.39	4.54	7/1/2014
MSCI ACWI ex US IMI (10/17)	0.28	-5.60	-6.50	-1.27	7.87	6.94	4.15	
Value Added	-1.74	-0.61	-1.71	-3.02	-1.22	0.45	0.39	
LSV Asset Mgmt	0.08	-3.03	-3.50	1.79	6.06	5.39	3.40	7/1/2014
MSCI ACWI ex US IMI (10/17)	0.28	-5.60	-6.50	-1.27	7.87	6.94	4.15	
Value Added	-0.20	2.57	3.00	3.06	-1.81	-1.55	-0.75	
Axiom	1.06	-17.01					-13.21	12/1/2021
MSCI AC World ex USA Small Cap (Net)	1.02	-6.52					-2.56	
Value Added	0.04	-10.49					-10.65	

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
JP Morgan Emerging Markets	-3.54	-17.41	-25.88	-18.93			5.62	11/1/2019
MSCI Emerging Markets IMI	-1.62	-6.59	-14.16	-9.18			7.46	
Value Added	-1.92	-10.82	-11.72	-9.75			-1.84	
Pzena Emerging Markets	1.62	-0.98	-5.33	-4.68			8.73	11/1/2019
MSCI Emerging Markets (Net)	-2.26	-6.97	-15.62	-11.37			5.99	
Value Added	3.88	5.99	10.29	6.69			2.74	
Private Equity Composite	5.00	6.06	26.92	41.07	18.37	17.44	11.45	7/1/2002
KRS Short-Term PE Index	5.00	6.06	26.92	41.07	18.37	17.44	11.45	
Value Added	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Russell 3000 +3% 1 Quarter Lag	4.19	10.09	20.81	29.43	29.56	21.51	13.09	
Value Added	0.81	-4.03	6.11	11.64	-11.19	-4.07	-1.64	
Core Fixed Income Composite	-1.72	-3.36	-3.43	-2.59	2.41		3.16	10/1/2018
Blmbg. U.S. Aggregate	-2.78	-5.93	-5.87	-4.15	1.69		2.76	
Value Added	1.06	2.57	2.44	1.56	0.72		0.40	
NISA	-2.75	-5.85	-5.81	-4.03	1.66	2.17	2.67	7/1/2011
Blmbg. U.S. Aggregate	-2.78	-5.93	-5.87	-4.15	1.69	2.14	2.57	
Value Added	0.03	0.08	0.06	0.12	-0.03	0.03	0.10	
Loomis Sayles Intmd	-2.58	-4.88	-5.40	-4.53	1.75		2.15	2/1/2019
Blmbg. U.S. Intermediate Aggregate	-2.51	-4.69	-5.12	-4.38	1.19		1.58	
Value Added	-0.07	-0.19	-0.28	-0.15	0.56		0.57	
Lord Abbett	-1.30	-2.52	-2.47	-1.81	1.82		2.32	10/1/2018
ICE BofAML 1-3 Year U.S. Corporate	-1.67	-3.16	-3.52	-3.19	1.45		2.00	
Value Added	0.37	0.64	1.05	1.38	0.37		0.32	

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Specialty Credit Composite	0.02	-0.30	3.06	6.00	6.13		6.02	10/1/2018
Specialty Credit Policy Index	-0.55	-2.48	-0.79	1.30	4.42		4.19	
Value Added	0.57	2.18	3.85	4.70	1.71		1.83	
Adams St SPC II A	0.00	0.00	6.20	12.77			11.49	6/1/2020
Adams St SPC II B	0.00	0.00	7.19	14.70			13.25	6/1/2020
Blue Torch	2.95	2.95	9.87	11.53			8.04	8/1/2020
BSP Coinvestment	1.64	1.64	4.40	7.12			6.43	10/1/2019
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26			3.98	
Value Added	1.59	1.74	2.64	3.86			2.45	
BSP Private Credit	2.04	2.04	8.42	12.28	8.29		6.13	2/1/2018
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26	4.23		3.87	
Value Added	1.99	2.14	6.66	9.02	4.06		2.26	
CapitalSpring	2.86	2.86	5.54	7.41			9.71	2/1/2020
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26			3.52	
Value Added	2.81	2.96	3.78	4.15			6.19	
Cerberus Capital Mgmt	0.82	2.93	12.67	16.96	11.69	10.39	9.69	9/1/2014
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26	4.23	4.01	3.86	
Value Added	0.77	3.03	10.91	13.70	7.46	6.38	5.83	
Columbia	-0.73	-4.22	-2.61	0.02	4.38	4.58	6.11	11/1/2011
Blmbg. U.S. Corp: High Yield	-1.15	-4.84	-3.31	-0.66	4.58	4.69	6.09	
Value Added	0.42	0.62	0.70	0.68	-0.20	-0.11	0.02	
Manulife Asset Mgmt	-0.61	-3.85	-3.79	-2.28	5.14	3.99	4.21	12/1/2011
Policy Index	-2.68	-6.11	-6.07	-4.23	1.85	2.31	1.63	
Value Added	2.07	2.26	2.28	1.95	3.29	1.68	2.58	

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Marathon Bluegrass	-1.01	-0.73	5.41	9.92	6.71	5.55	7.16	1/1/2016
Blmbg. U.S. Corp: High Yield	-1.15	-4.84	-3.31	-0.66	4.58	4.69	6.85	
Value Added	0.14	4.11	8.72	10.58	2.13	0.86	0.31	
Shenkman Capital	0.04	-0.52	1.06	2.44	3.83	3.76	3.94	7/1/2011
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26	4.23	4.01	4.24	
Value Added	-0.01	-0.42	-0.70	-0.82	-0.40	-0.25	-0.30	
Waterfall	-2.66	-0.24	4.25	8.04	4.01	6.04	8.28	7/1/2011
Policy Index	-0.81	-3.10	-2.24	-0.49	3.36	3.66	4.21	
Value Added	-1.85	2.86	6.49	8.53	0.65	2.38	4.07	
White Oak Yield Spectrum	1.63	1.63	4.22	5.85	6.15		5.34	3/1/2018
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26	4.23		3.90	
Value Added	1.58	1.73	2.46	2.59	1.92		1.44	
Arrowmark	0.91	1.73	7.97	11.30	8.97		9.19	6/1/2018
S&P/LSTA Leverage Loan Index	0.05	-0.10	1.76	3.26	4.23		3.92	
Value Added	0.86	1.83	6.21	8.04	4.74		5.27	
H/2 Credit Partner	0.01	5.07	1.32	1.13	1.75	2.24	4.46	7/1/2011
Mesa West Core Lend	1.56	1.56	3.16	7.30	6.35	6.52	6.40	5/1/2013
Mesa West IV	2.66	2.66	8.42	11.35	8.08	7.01	6.89	3/1/2017
Cash Composite	0.01	0.02	0.06	0.07	0.79	1.19	2.46	7/1/1992
FTSE 3 Month T-Bill	0.02	0.03	0.05	0.06	0.76	1.09	2.32	
Value Added	-0.01	-0.01	0.01	0.01	0.03	0.10	0.14	
Real Estate Composite	2.00	6.97	19.53	25.44	13.63	11.71	10.03	5/1/2009
NCREIF ODCE NOF 1 Quarter Lag	7.66	7.66	18.78	21.02	8.23	7.74		
Value Added	-5.66	-0.69	0.75	4.42	5.40	3.97		

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Baring	2.07	0.92	1.97	12.03	23.02		20.41	1/1/2019
Barings Euro RE II	10.04	8.21	32.19	9.23			-17.59	12/1/2020
Divcowest IV	18.97	18.97	37.58	45.43	17.61	17.98	20.34	3/1/2014
Fundamental Partners III	9.94	9.94	29.15	36.51	21.50		15.57	5/1/2017
Greenfield Acq VI	-10.81	-10.81	-40.61	-40.91	-45.91	-35.58	-16.73	12/1/2012
Greenfield Acq VII	16.18	16.18	33.42	33.79	21.68	18.36	15.78	7/1/2014
Harrison Street	0.00	2.67	7.02	8.62	6.68	7.56	7.74	5/1/2012
Lubert Adler VII	4.79	4.79	8.02	8.82	-3.81	2.34	-1.23	7/1/2014
Lubert Adler VII B	7.93	7.93	49.42	54.60	23.61		15.48	7/1/2017
Patron Capital	10.76	9.38	24.89	34.43	9.76	14.33	6.11	8/1/2016
Prologis Targeted US	0.00	13.62	41.90	48.50	23.59	21.45	18.72	10/1/2014
Rubenstein PF II	3.63	3.63	4.74	5.04	-1.10	5.27	8.57	7/1/2013
Stockbridge Sm/Mkts	0.00	6.17	14.02	22.39	10.34	9.50	9.68	5/1/2014
Walton St RE VI	8.37	8.37	13.79	19.22	2.35	3.73	-12.77	5/1/2009
Walton St RE VII	2.08	2.08	9.77	12.91	-2.82	0.53	6.13	7/1/2013
Real Return Composite	1.02	-0.37	3.19	8.72	6.20	4.77	4.21	7/1/2011
Real Return (I)	1.02	-0.37	3.19	8.72	6.20	4.41	3.66	
Value Added	0.00	0.00	0.00	0.00	0.00	0.36	0.55	
Putnam	-0.38	-5.74	-1.55	4.63			13.16	7/1/2020
Policy Index	0.68	-5.46	-0.80	4.57			12.93	
Value Added	-1.06	-0.28	-0.75	0.06			0.23	

Asset Allocation & Performance

Insurance Plan Accounts

Periods Ended March 31, 2022

	Performance (%) net of fees							
	1 Month	QTD	FYTD	1 Year	3 Years	5 Years	Since Inception	Inception Date
Tortoise Capital	4.17	23.26	22.39	47.50	4.29	1.29	9.28	8/1/2009
Alerian MLP Index	2.05	18.81	12.64	36.56	2.70	-0.07	6.10	
Value Added	2.12	4.45	9.75	10.94	1.59	1.36	3.18	
Amerra AGRI Fund II	6.80	6.80	11.60	10.30	9.94	5.20	5.61	12/1/2012
Amerra AGRI Holdings	-1.72	-1.72	-1.14	-5.57	-1.61	-2.85	-1.73	8/1/2015
BTG Pactual	-3.56	-3.56	13.37	7.87	-0.54	-0.11	-4.84	12/1/2014
IFM Infrastructure	1.17	1.17	5.93	7.16			4.24	7/1/2019
Magnetar MTP EOF II	26.33	26.33	46.76	72.32	30.31	20.25	14.30	8/1/2015
Oberland Capital	1.91	1.91	11.33	11.65	19.25		14.94	8/1/2018
Taurus Mine Finance	10.95	10.95	21.43	17.92	2.84	5.93	9.32	4/1/2015
TPF II	36.77	36.77	36.34	20.90	11.21	7.02	-0.34	10/1/2008
Blackstone Strat Opp	1.22	1.20	3.86	6.13	-5.73		-2.32	8/1/2017
Luxor Capital	-0.04	-0.29	9.60	16.73	-6.48	1.83	-0.52	4/1/2014
Myriad Opportunities	-0.13	-42.82	-57.93	-56.93	-21.24	-12.13	-9.45	5/1/2016
Pine River	-0.69	0.02	0.57	2.67	11.94	6.62	4.23	5/1/2014
PRISMA Capital	-0.24	-0.28	-0.68	-1.48	-0.06	1.44	2.59	9/1/2011
SRS Partners US	0.00	0.00	-0.57	8.77	10.04		9.73	8/1/2017
Tricadia Select	0.00	0.00	0.00	0.00	0.60		-5.43	9/1/2017



MEMORANDUM

DATE: June 7, 2022

TO: County Employees Retirement System Board of Trustees

FROM: Chair, Personnel Committee

SUBJECT: Summary of Organizational CERS Personnel Committee, June 7, 2022

The County Employees Retirement System held a special meeting on June 7, 2022, to organize the Committee and establish a project schedule and timeline.

1. **The Committee elected Jim Tony Fulkerson as Chair and Mike Foster as Vice-Chair.**
2. **Bylaws amendment to add the Personnel Committee as a Standing Committee.**
 - a. The Committee discussed how to amend the bylaws to add a new Standing Committee.
 - b. Mike Foster outlined how the Personnel Committee could be added and suggested that the Personnel Committee make a recommendation to the Board. Other committee members agreed.
 - c. Ed offered to prepare a recommendation and circulate a draft via email for committee member approval to add the bylaw amendment to the June 14 CERS Board meeting.
3. **Policies and Procedures for staff evaluations**
 - a. Lori Casey has been assigned as staff support for the Committee.
 - b. Betty Pendergrass shared the preliminary format for a consistent, objective evaluation process. Betty will share that document with the other committee members and the Committee will finalize the evaluation format at their next meeting.
 - c. Mike Foster suggested an annual evaluation for both the CEO and General Counsel.
4. **Next meeting was scheduled for June 22, 2022, at 3pm, ET.**



BOARD OF TRUSTEES
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION

[As Amended: [September 14, 2022](#)]

Section 1.1 GENERAL ADMINISTRATION.

This Statement of Bylaws and Committee Organization of the Board of Trustees of the County Employees Retirement System (CERS) is adopted pursuant to the authority of KRS 78.782(2). State and Federal law shall control any inconsistency that exists or may exist between the law and this Statement of Bylaws and Committee Organization.

a. Definitions.

1. AAC: "AAC" refers to the Joint CERS and Kentucky Retirement Systems Administrative Appeals Committee.
2. Board: "The CERS Board" refers to the CERS Board of Trustees of the County Employees Retirement System.
3. Board Year: The CERS Board Year shall be from April 1 of each calendar year through March 31 of the following year.
4. Bylaws: "Bylaws" refers to the Statement of Bylaws and Committee Organization.
5. CEO: "CEO" refers to CERS Chief Executive Officer, as outlined in KRS 78.782(9) & (10).
6. CIO: "CIO" refers to KPPA Executive Director Office of Investments.
7. DAC: "DAC" refers to the Joint CERS and Kentucky Retirement Systems Disability Appeals Committee.
8. KPPA: "KPPA" refers to the Kentucky Public Pensions Authority.
9. KRS: "KRS" refers to the Kentucky Revised Statutes.
10. Committee member: "Committee member" or "member" used in relation to a Committee refers to a member of the CERS Board of Trustees of the County Employee Retirement System serving on its Standing or ad hoc Committees.
11. Member: "Member" or "members" used in relation to individuals participating in a system (or System) administered by the Kentucky Public Pensions Authority refers to individuals who are active members (i.e., currently participating as an employee), inactive members (i.e., formerly participated as an employee, but is not currently participating as an employee, has not retired, and has not taken a refund), or retired.
12. Retirement Office: "Retirement Office" refers to the offices of the KPPA located at 1260 Louisville Road, Frankfort, Kentucky 40601.
13. Take action on: "Take action on" used in relation to the Board refers a motion being made, seconded, and voted upon by the Board in compliance with Robert's Rules of Order. [RONR (11th ed., as amended)].
14. Trustee: "Trustee" refers to a member of the Board of Trustees of the County Employees Retirement System.

b. Quorum; Parliamentary Authority.

1. CERS Board of Trustees: As required by KRS 78.782(8)(c), a majority of the trustees shall constitute a quorum and all actions taken by the CERS Board shall be by affirmative vote of a majority of the trustees present.
2. Committees of the CERS Board of Trustees: A majority of the trustees on any Committee of the Board appointed pursuant to Sections 2.1-2.5 of these Bylaws shall constitute a quorum of

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 [As Adopted: February 7, 2022]

- the Committee and all actions taken by the Committee shall be by affirmative vote of a majority of the Committee trustees present.
3. The most recent edition of Robert's Rules of Order shall be the parliamentary authority. [RONR (11th ed., as amended)], except that if any Committee of the Board is comprised of five (5) or more trustees, the Committee shall not constitute a quorum of the Board and the Board shall be required to action on all preliminary decision made by the Committee, unless otherwise specified by these Bylaws.
- c. Meetings. Meetings of the CERS Board and its Committees shall be conducted consistent with the Open Meetings Act, KRS 61.805 to 61.850. The Open Meetings Act shall control if any inconsistency exists between the Open Meetings Act and these Bylaws.
 - d. Annual Meeting. The annual meeting of the CERS Board shall be held on the third Wednesday of April of each Board Year.
 - e. Regular Meetings. The Board shall determine and approve on an annual basis in advance, no later than the preceding December Board of Trustees' meeting the following years' regular Board and Committee meeting schedule. This provision shall not apply to the Joint Disability Appeals Committee and the Joint Administrative Appeals Committee meetings. Those meeting dates shall be determined at Committee meetings.
 - f. Special Meetings.
 1. Special meetings of the Board shall be held upon the call of the Chair of the CERS Board or the CERS CEO.
 2. Special meetings of a Standing or ad hoc Committee of the CERS Board of Trustees shall be held upon the call of the CERS Committee Chair or the CERS CEO.
 3. A trustee may request that the CERS CEO, Chair of the CERS Board (in the case of a special meeting of the CERS Board), or CERS Committee Chair (in the case of a special meeting of a Committee) call a special meeting by email or other written means. Upon receipt of email or other written requests to call a special meeting from a majority of the trustees, the CERS CEO, CERS Board Chair, or CERS Committee Chair shall call the requested special meeting.
 - g. Notice of Meetings.
 1. Regular Meetings. Notice of a regular meeting of the CERS Board shall be posted at least seven (7) days (inclusive of weekends and holidays) before the meeting is scheduled. The notice of a regular meeting shall include the date, time, and location of the meeting, and the agenda for the meeting. The agenda shall be determined under the direction of and approval by the Chair of the CERS Board. Changes or revisions to the agenda may be proposed by the CERS CEO or a trustee; provided such proposal shall be delivered to the CERS Chair for approval not less than ninety-six (96) hours before the meeting is scheduled; and further provided that nothing in this sentence shall deprive a trustee from introducing new items of business during a regular meeting. Approved changes or revisions to the agenda shall be posted not less than seventy-two (72) hours before the meeting is scheduled.
 2. Special Meetings. When circumstances warrant a special meeting of the CERS Board or of a Committee, notice shall be posted as soon as reasonably possible, but not less than twenty-four (24) hours before the meeting is scheduled. The notice of a special meeting shall include the date, time, and location of the special meeting and the agenda for the meeting. Discussions and action at the meeting shall be limited to items listed on the agenda in the notice.
 - h. Change in Meeting Dates. Any regular or special meeting of the CERS Board may be changed by following the procedure prescribed in these Bylaws for calling special meetings.
 - i. Records of Proceedings. All official acts of the CERS Board shall be recorded in the minutes of the regular or special meeting at which the action was approved or adopted. The CERS CEO shall cause the minutes to be transcribed and presented for approval or amendment at the next regular or special meeting. An electronic copy (certified by the Chair of the CERS Board and CERS CEO) shall be on

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file in the Retirement Office for public inspection and posted to the KPPA website hosted for CERS. Electronic copies are maintained on the KPPA Website for Board and Committee actions. Copies that have been archived from the website are available on request.

- j. Chair and Vice-Chair of the CERS Board. The CERS Board shall elect a Chair and a Vice-Chair at each annual meeting to hold office for the ensuing CERS Board Year or until their successors are elected. The CERS Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair of the CERS Board. The CERS Vice-Chair shall not serve more than four (4) consecutive years as Chair or Vice-Chair of the CERS Board. A trustee who has served four (4) consecutive years as Chair or Vice-Chair of the CERS Board may be elected Chair or Vice-Chair of the CERS Board after an absence of two (2) years from both positions.
- k. CERS Committees. The CERS Board may create CERS Committees with such powers and duties as established by the CERS Board. The Chair of the CERS Board, unless otherwise stipulated or determined by the CERS Board, shall appoint the members of each CERS Standing or CERS Ad Hoc Committee, and such appointments shall be recorded in the minutes of the current or next-following regular or special CERS Board meeting. CERS Committee members shall serve concurrently with the appointing Chair.
- l. Conflicts of Interest.
 - 1. CERS Trustees shall file a statement of financial disclosure with the Executive Branch Ethics Commission within thirty (30) days of taking office.
 - 2. CERS Trustees shall also file a statement of financial disclosure by April 15 of each calendar year, and within thirty (30) days following departure from office as a CERS Trustee, or as otherwise provided by law.
 - 3. CERS Trustees shall also file a written conflict of interest statement as required pursuant to the County Employees Retirement System' Conflict of Interest.
- m. Confidentiality. CERS Trustees shall file a written confidentiality statement as required by the CERS Confidentiality Policy.
- n. Travel Policy Guidelines.
 - 1. All travel for official business of the County Employees Retirement System must be done in accordance with the requirements of and be consistent with KRS Chapter 45A and the County Employees Retirement System Board of Trustees Per Diem and Reimbursement Policy.
 - 2. No more than four (4) CERS Trustees may be passengers in the same common carrier. A Maximum of one (1) executive staff of the County Employees Retirement System may be passengers in the same common carrier.
 - 3. To avoid an accidental violation of Kentucky Open Meetings Laws, other than for CERS scheduled meetings, no more than four (4) CERS Trustees may attend the same off-site conference, training, etc., at the same time. The CERS CEO shall review Trustee travel requests to coordinate attendance and avoid noncompliance with Kentucky Open Meetings Laws.
- n. Election Policy Guidelines. All elections for elected trustees of the CERS Board must be conducted in accordance with the provisions of KRS 78.782(4), 105 KAR 1:445 and the County Employees Retirement System Board of Trustees Election Policy and Procedures adopted by the CERS Board.
- o. Violations of Board Policies and Guidelines. If a complaint is made that a CERS Trustee violated these Bylaws or any policy approved by the CERS Board, the CERS Board shall follow the procedure found in the CERS Conflict of Interest or the CERS Confidentiality Policy in investigating the complaint.

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Section 1.2 CERS BOARD RESPONSIBILITIES.

- a. The CERS Board shall make and maintain Bylaws.
- b. The CERS Board shall appoint a CEO and fix the CERS CEO's compensation.
- c. The CERS Board shall appoint a General Counsel and fix the CERS General Counsel's compensation.
- d. The CERS Board shall adopt a Personnel Management policy to outline the job descriptions, qualifications, education, and skills for both the CEO and the General Counsel. This policy should also describe recruitment strategies, performance evaluations, and succession planning for these two positions.
- e. The CERS Board may act on contracts for rental of office space, and professional services, including, but not limited to, the auditor, legal counsel, in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS Chapter 45A).
- f. The CERS Board shall consider and take action on changes to administrative regulations proposed by the staff of the CERS and KPPA.
- g. The CERS Board shall take action on the audited financial statements.
- h. The CERS Board shall consider and take action on the recommendations of all of its Committees, except that:
 1. AAC and DAC shall have the authority to act upon the recommendations and reports of the hearing officer on behalf of the CERS Board in accordance with KRS Chapter 13B, and
 2. Pursuant to KRS 78.790(1)(b)(2), The CERS Board's Investment Committee shall have the authority to act on behalf of the CERS Board on all investment-related matters, though the CERS Board shall be kept informed of all such matters and shall be responsible for providing oversight on all investment-related matters in compliance with the fiduciary responsibilities of the CERS Board, state and federal law, and the CERS Board's Bylaws and Policies. All investment policies shall be adopted by the CERS Board and the CERS Investment Committee shall implement those policies.
- i. The CERS Board shall work with an actuary, who shall be a Fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries. KPPA will select and contract with the actuary pursuant to KRS 78.782(2) which allows the Board to carry out its obligations in accordance with KRS 78.784. The Board shall consider and take action on the recommendations of its actuary, including, but not limited to, determining the recommended contribution rates for employers in accordance with KRS 78.510 to 78.852.
- j. The CERS Board shall adopt contribution rates toward medical insurance premiums.
- k. The CERS Board shall provide oversight concerning programs and services for County Employees Retirement System members, beneficiaries, recipients, and participating employers.
- l. Legislative Issues. The Board will review and recommend statutory changes to the General Assembly related to the administration of benefits and compliance with federal law and determine which changes are in the best interests of the CERS plans. The Board will also review legislation proposed by the General Assembly that is likely to have significant impact on the funded status, existing member benefits, or system administration for any of the CERS plans.
- m. The CERS Board shall select candidates for each trustee ballot as provided in KRS 78.782(4), and 105 KAR 1:445.
- n. The CERS Board shall establish a formal trustee education program for all trustees of the CERS Board, pursuant to the requirements of KRS 78.782(17) and 105 KAR 1:440, and ensure that CEO organizes process for this trustee education to occur.
- o. The CERS Board shall collaborate with KPPA on Business Continuity and Disaster Recovery to ensure that CERS records and operations are adequately protected and that critical business operations will

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continue efficiently. The CERS Board may rely on policies and procedures developed by KPPA to address Business Continuity and Disaster Recovery issues. The CERS Board Chair shall act as temporary CERS CEO in the event the CERS CEO is not available to perform duties outlined in these Bylaws.

- p. The CERS Board, and individual trustees, should ordinarily refer all news media inquiries to the CERS CEO and/or the CERS Board Chair, and should not speak on behalf of the CERS Board or County Employees Retirement System with the news media. However, nothing in this subsection is intended to prevent individual trustees from speaking to the media concerning their actions, opinions, and decisions as individual Trustees. The Board designates the Executive Director of the KPPA, or his designee as the custodian of records for the CERS.

Section 1.3 CHIEF EXECUTIVE OFFICER RESPONSIBILITIES.

- a. The CERS CEO shall ensure that all Board and/or Committee meeting materials are distributed to Trustees at least one week in advance of the meeting to allow Trustees ample time to review documents. The CERS CEO will collaborate with the KPPA Executive Director to identify materials that will be relevant to Board or Committee discussions and assist with compilation of those materials for distribution.
- b. The CERS CEO shall develop a biennial budget and necessary budget amendments for approval by CERS Board. The CERS CEO will coordinate approved budget requests with the KPPA Executive Director to ensure that CERS budget requests are integrated with the KPPA budget request for submission to the Governor's office. The CERS CEO (or designee) shall present a budget-to-actual expenditure analysis to the CERS Board at each regular quarterly meeting of the CERS Board.
- c. The CERS CEO shall be responsible for working with the KPPA Executive Director to ensuring compliance with meeting notice and open records legal and regulatory requirements. The CERS CEO shall also be responsible (in collaboration with KPPA staff) for compiling all relevant materials for consideration by the CERS Board or its Committees and strive to distribute materials to Trustees at least one week prior to the Board or Committee meeting. All materials must be distributed to Trustees in a timely fashion to ensure adequate time for Trustees to review and analyze information prior to the Board or Committee meeting.
- d. The CERS CEO shall coordinate with KPPA staff to ensure that information and record management is comprehensive and efficient, and shall ensure that a disaster recovery plan, continuity of operations plan, and policies to ensure cyber security are developed and maintained.
- e. The CERS CEO shall be responsible for implementing a formal trustee education program for all trustees of the CERS Board, pursuant to the requirements of KRS 78.782(17).
- f. The CERS CEO shall develop recommendations for improvements and revisions of CERS Board policies and submit such revisions for CERS Board approval. CERS CEO shall ensure that approved policies are implemented in conformance with statutes, regulations, and CERS Board policies.
- g. The CERS CEO shall collaborate with CERS General Counsel and KPPA Legal staff to monitor litigation affecting CERS plans. CERS CEO and CERS General Counsel shall report significant developments to the CERS Board.
- h. The CERS CEO shall be responsible for oversight of CERS investment management to ensure that CERS investments are made in a manner consistent with policies promulgated by the CERS Investment Committee and approved by the CERS Board. In carrying out such responsibilities, the CERS CEO will monitor CERS investment policy compliance, investment performance, and ensure timely reporting to the CERS Board of oversight and monitoring concerns and actions.

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- i. The CERS CEO will ensure that the KPPA Legislation Status Chart is provided to CERS Trustees and will schedule meetings based on an assessment of the impact of proposed legislation. The CERS CEO and CERS General Counsel may also prepare draft changes to Kentucky Revised Statutes based on CERS Board or an ad-hoc CERS Legislative Committee recommendations, as well as housekeeping revisions to address technical issues and present them to Committee members prior to the date of a meeting. CERS CEO and General Counsel will research the impact of proposed changes and report the results to the Committee. CERS CEO and General Counsel will also make preliminary contacts with legislators, employers and interest groups to assist in formulating legislation to accommodate all interested parties. CERS CEO, General Counsel, and CERS Board Chair will work with the General Assembly, Legislative Research Commission, the Governor's Office, KPPA, and interest groups to advocate for passage of the Board's legislative proposals, or advocate for other interests supported by the Board.
- j. The CERS CEO shall act as legislative liaison, and represent the CERS Board at legislative hearings and other legislative meetings. CERS CEO and General Counsel will review proposed legislation that is likely to impact CERS plan or administrative management and advise the CERS Board about pending legislation.
- k. The CERS CEO shall provide technical assistance to the members of the General Assembly, Governor's office, and state and local government officials, as well as members, recipients, and beneficiaries of the County Employees Retirement System.
- l. The CERS CEO shall recommend legislative or regulatory changes and propose draft language. These recommendations shall be presented to the CERS Board for review and approval.
- o. The CERS CEO shall implement any statutory or regulatory changes and take appropriate action to conform to federal law. CERS CEO shall also collaborate with KPPA Executive Director to monitor implementation of any changes designated as KPPA's responsibilities.
- m. The CERS CEO shall sign all documents necessary to promulgate or amend an administrative regulation on behalf of the CERS Board as the head of the County Employees Retirement System in accordance with KRS 13A.220.
- n. The CERS CEO shall communicate with the mass media and other agencies, entities or institutions, and CERS stakeholders, including responding to correspondence or inquiries addressed to the CERS Board.
- o. The CERS CEO shall develop written procedures for completing the responsibilities outlined in these Bylaws. The CERS CEO shall collaborate with the KPPA administrative staff to coordinate key operational provisions specific to CERS, including but not limited to access codes for CERS Board files, equipment, and software maintained by the CERS CEO, key Trustee and vendor contact information, or other organizational information in the event that the CERS CEO is not available to perform the duties outlined in these Bylaws.
- p. The CERS CEO shall collaborate with the KPPA Executive Director on issues related to benefits administration and to coordinate reciprocal benefits with the other state administered retirement systems in Kentucky.
- q. In the case of emergency conditions that threaten the functioning of the County Employees Retirement System, the preservation or protection County Employees Retirement System' property or assets, vital data, or the health and safety of any person, and where a quorum of the CERS Board is unavailable, the CERS CEO may take actions necessary to prevent or mitigate the threat, even if a vote of the CERS Board would otherwise be necessary to take such action. When a quorum of the CERS Board becomes available, any such actions taken by the CERS CEO shall be reviewed and ratified as necessary.

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Section 2.1 STANDING COMMITTEES.

The CERS Board shall have the Standing Committees specified in Section 2.2, each of them to have the duties and responsibilities as therein set forth, together with such other duties and responsibilities as the CERS Board may by resolution determine. In each CERS Board Year, the Chair, elected at the annual meeting, shall appoint trustees to Committees as specified in Section 2.2, unless otherwise determined by the CERS Board. Each CERS Committee shall have a Chair and the CERS Board Chair shall appoint the Chair of each Committee, unless otherwise determined by the CERS Board. A CERS Committee may (but is not required to) elect a Vice-Chair from among its CERS Committee members by a majority vote of the Committee. A Vice-Chair so elected shall preside at meetings of the CERS Committee in the absence or inability to act of the Committee Chair. Any trustee may attend any meeting of any Committee of which he or she is not a Committee member, but shall not have a vote.

Section 2.2 STANDING COMMITTEES; DUTIES AND RESPONSIBILITIES.

The Standing Committees of the CERS Board are, and shall have respective duties and responsibilities, as follows:

- a. Actuarial Committee. The CERS Actuarial Committee shall include (i) one (1) trustee with retirement administration experience appointed by the Governor pursuant to KRS 78.782(2)(b)(1-3); (ii) one (1) trustee elected by members of the County Employees Retirement System; and (iii) one (1) trustee with investment experience appointed by the Governor pursuant to KRS 78.782(2)(b)(4-6).
 1. Committee Responsibilities.
 - A. The Committee will meet semi-annually, with authority to convene additional meetings, as circumstances require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year. Additional meetings may be convened in conjunction with experience studies or significant changes to federal or state statutory guidance for CERS.
 - B. The CERS Actuarial Committee will review and evaluate actuarial assumptions, funding methods and tables proposed by the actuary (including without limitation all economic, mortality, disability, etc., assumptions) for each plan within County Employees Retirement System that affect: (i) the annual determination of the actuarial valuation of assets and liabilities of the System within the meaning of KRS 78.784; (ii) the factors that apply to amounts payable to members (e.g., early commencement, commutation, repayment, etc.); and (iii) the actuarially recommended contribution rate for employers required under KRS 78, except as otherwise determined by law or regulation,
 - C. The CERS Actuarial Committee will report its findings and recommendations of each such review or evaluation to the CERS Board for the CERS Board to determine appropriate implementation and action.
- b. Administrative Appeals Committee. The CERS Board shall collaborate with the Kentucky Retirement System Board to develop a timely disability and administrative appeals process. The CERS Board and the KRS Board will coordinate the Administrative Appeals process with one AAC for each Board. These AAC's may be combined with the DACs (Section 2.2(d), in compliance KRS 61.645(16) and KRS 78.782(16). Consistent with the provisions of KRS Chapter 13B, the AACs shall meet in alternate months, as needed, to act in matters of administrative appeals. Each Committee shall consist of three (3) members; however, the members appointed to one committee may also serve from time to time on the other Committee. One of the AAC shall consist of two (2) CERS Trustees and one (1) Kentucky Retirement Systems trustee. The other AAC shall consist of one (1) CERS Trustee and two (2) Kentucky Retirement Systems trustees. The AACs shall ensure that the laws

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governing CERS are administered impartially and uniformly, and that the actions of the CERS resulting in the appeal were correct and fair under the applicable statutes and regulations.

1. **AAC Responsibilities:** In matters of administrative appeals; the Committee members shall consider the administrative record, including the recommended order and any exceptions filed in compliance with KRS 13B.120. The AAC shall act on behalf of the entire CERS Board as the agency head in making a final order of the CERS Board in accordance with KRS 13B.120. The Committee may adopt the hearing officer's recommended order; or it may reject or modify, in whole or in part, the recommended order; or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate; or it may act on cases properly remanded by a court of competent jurisdiction. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the CERS CEO for study and development for the CERS review and approval.
2. **KPPA Executive Director Office of Benefits Responsibilities.** The Executive Director, KPPA Office of Benefits or designated staff, in coordination with KPPA Legal Staff, will coordinate meeting dates and determine which cases will be reviewed by each AAC. Designated staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. KPPA Legal Staff may provide legal or technical advice to the Committee,
- c. **Finance Committee.** The Committee shall consist of not less than three (3) and not more than four (4) members and will act on behalf of the CERS Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, regulations, and the applicable codes of conduct.
 1. **Committee Responsibilities.**
 - A. The Finance Committee will meet quarterly, with authority to convene additional meetings, as circumstances require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year.
 - B. The Finance Committee shall have the authority to review reports by the KPPA Internal Audit Administration and to recommend appropriate policies and procedures to KPPA.
 - C. The Finance Committee shall review the job descriptions for the employees whose names have been certified by the applicable authority to meet the criteria of KRS 61.592 and 105 KAR 1:130 for hazardous duty, and also those employees who have been so certified who are not, or who no longer are, working in a hazardous duty position. Upon review and approval, the Finance Committee shall forward the results and its recommendations for the appropriate classification as hazardous or nonhazardous duty to the CERS Board for approval and ratification.
 2. The Finance Committee shall review interim financial reports and budget-to-actual comparisons for administrative budgets. Financial reports shall include, but are not limited to, statement of net position, statement of changes in net financial position, cash flow reports, accounts receivable, and collection activity reports for each plan (pension and insurance, nonhazardous and hazardous).
 3. The Finance Committee may request internal audits to analyze specific issues relevant to CERS plan management, investment performance, or administration.
 4. **Audit Charters.** The KPPA Division of Internal Audit Charter are hereby incorporated by reference.
 5. **Budget.** The Finance Committee shall review the County Employees Retirement System's biennial administrative budget and necessary budget amendments.

COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION
 [As Adopted: February 7, 2022]

- d. **Disability Appeals Committee.** The CERS Board shall collaborate with the Kentucky Retirement System Board to develop a timely disability and administrative appeals process. The CERS Board and the KRS Board will coordinate the Disability Appeals process with one DAC for each Board. These DAC's may be combined with the AACs (Section 2.2(b), in compliance KRS 61.645(16) and KRS 78.782(16). Consistent with the provisions of KRS Chapter 13B, the DACs shall meet in alternate months, as needed, to act in matters of administrative appeals. Each Committee shall consist of three (3) members; however, the members appointed to one committee may also serve from time to time on the other Committee. One of the DAC shall consist of two (2) CERS Trustees and one (1) Kentucky Retirement Systems trustee. The other DAC shall consist of one (1) CERS Trustee and two (2) Kentucky Retirement Systems trustees. The DACs shall ensure that the laws governing CERS are administered impartially and uniformly, and that the actions of the CERS resulting in the appeal were correct and fair under the applicable statutes and regulations.
1. **Committee Responsibilities.** In matters of disability appeals, the Committee members shall consider the administrative record, including the recommended order and any exceptions filed in compliance with KRS 13B.120. The Committee shall act on behalf of the entire CERS Board as the agency head in making a final order of the CERS Board in accordance with KRS 13B.120. The Committee may adopt the hearing officer's recommended order; or it may reject or modify, in whole or in part, the recommended order; or it may remand the matter, in whole or in part, to the hearing officer for further proceedings as appropriate; or it may act on cases properly remanded by a court of competent jurisdiction. The Committee may also recommend legislative changes to improve the administration of the benefits. Any recommended legislative changes shall be referred to the CERS CEO for study and development for the CERS Board review and approval.
 2. **KPPA Executive Director Office of Benefits Responsibilities.** The Executive Director, KPPA Office of Benefits, or designated staff, in coordination with KPPA Office of Legal Services staff, will coordinate meeting dates and determine which cases will be reviewed. Designated staff will compile the administrative records and distribute the files to the Committee members prior to each meeting. Staff may provide legal or technical advice to the Committee.
- e. **Investment Committee.** The Committee shall consist of five (5) members, as follows: the three (3) trustees appointed by the Governor pursuant to KRS 78.782(2)(b)(4-6) (investment experience), and one (1) trustees appointed by the CERS Board Chair, and one (1) Trustee elected by the membership (KRS 78.782(4) or one (1) Trustee appointed by the Governor pursuant to KRS 78.782(2)(b)(1-3) (retirement administration).
1. **Committee Responsibilities.**
 - A. Pursuant to KRS 78.790, the CERS Investment Committee shall have authority to implement the investment policies adopted by the Board, including without limitation the CERS Board's Statement of Investment Policy (pensions and health), and to act on behalf of the CERS Board on all investment-related matters, and to acquire, sell, safeguard, monitor, and manage the assets and securities of the several funds.
 - B. The CERS Investment Committee will meet at least quarterly to review reports from investment staff, investment consultants, and investment managers with authority to convene additional meetings as circumstances require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year.
 - C. The CERS Investment Committee will monitor investment performance and management practices and make reports and recommendations to the CERS Board. The CERS Investment Committee will approve the selection and termination of service providers. The

COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION
[As Adopted: February 7, 2022]

- CERS Investment Committee will evaluate whether the Investment Policy, the investment activities, and management controls and processes continue to be consistent with meeting the County Employees Retirement System's financial and plan management goals, and perform other duties specified in the Statement of investment Policy.
- D. The Investment Committee may also recommend legislative changes to the CERS CEO and CERS Board to improve the administration of investment related matters.
2. **Collaboration with KPPA Executive Director, Office of Investments (CIO).**
- A. The CIO shall administer the assets of the County Employees Retirement System consistent with the policies, guidelines, and limits established by the law, the CERS Investment Committee and the CERS Statement of Investment Policy.
- B. The CERS CEO will collaborate with the KPPA CIO to develop and monitor investment management and investment performance reporting for the CERS Investment Committee and CERS Board.
- C. The KPPA CIO and CERS CEO shall provide members of the CERS Investment Committee with assessments of service providers and performance reports.
- D. The KPPA CIO and CERS CEO shall identify issues for consideration by the CERS Investment Committee and prepare recommendations regarding those issues.
- E. The CIO and CERS CEO shall recommend changes to the Investment Committee regarding service providers, statutes, policies or guidelines, as needed, to maintain a productive relationship between the investment program and its goals.
- F. The CIO and/or CERS CEO shall communicate with the mass media and other agencies, entities, or institutions regarding investment related issues.
3. **CERS Investment Policy.** The "CERS Investment Policy Statement: Pension Funds," the "CERS Investment Policy Statement: Insurance," and the "CERS Investment Procurement Policy" are hereby incorporated by reference.
- f. **Personnel Committee.** The CERS Personnel Committee shall include (i) one (1) trustee with retirement administration experience appointed by the Governor pursuant to KRS 78.782(2)(b)(1-3); (ii) one (1) trustee with former Personnel Committee experience within the KPPA system ; and (iii) one (1) trustee with investment experience appointed by the Governor pursuant to KRS 78.782(2)(b)(4-6).
1. **Committee Responsibilities.**
- A. The Committee will meet semi-annually, with authority to convene additional meetings, as circumstances require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year. Special meetings may be convened in conjunction with the need to evaluate, advise, coach or reprimand any CERS employee or professional services contract provider.
- B. The CERS Personnel Committee will recommend to the full Board of Trustees the appropriate number of employees and professional service contract providers to be employed by CERS. The CERS Personnel Committee will establish job descriptions and performance goals for all CERS employees and professional service contract providers. The Committee will evaluate the job performance of all CERS employees and make recommendations to the full Board of Trustees concerning employee compensation, retention, and potential disciplinary action, if needed.
- The Personnel Committee will work closely with the KPPA Human Resources Department to identify and implement best practices for employee development and training opportunities. The Personnel Committee will endeavor not to replicate services currently provided by KPPA Human Resources Department which are made available to CERS employees and professional services contract providers.
- C. The CERS Personnel Committee will report its findings and recommendations of each

COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION
 [As Adopted: February 7, 2022]

such review or evaluation to the CERS Board for the CERS Board of Trustees to determine appropriate implementation and action.

- g. **Joint Kentucky Retirement Systems and CERS Retiree Health Plan Committee.** The Committee shall consist of four (4) Trustees, including two (2) Trustees appointed from the CERS Board by the CERS Chair and two (2) Trustees appointed from the Kentucky Retirement Systems Board by the Kentucky Retirement Systems' Chair. The Committee shall elect a Chair and Vice Chair and shall assist the CERS and KRS Boards in providing a group hospital and medical insurance plan for present and future recipients of a retirement allowance from the systems administered by County Employees Retirement Systems as required by KRS 61.702.
 - 1. **Committee Responsibilities.**
 - A. The Committee will meet quarterly to review reports from KPPA staff and retiree health insurance consultants with authority to convene additional meetings, as circumstances require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year.
 - B. The Committee will monitor retiree health insurance matters and make reports and recommendations to the CERS and KRS Boards. The Committee will evaluate retiree health insurance issues and obligations set forth in state and federal law. The Committee may, as deemed necessary, evaluate health insurance companies, health maintenance organizations, self-insurance proposals, and other ways of providing a group hospital and medical insurance plan for retired members as provided in KRS 61.702.
 - C. The Committee may negotiate and recommend appropriate contracts for execution by the CERS & KRS Boards, in accordance with the requirements of the Commonwealth of Kentucky Model Procurement Act (KRS 45A). The Committee may solicit reports and actuarial analyses in order to analyze issues regarding retiree health insurance. The Committee may also recommend legislative changes to improve the administration of retiree health insurance related matters. Any recommended legislative changes shall be referred to the CEO for study and development.
 - 2. **KPPA Executive Director Responsibilities.** The KPPA Executive Director and designated staff will maintain and provide the Committee with necessary information to execute its responsibilities. The KPPA Executive Director or designated staff will provide advice regarding state and federal laws and regulations. KPPA Administrative Staff will identify issues for consideration by the Committee and prepare recommendations regarding those issues.
- h. **Joint Kentucky Retirement Systems and CERS Audit Committee.** The Committee shall consist of four (4) Trustees, including two (2) Trustees appointed from the CERS Board by the CERS Chair and two (2) Trustees appointed from the Kentucky Retirement Systems Board by the Kentucky Retirement Systems' Chair. The Committee shall elect a Chair and Vice Chair. The Committee will act on behalf of the Board in fulfilling its oversight responsibilities for the system of internal control, the internal and external audit processes, and the process for monitoring compliance with laws, regulations and the code of conduct.
 - 1. **Committee Responsibilities.** The Committee will meet quarterly, with authority to convene additional meetings, as circumstance require. The regular meetings shall be determined by the Board of Trustees no later than the December Board of Trustees meeting of the previous calendar year.
 - A. The Committee shall have the authority to review reports by the Internal Auditor and to recommend appropriate policies and procedures. Additional responsibilities are enumerated in the Audit Committee Charter.
 - B. The Committee shall have the authority to receive communications and audit reports from the KPPA external auditor and recommend actions to the KRS & CERS Boards and KPPA for improving internal controls, financial reporting, and management.
 - 2. **Internal Auditor Responsibilities.** The KPPA Internal Auditor will be responsible for the planning, implementation, and reporting of audits and internal audit plans. The Internal Auditor

COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
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[As Adopted: February 7, 2022]

will also be responsible for the functional control and audit activities in the relation to the objectives of the KPPA Division of Internal Audit. Additional responsibilities are enumerated in the KPPA Division of Internal Audit Charter.

3. **Audit Charters.** The Audit Committee Charter and the KPPA Division of Internal Audit Charter are hereby incorporated by reference.
 - i. In addition to the duties and responsibilities described in this Section 2.2, each Standing Committee may develop appropriate additional policies and proposals to be ratified by the CERS Board.

Section 2.3 DELEGATIONS OF AUTHORITY BY THE CERS BOARD.

Delegation of Authority. Except as may be prohibited by or inconsistent with law, the CERS Board may delegate to any CERS Standing Committee of the Board any power, authority, duty, or responsibility conferred on the Board by law. In the case of any such delegation, the decision or action of the CERS Committee within the scope of its delegated authority shall constitute the decision or action of the CERS Board. The CERS Board may at any time rescind the delegated authority as a whole or in part, except that a rescission of authority with respect to quasi-judicial matters delegated to a CERS Committee shall not operate to affect the proceedings or the final action of any such matter pending before the Committee when the CERS Board acts to rescind. This exception is designed to preclude the CERS Board from using its authority to rescind a delegation to interfere with the process or outcome of a quasi-judicial proceeding then in progress before a CERS Committee which had properly commenced the proceeding within the scope of its authority.

Section 2.4 AD HOC COMMITTEES.

In addition to the CERS Standing Committees specified in Section 2.2, the Chair or the CERS Board may at any time establish an ad hoc Committee of the CERS Board and fix its duties and responsibilities for any purpose which, in the judgment of the CERS Chair or the CERS Board, is better served by a temporary rather than CERS Standing Committee. Each such Committee shall consist of such number of members as the CERS Chair shall determine, and the CERS Chair shall also then appoint the CERS Chair and designate the other members of the CERS Committee, unless otherwise determined by the CERS Board.

Section 2.5 LIMITATIONS ON AUTHORITY.

No CERS Committee shall have any power or authority, nor shall the CERS Board delegate to itself, power or authority, as to any of the following:

- a. The amendment or repeal of any CERS Board resolution.
- b. Action on other matters committed by CERS Board resolution or by Kentucky law (including the common law of trusts respecting the delegation or the non-delegation of fiduciary responsibilities) to the CERS Board under terms or provisions that make such action non-delegable.

Section 2.6 AMENDMENT OF BYLAWS.

These Bylaws may be amended by presenting the proposed amendments at any regular or special meeting of the CERS Board of Trustees. Proposed amendments shall also be presented at a subsequent regular or special meeting of the CERS Board of Trustees. The subsequent meeting shall be scheduled no less than 48 hours after the meeting to first present the proposed amendments. Proposed amendments shall be posted on the KPPA website between the first and second presentation of the recommendations. Approval of proposed amendments to Bylaws requires a vote of a majority of the entire membership of the CERS Board for approval.

COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION

[As Adopted: February 7, 2022]

Section 3.0 CERTIFICATION OF STATEMENT OF BYLAWS AND COMMITTEE ORGANIZATION.

We, the Chair of the CERS Board of Trustees and the Chief Executive Officer of the County Employees Retirement System, do certify that this Statement of Bylaws and Committee Organization was approved and adopted by the CERS Board of Trustees on the 7th day, of February, 2022.

_____ Date _____
CHAIR, BOARD OF TRUSTEES

_____ Date _____
CERS CHIEF EXECUTIVE OFFICER



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director
1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



To: County Employees Retirement System Board of Trustees

From: William O'Mara, Chair
Joint Audit Committee
Kristen N. Coffey, CICA *KNC*
Division Director, Internal Audit Administration

Date: June 14, 2022

Subject: Summary of Joint Audit Committee Meeting

The County Employees Retirement System (CERS) and Kentucky Retirement Systems (KRS) Joint Audit Committee held a regularly scheduled meeting on May 24, 2022.

1. Items that will be forwarded to the Kentucky Public Pensions Authority (KPPA) after ratification by the CERS Board of Trustees:
 - a. **Results of the GASB 68 and GASB 75 Proportionate Share audits for fiscal year ended June 30, 2022*** – The Joint Audit Committee approved the reports as presented and approved authorizing KPPA staff to publish the reports. *Passed unanimously, one member not in attendance.*
 - b. **Updates to the Charter for the Joint Audit Committee*** – The Joint Audit Committee approved the policy as amended and recommended submitting the policy to KPPA for review. *Passed unanimously, one member not in attendance.*
 - c. **Updates the Charter for the Division of Internal Audit Administration*** – The Joint Audit Committee approved the policy as amended and recommended submitting the policy to KPPA for review. *Passed unanimously, one member not in attendance.*

RECOMMENDATION: We request the CERS Board of Trustees ratify the actions taken by the Joint Audit Committee and recommend that the KPPA representatives on the CERS Board take these items to KPPA for consideration.

2. Discussion of the Audit portion of the CERS Strategic Plan was tabled until the August 25, 2022 meeting.
3. The following other items were also discussed during the Joint Audit Committee meeting. These are presented for informational purposes only.
 - a. Election of Audit Committee Chair and Vice Chair – *Mr. William O'Mara was elected as Chair and Ms. Lynn Hampton was elected as Vice Chair.*
 - b. Financial statements for the quarter year ended March 31, 2022.
 - c. Information disclosures – *11 disclosures identified, effecting 33 members.*
 - d. Anonymous Tips – *Five open cases.*

- e. Internal Audit Budget – *32.15% of budget remaining.*
- f. Auditor Independence Statements.
- g. Risk Assessment Update.
- h. Status of current internal audits – *20 current projects and 26 completed projects.*
- i. Reports issued since the last meeting.
 - 1. Plan Liquidity Phase 1 – *Six findings; four remediated and two remain open. An update on the open items will be presented to the Audit Committee at the August 25, 2022 meeting.*
 - 2. Plan Liquidity Phase 2 – *No reportable findings, but three opportunities for improvement; all have been remediated.*

***Board of Trustees action may be required**



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director
1260 Louisville Road • Frankfort, Kentucky 40601
kyret.ky.gov • Phone: 502-696-8800 • Fax: 502-696-8822



TO: Members of the CERS Board of Trustees

FROM: Joint CERS & KRS Retiree Health Plan Committee

DATE: June 14, 2022

SUBJECT: Joint CERS & KRS Retiree Health Plan Committee Report

The Joint CERS & KRS Retiree Health Plan Committee met on Thursday, May 19, 2022 and elected Dr. Crystal Miller (KRS) as Vice-Chair.

An informational presentation was given by Ms. Jane Gilbert, Director of Retiree Healthcare from Teachers' Retirement Systems - Kentucky (TRS) on their Pharmacogenomics program. In the fall of 2017, TRS partnered with their pharmacy provider Rx Coalition, Coriell Life Sciences and AON to conduct a pilot. This pilot used DNA from individual retirees to review the impact that genetics would have on medication therapy regarding safety and effectiveness. The testing was used by the Rx Coalition pharmacists to provide individual review and analysis of medications and shared counseling with the retiree and their physician. The findings helped individuals avoid ineffective medications, assisted doctors in making treatment decisions and saved money for the retirees and their insurance trust. 10,000 retirees enrolled in the pilot. The outcomes of the program has resulted in a cost avoidance of \$218. per member per month which equates to a \$7,000 cost savings per member over the 32 month period. Cumulative cost savings over 32 months is \$37M. The cost of the genetic testing was paid for by the TRS insurance trust as it is not a covered benefit under insurance plans. The cost was \$400 per member. This test is administered only once in a lifetime.

Humana provided information on Plan Performance for 2021, Stars Review 2021, McClennan Pilot results 2021, and Introducing Centerwell for 2021. Humana provided a description of how Medicare covers Pharmacogenomics and advised they were currently doing a pilot project in this area.

The timeline for the Medicare Advantage Request for Proposal (RFP) was presented to the Committee. It was reported that the project was on schedule as of the date of the meeting.

Calendar is printable and fully editable.

Calendar is printable and fully editable. Downloaded from WinCalendar.com

◀ Dec 2022		January 2023					Feb 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
1	2	3	4	5	6	7	
8	9	10	11	12	13	14	
15	16	17	18	19	20	21	
22	23	24	25	26	27	28	
29	30	31					

February 2023						
◀ Jan 2023						Mar 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1	2	3	4
5	6	7	8 CERS Actuarial Committee Mtg	9	10	11
12	13	14 KRS Investment Committee Mtg	15	16 Joint RHP Committee Mtg	17	18
19	20 CERS Finance Committee Mtg	21	22 CERS Investment Committee Mtg	23	24	25
26	27	28 Joint Audit Committee Mtg				

◀ Feb 2023		March 2023					Apr 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
			1 KRS Board Meeting	2	3	4	
5	6	7	8	9	10	11	
12	13	14	15 CERS Board Meeting	16	17	18	
19	20	21	22	23 KPPA Board Meeting	24	25	
26	27	28	29	30	31		

April 2023						
◀ Mar 2023						May 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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2	3	4	5	6	7	8
9	10	11 KRS Annual Meeting	12	13	14	15
16	17	18	19 CERS Annual Meeting	20	21	22
23	24	25	26	27 KPPA Annual Meeting	28	29
30						

◀ Apr 2023							May 2023							Jun 2023 ▶						
Sun		Mon		Tue		Wed		Thu		Fri		Sat								
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7		8	9		10		11 Joint RHP Committee Mtg		12		13									
14		15 KRS Investment Committee Mtg		16		17		18		19		20								
21		22		23		24 CERS Investment Committee Mtg		25 Joint Audit Committee Mtg		26		27								
28		29		30 CERS Finance Committee Mtg		31														

June 2023						
◀ May 2023						Jul 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
				1	2	3
4	5 KRS Board Meeting	6	7	8	9	10
11	12	13	14 CERS Board Meeting	15	16	17
18	19	20	21	22	23	24
25	26	27	28 KPPA Board Meeting	29	30	

July 2023						
◀ Jun 2023						Aug 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
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30	31					

◀ Jul 2023		August 2023					Sep 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat	
		1	2	3	4	5	
6	7	8 KRS Investment Committee Mtg	9	10	11	12	
13	14	15	16	17	18	19	
20	21	22 CERS Finance Committee Mtg	23	24 Joint Audit Committee Mtg	25	26	
27	28	29	30 CERS Investment Committee Mtg	31			

September 2023						
◀ Aug 2023						Oct 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4	5 Joint RHP Committee Mtg	6	7	8	9
10	11	12	13 CERS Board Meeting	14 KRS Board Meeting	15	16
17	18	19	20	21	22	23
24	25	26	27	28 KPPA Board Meeting	29	30

October 2023						
◀ Sep 2023						Nov 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23 Joint RHP Committee Mtg	24	25	26	27	28
29	30	31				

November 2023						
◀ Oct 2023						Dec 2023 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
			1 CERS Actuarial Committee Mtg	2	3	4
5	6	7	8 CERS Board Meeting	9 KRS Investment Committee Mtg	10	11
12	13	14 KRS Board Meeting	15	16 CERS Finance Committee Mtg	17	18
19	20	21	22	23	24	25
26	27 Joint Audit Committee Mtg	28 CERS Investment Committee Mtg	29	30		

December 2023						
◀ Nov 2023						Jan 2024 ▶
Sun	Mon	Tue	Wed	Thu	Fri	Sat
					1	2
3	4 CERS Board Meeting	5	6 KPPA Board Meeting	7 KRS Board Meeting	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

Perimeter Park West, Inc.

1260 Louisville Road, Frankfort, Kentucky, 40601
502-696-8462

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 21, 2022

May 28, 2022

County Employees Retirement System
c/o Steven Herbert, CIO
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601

Sent Via E-mail
steven.herbert@kyret.ky.gov

Re: Perimeter Park West, Inc.'s Annual Shareholder Meeting

Dear Mr. Herbert:

Pursuant to the By-Laws of Perimeter Park West, Inc., ("PPW"), notice is hereby given that the Annual Meeting of the Shareholders of Perimeter Park West, Inc., (PPW), a Commonwealth of Kentucky Corporation, will be held in PPW's offices located at 1270 Louisville Road, Frankfort, Kentucky, and via Zoom, at 10 a.m. on June 21, 2022, for the purpose of considering and voting on the following matter:

1. The election of Directors for the year beginning 2022 and ending 2023.

Only those Shareholders of record shall be entitled to notice of and to vote in person or by proxy on all matters to be voted upon at the Annual Meeting. In the event you wish to have a proxy vote your shares for you, please have your proxy complete and submit the attached proxy ballot. If you wish to attend in person, please mark where indicated on the proxy ballot and return to PPW by June 16, 2022.

By order of the Board of Directors of Perimeter Park West, Inc.



Sherry Rankin, Secretary

5/28/2022

Dated

SR/
Attachment

**ANNUAL MEETING OF SHAREHOLDERS OF
PERIMETER PARK WEST, INC.
JUNE 21, 2022**

PROXY BALLOT TO VOTE FOR BOARD OF DIRECTORS

THE PPW OFFICERS RECOMMEND THE FOLLOWING SLATE OF CANDIDATES:

John Cheshire, III (Kentucky Employees Retirement System representative)

Keith Peercy (State Police Retirement System representative)

Jerry W. Powell (County Employees Retirement System representative)

- FOR ALL NOMINEES
- AGAINST ALL NOMINEES
- WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE. WRITE THE NAME OF THE NOMINEE(S) FROM WHICH THE VOTE IS WITHHELD BELOW:
-

The undersigned hereby votes and records all votes in respect of all shares held by the undersigned in the above Corporation in the manner indicated above.

*BALLOTS WILL BE COUNTED AT THE ANNUAL SHAREHOLDERS MEETING TO BE HELD
ON JUNE 21, 2022 at 10:00 a.m. E.T.*

OR

Place an "X" here if the CERS Board plans to attend and vote their shares in person at the meeting. If the CERS Board plans to attend the annual shareholder's meeting in person, you can check this box and have the CERS Board vote for the Board of Directors in person, rather than voting by proxy.

Signature CERS Chair

County Employees Retirement System (CERS)

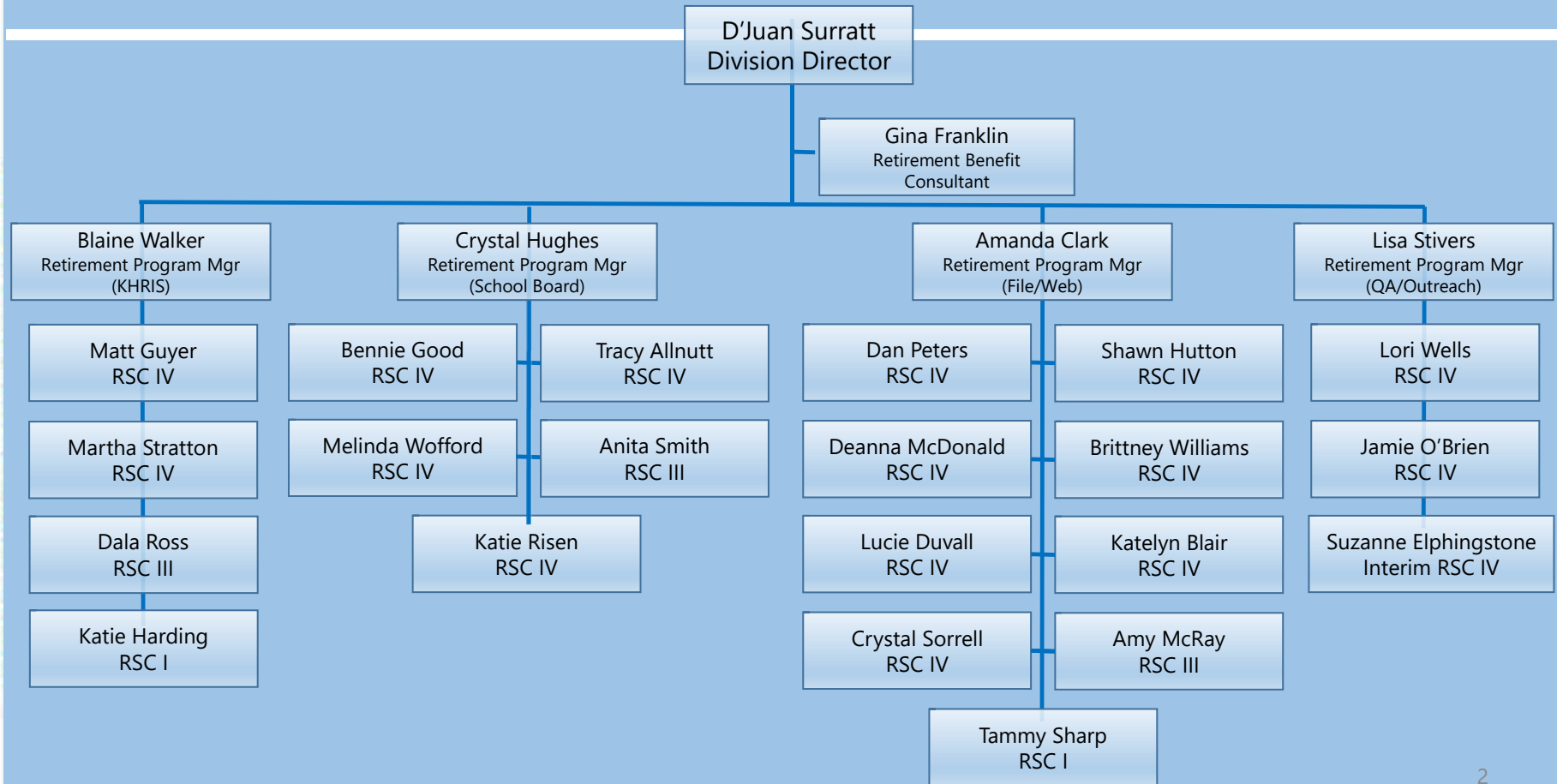
*****This form must be returned to PPW by 4:30 p.m. on June 16, 2022*****

**Employer Reporting, Compliance & Education (ERCE)
Office of Operations
D’Juan Surratt, Division Director**

er
ce
EMPLOYER REPORTING, COMPLIANCE & EDUCATION



ERCE Organizational Chart



Key Responsibilities

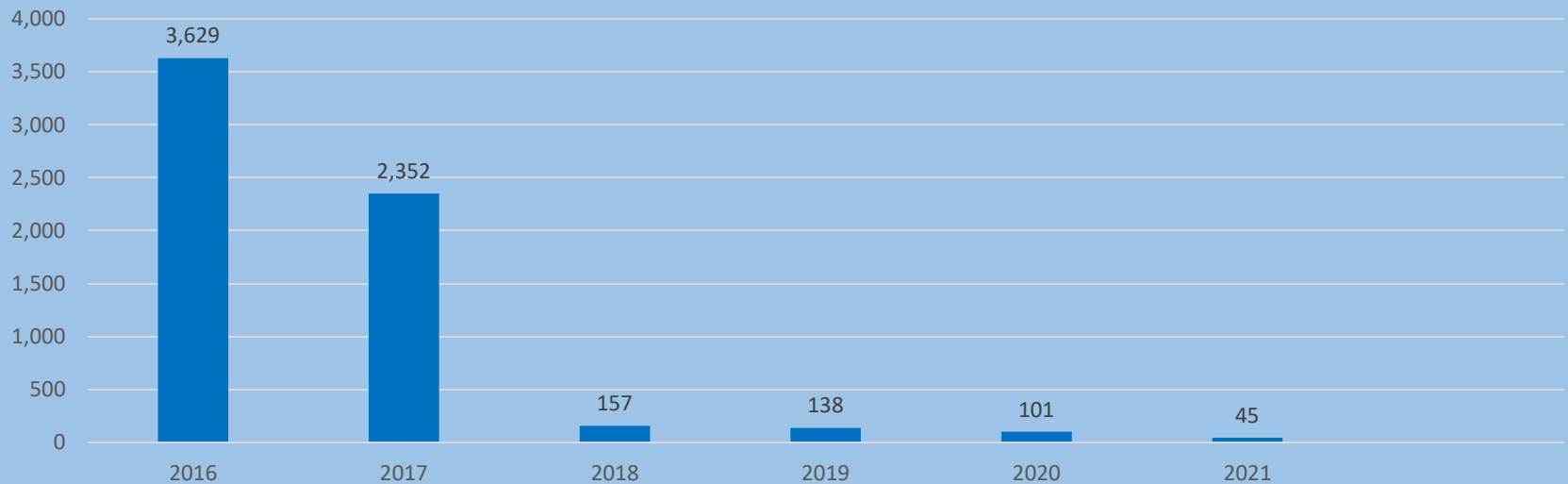
- Invoice Collection for 1,452 participating employers (CERS – 1,122, KERS – 329, SPRS – 1)
- Error/Adjustment Correction
- Employer Training
- Reporting Compliance/Compliance Audits
- Hazardous Positions

Error/Adjustment Correction

- Essential that employers correctly report member information. Misreporting may result in an overpayment/underpayment in retirement benefits
- Causes delays in processing member refunds
- Affects data used by the actuaries for determining funding needs
- Impacts member annual statements which members use to get an estimate of their retirement benefits

Total Outstanding Error at Fiscal Year End

June 30, 2016 – 3,629
June 30, 2017 – 2,352
June 30, 2018 – 157
June 30, 2019 – 138
June 30, 2020 – 101
June 30, 2021 – 45



Employer Training

- High reporting official turnover
- One-on-one training
- Webinars
- Monthly employer newsletter & email blasts
- Update employers with legislative changes

Reporting Compliance

- Ensure employers are reporting employees in accordance with Kentucky Revised Statute and Administrative Regulations
- Verify employer data and contributions submitted on the monthly report is accurate
- Verify the employer is reporting the correct contribution group and position status for their employees
- Review contracted positions to ensure they meet the definition of an independent contractor

Hazardous Positions

- Employers request to have positions approved for hazardous duty coverage
- ERCE reviews job descriptions to confirm the position meets the definition of hazardous duty per KRS 61.592 or KRS 78.5520
- Review over 100 requests annually that go to the KRS Board of Trustees or CERS Board of Trustees for approval
- Complete audit of hazardous positions to ensure employers submit the Hazardous Duty Certification form for each hazardous employee

Moving Forward

- ✓ Conduct employer trainings throughout the state
- ✓ Increase focus on employer compliance audits
- ✓ Continue to focus on invoice collection
- ✓ Continue to identify system and business process improvements
- ✓ Update and improve our website and employer training videos



Commonwealth of Kentucky
Office of the Attorney General

Daniel Cameron
Attorney General

Capitol Building, Suite 118
700 Capital Avenue
Frankfort, Kentucky 40601
(502) 696-5300
Fax: (502) 564-2894

May 26, 2022

OAG 22-05

- Subject:* Whether “stakeholder capitalism” and “environmental, social, and governance” investment practices in connection with the investment of public pensions funds are consistent with Kentucky law governing fiduciary duties.
- Requested by:* Treasurer Allison Ball
State Treasurer of the Commonwealth of Kentucky¹
- Written by:* Carmine G. Iaccarino, General Counsel
Zachary Richards, Assistant Attorney General
- Syllabus:* “Stakeholder capitalism” and “environmental, social, and governance” investment practices, which introduce mixed motivations to investment decisions, are inconsistent with Kentucky law governing fiduciary duties owed by investment management firms to Kentucky’s public pension plans.

Opinion of the Attorney General

There is an increasing trend among some investment management firms to use money in public and state employee pension plans—that is, other people’s money—to

¹ Although the Treasurer asks for the Attorney General’s opinion in her capacity as State Treasurer, she also serves as chair of the State Investment Commission, KRS 42.500(1)(a), and as a trustee of the Teachers’ Retirement System of the State of Kentucky, KRS 161.250(1)(b)2.

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push their own political agendas and force social change.² State Treasurer Allison Ball asks whether those asset management practices are consistent with Kentucky law. For the reasons below, it is the opinion of this Office that they are not.

Background

To encourage public service, Kentucky offers public employees certain pension benefits. *See, e.g.*, KRS 61.510 to KRS 61.705. For years, however, the Commonwealth’s public pension plans have hovered at severely underfunded levels. According to the Kentucky Public Pension Authority’s most recent annual report, the public pension plan for most state employees is roughly 17% funded.³ Kentucky’s other public pension plans have not fared much better: the public pension fund covering Kentucky State Police is roughly 30% funded and the County plans are 46% to 52% funded.⁴ And while the public pension plans administered by the Kentucky Public Pension Authority has shown year-over-year improvement in funding,⁵ there is a concern that this trajectory may be threatened by extreme approaches to investment management—particularly those that put ancillary interests before investment returns for the benefit of public pensioners and state employees.

One such approach is “stakeholder capitalism.” According to its advocates, “[s]takeholder capitalism is an expansion of corporate management fealty beyond shareholders to include the workforce, supply chain, customers, communities, societies, and the environment.”⁶ What this means in reality is that investment

² The social change they seek has often been rejected outright by the people’s elected representatives. *See, e.g.*, *Will ESG Disclosures be Mandated by Law? A Legislative Analysis*, KING & SPALDING (Sept. 22, 2021), <https://perma.cc/F4FZ-9JA7> (discussing environmental, social, and governance (“ESG”) legislation from the 117th Congress and finding a “low likelihood” that the legislation becomes law); *see also* Stuart Loren, *ESG and the Road to Serfdom*, LINKEDIN (Oct. 22, 2021), <https://perma.cc/3UVC-ETZ7> (“Even if well-intentioned and sensible, . . . do we really want a handful of senior management at BlackRock and the world’s largest asset allocators pushing for policy-related changes? Isn’t this the role of government?”).

³ *Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2021*, KENTUCKY PUBLIC PENSION AUTHORITY (Dec. 8, 2021), at 6, <https://perma.cc/AN5N-9YXA> (hereinafter “KPPA 2021 Report”).

⁴ *Id.* Kentucky is not alone in its public pension experience. Pew, *Legal Protection for State Pension and Retiree Health Benefits, Findings from a 50-state survey of retirement plans* (May 30, 2019), <https://perma.cc/CNR7-QK89>. (“Since 2000, when public retirement systems were almost fully funded, states have seen aggregate unfunded pension liabilities grow to more than \$1 trillion, with an additional \$700 billion in unfunded retiree health benefit costs.”).

⁵ KPPA 2021 Report, *supra* note 3, at 14.

⁶ Mark A. Cohen, *Stakeholder Capitalism: Challenges and Opportunities for Big Law*, FORBES (Jan. 19, 2022), <https://www.forbes.com/sites/markcohen1/2022/01/19/stakeholder-capitalism-challenges-and-opportunities-for-big-law/?sh=760110a449e2> (last visited May 26, 2022).

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management firms who embrace stakeholder capitalism propose prioritizing activist goals over the interests of their public and state employee clients.

To achieve this version of “capitalism,” investment management firms are adopting “environmental, social, and governance”—or “ESG”—investment practices. ESG investing is an “umbrella term that refers to an investment strategy that emphasizes a firm’s governance structure or the environmental or social impacts of the firm’s products or practices.”⁷

American economist Milton Friedman once criticized an earlier version of this trend whereby one set of stockholders sought to convince another set of stockholders that business should have a “social conscience.” As he explained, “what is in effect involved is some stockholders trying to get other stockholders (or customers or employees) to contribute against their will to ‘social’ causes favored by activists. Insofar as they succeed, they are again imposing taxes and spending the proceeds.”⁸ Friedman found this problematic because “the great virtue of private competitive enterprise” is that it “forces people to be responsible for their own actions and makes it difficult for them to ‘exploit’ other people for either selfish or unselfish purposes. They can do good—but only at their own expense.”⁹

Today, in perhaps an even more pernicious version of the trend, the debate is no longer left to stockholders. In fact, there is little-to-no debate. Investment management firms in some corporate suites now use the assets they manage—that is, other people’s money—to enforce their preferred partisan sensibilities and to seek their desired societal and political changes.

Investment management firms have publicly committed to coordinating joint action for ESG purposes, such as reducing climate change. For example, the Steering Committee for the Glasgow Alliance for Net Zero (“GFANZ”) states: “*The systemic change needed to alter the planet’s climate trajectory can only happen if the entire financial system makes ambitious commitments and operationalises those commitments with near-term action. That is why we formed [GFANZ], to bring together over 450 leading financial enterprises united by a commitment to accelerate the decarbonisation of the global economy.*”¹⁰ Similarly, Climate Action 100 “aims to

⁷ Max M. Schanzenbach & Robert H. Sitkoff, *Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by A Trustee*, 72 STAN. L. REV. 381, 388 (2020).

⁸ Milton Friedman, *The Social Responsibility of Business is to Increase its Profits*, THE NEW YORK TIMES MAGAZINE (Sept. 13, 1970), at 4, <https://perma.cc/CTJ6-9FKV>.

⁹ *Id.*

¹⁰ *Forward from the Principals Group* GLASGOW FINANCIAL ALLIANCE FOR NET ZERO (Nov. 2021), at 6, <https://perma.cc/N3KS-KTZG> (emphasis added).

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ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.”¹¹ Climate Action 100 explicitly concedes a mixed motive, stating that its investor signatories believe that taking action “is consistent with their fiduciary duty *and essential to achieve the goals of the Paris Agreement.*”¹² As further suggestion of a political motive, some investment management firms have committed to both advocate for government-imposed climate change mandates,¹³ *and* use their fiduciary role to prevent portfolio companies from advocating against such mandates.¹⁴

Whether these ancillary purposes are societally beneficial is beside the point when speaking of the duty of fiduciaries. Fiduciaries must have a single-minded purpose in the returns on their beneficiaries' investments.

And this affects Kentuckians. One investment management firm, at one time directing roughly \$1.5 billion on behalf of the Kentucky Public Pension Authority,¹⁵ has made a “firmwide commitment to integrate ESG information into [its] investment processes” to affect “all of [its] investment divisions and investments teams.”¹⁶ Other investment management firms that direct billions of dollars in Kentucky pension fund investments have publicly made similar commitments to ESG investment practices.¹⁷ There is some suggestion that politically biased investment strategies have real costs and worsen outcomes for pensioners.¹⁸ These harms are significant

¹¹ CLIMATE ACTION 100+, *About*, <https://perma.cc/K64N-J69K>.

¹² *Id.*

¹³ *Act Now, Financial Leaders Urge More Climate Action from the G20*, GLASGOW FINANCIAL ALLIANCE FOR NET ZERO, <https://perma.cc/43B2-XQ4A> (“More governments need to commit to the Paris target of 1.5 degrees Celsius by 2050. They need to make immediate cuts to emissions . . .”).

¹⁴ *2020 Progress Report*, CLIMATE ACTION 100+ (2020), at 18 and 78, <https://perma.cc/B5XW-XW2X> (scoring companies on whether the companies and their trade associations' lobbying efforts are “Paris-agreement aligned” and noting industry associations who “engage in problematic lobbying on climate” are “holding back Paris-aligned climate policy”).

¹⁵ KPPA 2021 Report, *supra* note 3, at 137. Of course, this figure fluctuates and, as of the date of this opinion, stood at roughly \$1.1 billion according to the Kentucky Public Pension Authority.

¹⁶ 2020 Sustainability Disclosure, BlackRock, at 6, <https://perma.cc/4HE5-6DXH>. Compare Larry Fink's 2022 Letter to CEOs: A Fundamental Reshaping of Finance, <https://perma.cc/H59D-R4BA>, with Larry Fink's 2022 Letter to CEOs: The Power of Capitalism, <https://perma.cc/MMF7-LESJ>.

¹⁷ See, e.g., *Responsible Investment: Policies and Principles*, FRANKLIN TEMPLETON (2020), <https://perma.cc/679E-6DQ3>; Lord Abbett, *ESG Investing*, <https://perma.cc/S8RS-U7M6>; Putnam Investments, *Philosophy – ESG integration in our investment group*, <https://perma.cc/F3LT-SYJE>; see also KPPA 2021 Report, *supra* note 3, at 136-37.

¹⁸ See, e.g., Christopher Bancroft Burnham, *BlackRock's ESG Strategy Plays Politics with Public Pensions*, BARRON'S (May 28, 2020), <https://perma.cc/FRU5-CX93> (“Research has consistently indicated that conventional index portfolios perform better than ESG portfolios, partly because ESG portfolios charge higher fees. . . . Fink is pursuing a course which, while possibly more profitable for

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because companies employing ESG investment strategies are entrusted as fiduciaries to manage the funds in the best interests of pension beneficiaries like teachers, firefighters, and many other public servants who have ordered their lives around promises made and who depend on public pensions to finance their retirements.¹⁹

Law

State and federal law have long recognized fiduciary duties for those who manage other people’s money. The Employee Retirement Income Security Act (“ERISA”), for example, demands that a fiduciary “discharge that person’s duties with respect to the plan solely in the interests of the participants and beneficiaries, for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the plan, and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.” 29 CFR § 2550.404a-1(a).

Kentucky law provides similarly demanding duties for fiduciaries. KRS 61.650 provides that a “trustee, officer, employee, employee of the Kentucky Public Pensions Authority, or other fiduciary shall discharge duties with respect to the retirement system . . . [*solely* in the interest of the members and beneficiaries [and for] the *exclusive* purpose of providing benefits to members and beneficiaries and paying reasonable expenses of administering the system[.]” KRS 61.650(1) (setting forth the duties governing the fiduciaries of the Kentucky Employees Retirement System or State Police Retirement System) (emphasis added); *see also* KRS 78.790 (setting forth similar duties governing the fiduciaries of the County Employees Retirement System); KRS 161.430(2) (setting forth similar duties governing the fiduciaries of the Teachers’ Retirement System of the State of Kentucky). This language draws from traditional trust principles requiring a single-minded purpose by fiduciaries that has been summarized as follows: “[a]cting with mixed motives triggers an irrebuttable presumption of wrongdoing, full stop.”²⁰

BlackRock, puts public pension funds and other client portfolio performance in jeopardy by opening the door to politics as part of pension portfolio management.”).

¹⁹ This Office notes a related move in this trend: the S&P Global Ratings’ (S&P) recent decision to include ESG credit indicators in state credit ratings. Energy producing states, like Kentucky, may suffer under these ratings because the Commonwealth’s investment in signature industries like coal, oil, and natural gas would likely result in lower ESG scores. Yet state law requires pension trustees to “give priority to the investment of funds in obligations calculated to improve the industrial development and enhance the economic welfare of the Commonwealth.” *See, e.g.*, KRS 161.430(1)(c); KRS 78.790(3) (same); KRS 61.650(3) (same). A state’s credit worthiness should be determined by the health of its economy—not activist ESG considerations.

²⁰ Schanzenbach, *supra* note 7, at 400–401.

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Like ERISA, state law also demands that such fiduciaries discharge their duties “[w]ith the care, skill, and caution under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose.” KRS 61.650(1)(c)(3); KRS 161.430(2)(b) (same for the Teachers’ Retirement System of the State of Kentucky); KRS 78.790(1)(c) (same for County Employees Retirement System). The duty of prudence requires more than assuming sweeping government mandates that coincide with an investment manager’s policy preferences.²¹ Under Kentucky law, fiduciary duty is not merely gift wrapping that a fiduciary may use to conceal a package of personal motivations.

Along with these fiduciary duties, the trustees of the Kentucky Public Pension Authority, for example, have adopted an investment policy that expressly provides that, in “instances where the Investment Committee has determined it is desirable to employ the services of an external Investment Manager,” those “Investment Managers . . . agree to serve as a fiduciary to the Systems.”²² Moreover, the trustees have expressly stated that, “[c]onsistent with carrying out their fiduciary responsibilities, the Trustees will not systematically exclude any investments in companies, industries, countries, or geographic areas unless required to do so by statute.”^{23, 24}

Conclusion. Whether an investment management firm has breached a fiduciary duty is a fact intensive inquiry. That determination rests on a number of considerations and careful review of a fiduciary’s actions, statements, and commitments. While *asset owners* may pursue a social purpose or “sacrifice some performance on their investments to achieve an ESG goal,”²⁵ *investment managers* entrusted to make financial investments for Kentucky’s public pension systems must

²¹ See *Jarvis v. Nat’l City*, 410 S.W.3d 148, 158 n.28 (Ky. 2013) (“Trustees must often ‘conduct considerable research and analysis in each potential investment and in devising an overall investment strategy.’” (quoting *Estate of Fridenberg v. Appeal of Commonwealth of Pa.*, 33 A.3d 581, 590 (Pa. 2011))).

²² Kentucky Retirement System, *Investment Policy Statement* (adopted Nov. 16, 2021), at Section II.D.i., <https://perma.cc/4LLR-KNC6>.

²³ *Id.* at Section I.B.

²⁴ Although beyond the scope of this request, there are some free speech concerns when considering this scheme in light of the U.S. Supreme Court’s decision in *Janus v. AFSCME*, 138 S. Ct. 2448, 2464 (2018) (“Forcing free and independent individuals to endorse ideas they find objectionable is always demeaning . . .”). Allowing investment management firms to speak on behalf of pensioners or the pension systems without notice or approval may give rise to First Amendment concerns.

²⁵ *Domini Poll: ESG Investing is Gaining Traction*, KIPLINGER (Oct. 12, 2021), <https://perma.cc/4LSV-X4DE>.

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be single-minded in their motivation and actions and their decisions must be “[s]olely in the interest of the members and beneficiaries [and for] the exclusive purpose of providing benefits²⁶ to members and beneficiaries,” KRS 61.650(1); *see also* KRS 78.790(1)(c); KRS 161.430(2)(a). To do otherwise risks breaching clearly established statutory and contractual fiduciary duties and threatens the stability of already fragile pension systems. In sum, politics has no place in Kentucky’s public pensions. Therefore, it is the opinion of this Office that “stakeholder capitalism” and “environmental, social, and governance” investment practices that introduce mixed motivations to investment decisions are inconsistent with Kentucky law governing fiduciary duties owed by investment management firms to Kentucky’s public pension plans.

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²⁶ These “benefits” are clearly financial benefits, not an investment manager’s conception of societal benefits. *See Fifth Third Bancorp v. Dudenhoeffer*, 573 U.S. 409, 420–21 (2014) (noting that the “benefits” to be pursued by ERISA fiduciaries as their “exclusive purpose” does not include “nonpecuniary benefits”).