



**County Employees Retirement System  
Board of Trustees – Special Meeting  
May 11, 2026 at 2:00 PM ET (1:00 PM CT)  
Live Video Conference/Facebook Live**

**AGENDA**

- |  |                          |
|--|--------------------------|
| <b>1. Call to Order</b>  | <b>Lisle Cheatham</b>    |
| <b>2. Opening Statement</b>  | <b>Eric Branco</b>       |
| <b>3. Roll Call</b>  | <b>Sherry Rankin</b>     |
| <b>4. Public Comment</b>   | <b>Sherry Rankin</b>     |
| <b>5. Chairman’s Corner</b>  | <b>Lisle Cheatham</b>    |
| <b>6. Investment Committee</b>   | <b>Dr. Merl Hackbart</b> |
| <b>a. Private Equity Investment Recommendation*</b>  | <b>Wilshire</b>          |
| <b>b. Public Equity Recommendation – Franklin Templeton<br/>        All Country World ex U.S. Portfolio*</b> | <b>Investment Office</b> |
| <b>c. Real Return Investment Recommendation*</b>   | <b>Investment Office</b> |
| <b>7. Amendment to CERS By-Laws*</b>   | <b>Ed Owens, III</b>     |
| <b>8. Closed Session*</b>  | <b>Eric Branco</b>       |
| <b>9. Adjourn</b>  | <b>Lisle Cheatham</b>    |

***\*Board Action May Be Taken***



## MEMORANDUM

**TO:** County Employees Retirement System Board of Trustees

**From:** Dr. Merl Hackbart, Chair  
Investment Committee

**Date:** May 11, 2026

**Subject:** Summary of Investment Committee Meeting

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The County Employees Retirement System Investment Committee held a special meeting on April 28, 2026.

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. **Private Equity Investment Recommendation** – The Investment Committee heard a presentation from Wilshire concerning a potential \$90 million investment in Capital Meridan Partners Fund II (the “Fund”). After considerable discussion and questions posed by the members, the committee voted unanimously to recommend a \$90 million investment in the Fund to the Board of Trustees.
  - b. **Public Equity Allocation Transfer Recommendation**– The Investment Committee heard a presentation from investment office staff and Wilshire that recommended the transfer of management responsibilities for Franklin Equity Group MSCI ACWI Ex-US Portfolio from Franklin Templeton to ClearBridge Investments, LLC (a Franklin Templeton Company). After discussion the committee voted unanimously to recommend the allocation transfer to the Board of Trustees.
  - c. **Real Return Investment Recommendation** – The investment office presented a real return opportunity to the committee. The investment office recommended an additional \$100 million investment in the ITE Rail Fund, L.P. (the “Fund”). This additional investment would increase the CERS total exposure to the Fund to \$300 million. After a healthy debate the committee voted unanimously to recommend the additional \$100 million investment to the Board of Trustees.

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

**2. During the special meeting the Committee considered the following information relative to each recommendation:**

- a. **Private Equity Recommendation:** Much of the conversation around this investment centered on the fact that our asset allocation calls for the Board to have an 8% exposure to private equity. Currently, we have a 4% exposure to private equity. It was discussed that this investment would represent the beginning of the private equity pacing strategy presented to the committee by Wilshire.

Additionally, the Capital Meridan Partners Fund II was heavily oversubscribed and Wilshire was able to secure an opportunity for CERS with one of their highest-rated investment managers.

- b. **Public Equity Allocation Transfer Recommendation:** The investment office and Wilshire were clear that the Franklin Templeton group had greatly underperformed in the international space primarily due to their stock selection choices in the healthcare sector. Staff indicated that there were several redemptions being executed against the Fund. The advice of staff was for us to transition away from Franklin Templeton before our potential redemption became more complicated. The recommendation was to transfer this allocation to ClearBridge Investments, LLC. ("ClearBridge). Although ClearBridge is a Franklin Templeton-owned company, we would engage a new team with a different investment strategy.
- c. **Real Return Recommendation:** The investment office saw this additional investment in ITE Rail Fund, L.P. (the "Fund") as an opportunity to provide more capital to an investment manager we have had a good working relationship with over time. The first \$200 million invested in the Fund was fully called within the first year. The Fund is currently in negotiations on a significant deal that would likely have our additional capital called soon.

The investment offers favorable risk adjusted returns (6%-9%) from stable and growing cash flows. The manager has a dominant position within the industry which will provide favorable economies of scale.

**\*Board of Trustee Action Required**



## Memorandum

To: CERS Board of Trustees

From: Wilshire Advisors LLC

Subject: Consideration of Commitment to Capitol Meridian Fund II

Date: April 24, 2026

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### Background

Wilshire first engaged with Capitol Meridian Partners (“Capitol Meridian,” “CMP,” or the “Firm”) in early 2022 prior to the launch of Capitol Meridian Partners Fund I. Wilshire was aware of CMP’s Founding Partners’ pedigree and track record at their predecessor firm, Carlyle, and began tracking the Firm at that time. Wilshire began its due diligence for Capitol Meridian Partners Fund II in October 2025, with full approval of investment and operational due diligence being completed in February 2026. Wilshire’s full investment due diligence included but was not limited to: a thorough review of the strategy and performance, multiple virtual meetings, an in-person investment due diligence on-site, 12 on- and off-sheet reference calls, background checks on the Firm and its partners, full approval of investment due diligence by Wilshire’s Manager Research Committee, and third party operational due diligence which was approved by Wilshire’s AOC Committee. Wilshire believes that Capitol Meridian Partners Fund II offers the opportunity to invest with a tenured sector specialist focused on aerospace, defense, and government end markets that have high barriers to entry and require deep and influential networks; a strategy that has led to successful investment outcomes and creates an attractive opportunity for investors.

### Recommendation

Wilshire recommends that CERS commit \$90 million to Capitol Meridian Partners Fund II; filling one of CERS 2026 North American Buyout slots that was outlined in Wilshire’s private equity portfolio pacing and implementation study. Wilshire notes that there is significant investor demand for the Fund and investors may not receive the entirety of the commitment requested.

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**Wilshire**

# CERS— Private Equity Portfolio Opportunity

April 2026

## CERS Private Markets Agenda

- Today's Agenda:
  - 2026 private equity portfolio implementation update
  - Consideration of a \$90 commitment to Capitol Meridian Fund II
- Agenda for Future Meetings:
  - Recommendation for new commitments
  - Portfolio pacing and construction update

# Portfolio Implementation – Private Equity

## CERS Private Equity Portfolio Implementation

Fund	General Partner	Geography	Vintage	Target Commitment (\$M) <sup>1</sup>	Target Allocation Percent
<b>Total</b>					<b>100%</b>
<b>Buyout</b>					<b>60%</b>
Reserved Buyout North America 2026 (ex. Capitol Meridian Fund II)	TBD	North America	2026	90	4%
Reserved Buyout North America 2026	TBD	North America	2026	90	4%
Reserved Buyout Europe 2026	TBD	Europe	2026	90	4%
Reserved Buyout Asia-Pacific 2026	TBD	Asia-Pacific	2026	90	4%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout North America 2027	TBD	North America	2027	75	3%
Reserved Buyout Europe 2027	TBD	Europe	2027	75	3%
Reserved Buyout North America 2028	TBD	North America	2028	75	3%
Reserved Buyout North America 2028	TBD	North America	2028	75	3%
Reserved Buyout Europe 2028	TBD	Europe	2028	75	3%
Reserved Buyout Asia-Pacific 2028	TBD	Asia-Pacific	2028	75	3%

<sup>1</sup> For this presentation, Target Commitment is defined as allocations within the four-year pacing and portfolio construction horizon (e.g., 2024-2027). Future Allocation should be +/-5% of Target Allocations. Wilshire takes into account commitments made to date in year 2025 within this total.

## CERS Private Equity Portfolio Implementation

Fund	General Partner	Geography	Vintage	Target Commitment (\$M) <sup>1</sup>	Target Allocation Percent
<b>Venture / Growth</b>					<b>20%</b>
Reserved Venture / Growth North America 2026	TBD	North America	2026	40	2%
Reserved Venture / Growth North America 2026	TBD	North America	2026	40	2%
Reserved Venture / Growth Asia-Pacific 2026	TBD	Asia-Pacific	2026	40	2%
Reserved Venture / Growth North America 2027	TBD	North America	2027	33	2%
Reserved Venture / Growth North America 2027	TBD	North America	2027	33	2%
Reserved Venture / Growth Europe 2027	TBD	Europe	2027	33	2%
Reserved Venture / Growth North America 2028	TBD	North America	2028	33	2%
Reserved Venture / Growth North America 2028	TBD	North America	2028	33	2%
Reserved Venture / Growth Asia-Pacific 2028	TBD	Asia-Pacific	2028	33	2%
<b>Distressed Debt / Special Situations</b>					<b>20%</b>
Reserved Distressed Debt / Special Situations North America 2026	TBD	North America	2026	60	3%
Reserved Distressed Debt / Special Situations North America 2026	TBD	North America	2026	60	3%
Reserved Distressed Debt / Special Situations North America 2027	TBD	North America	2027	50	2%
Reserved Distressed Debt / Special Situations Europe 2027	TBD	Europe	2027	50	2%
Reserved Distressed Debt / Special Situations North America 2028	TBD	North America	2028	50	2%
Reserved Distressed Debt / Special Situations North America 2028	TBD	North America	2028	50	2%

<sup>1</sup> For this presentation, Target Commitment is defined as allocations within the four-year pacing and portfolio construction horizon (e.g., 2024-2027). Future Allocation should be +/-5% of Target Allocations. Wilshire takes into account commitments made to date in year 2025 within this total.

# Funds for Consideration – Private Equity

## Private Markets : Private Equity Recommendation

- One \$90 million commitment in Private Equity – Buyout
  - Capitol Meridian Fund II
  - Capitol Meridian Fund II is heavily oversubscribed
    - Wilshire is seeking \$90 million on behalf of CERS
    - As a result of the oversubscribed nature of the Fund, there is the potential for CERS commitment amount to be less than requested

# Capitol Meridian II

## Final Diligence

Investment Type	Primary
Target Size (B) / Hard Cap (B)	USD / \$1.2 / TBD
First Close (M)	N/A
First Close Date	Q1 2026
Final Close Date	TBD
Vintage Year	2026
Geographic Focus	North America
Strategy	Mid Buyout
Industry	A&D, Gov-Tech/Services
Investment Size (M)	\$50 - \$200
Number of Investments	8 – 10
Investment Period	4.5 Years
Fund Term	10 Years
GP Commitment	5% up to \$65 million
Target Return	3x Gross MOIC
Management Fee – Investment Period	2.0% on committed
Management Fee – Post-Investment Period	2.0% on contributions
Carry/Hurdle	20% / 8%

### Firm Overview

Capitol Meridian Partners (“Capitol Meridian,” “CMP,” or the “Firm”) was founded in 2021 by Brooke Coburn and Adam Palmer (together the “Founders”) to pursue investments in middle market businesses at the intersection of government and commercial markets; a strategy which they executed upon for over 25 years at their prior firm, Carlyle. Today, the team consists of 15 full-time professionals in a single office in Washington D.C. and is supplemented by nine operating partners and a proprietary network of over 50 advisors, former government officials, operators, and subject matter experts. To-date, Capitol Meridian has raised its debut Fund I at its hard cap of \$900 million and is currently in the market with Capitol Meridian Fund II, L.P. (“Fund II” or the “Fund”) with a target of \$1.2 billion and expected hard cap of ~\$1.7 billion.

### Investment Strategy

Capitol Meridian will make control buyout and growth equity investments in middle market businesses at the intersection of government and commercial markets. Target sectors include aerospace and defense, government services and government tech (together “AD&G”), all of which possess high barriers to entry given the complexity of government compliance requirements, antiquated procurement protocols, opacity of industries, layers of regulation, and security clearances required. As such, Capitol Meridian will leverage the Founders 25+ years of experience in the Washington D.C. ecosystem, a nine-person operating partner group, and network of 50+ executives, government specialists, and subject matter experts in all aspects of the investment process. Target investments will be \$50 to \$200 million in North American-based businesses with \$10-\$75 million of EBITDA that operate in fragmented and defensible end markets that are largely uncorrelated to GDP growth given the government and regulated exposure. Post-close, Capitol Meridian will implement a five-lever value creation playbook that focuses on talent, operational improvement, strategy optimization, organic growth, and strategic M&A, which has led to significant revenue and EBITDA growth in portfolio companies to date.

### Track Record

Capitol Meridian’s Fund I has a young but developing track record, currently marked at 1.3x gross ROI and a 15.5% gross IRR, with Wilshire noting conservative valuation marks and meaningful embedded value driven by strong portfolio company growth. While the fund ranks in the third quartile on net ROI, deployment has been disciplined and returns stable, and the team’s prior experience includes approximately 60 deals with 53 having been realized at a multiple of ~3.4x.

Fund	Vintage	Size (\$M)	Gross ROI	Gross IRR
Fund I	2022	889	1.3x	15.5%

Source: Capital Meridian as of September 30, 2025.

### Investment Merits

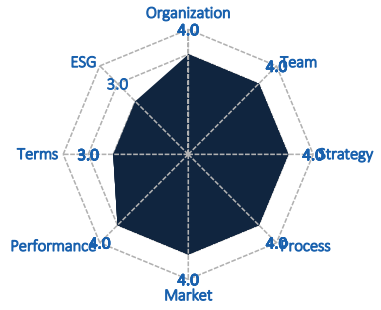
- Attractive point in manager lifecycle
- Cohesive, experienced senior team with sector expertise
- Differentiated strategy focused on mid-cap A&D
- Operations and value-add capabilities
- Proven track record with embedded value in Fund I
- Market tailwinds and acyclical nature

### Investment Concerns

- Fund I remains early with modest headline returns
- Access given high level of demand

### Key Investment Personnel

Name	Title	Experience
Brooke Coburn	Partner, Co-Founder	The Carlyle Group, Salomon Brothers, JP Morgan
Adam Palmer	Partner, Co-Founder	The Carlyle Group, Lehman Brothers
Michael Gozycki	Partner	The Carlyle Group, Staples, Siebel Systems, Arthur Andersen



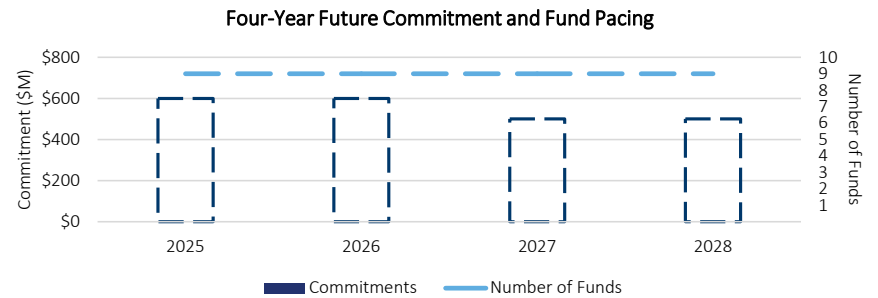
Key: 5 = Top Decile; 4 = Top Quartile; 3 = Average; 2 = Bottom Half; 1 = Bottom Decile; 0 = No Information

Past performance is not indicative of future results.

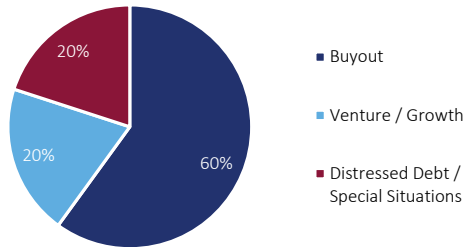
# Appendix

# CERS Private Equity Portfolio Construction Next Four Years

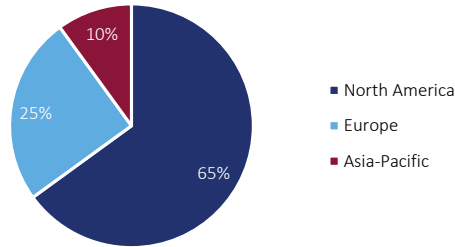
Investment Type	Target Commitment (\$M)	% Total Target Commitment	Future Annual Commitments (\$M) <sup>1</sup>			
			2025	2026	2027	2028
<b>Total Future Commitments</b>	<b>2,200</b>	<b>100%</b>	<b>600</b>	<b>600</b>	<b>500</b>	<b>500</b>
Buyout	1320	60%	360	360	300	300
Venture / Growth	440	20%	120	120	100	100
Distressed Debt / Special Situations	440	20%	120	120	100	100
Number of Funds	36		9	9	9	9
Average Deal Size	61		67	67	56	56



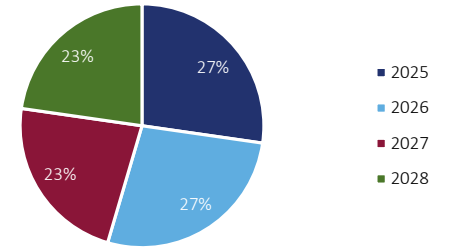
Target Commitment by Sector\*



Target Commitment by Geography\*



Target Commitment by Vintage\*



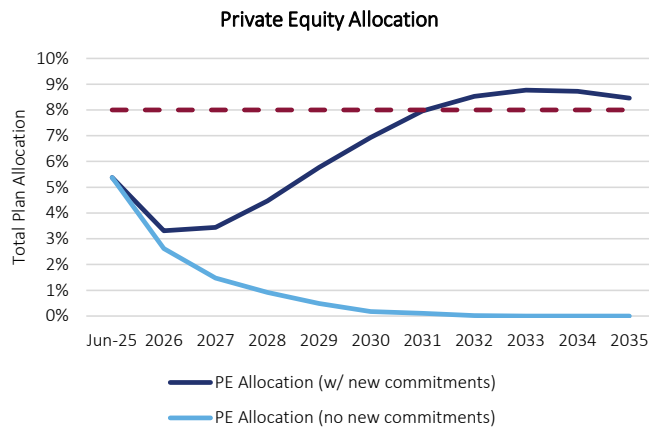
\*Portfolio allocation implementation should be +/- 5% of these targets.

# Private Equity Commitment Pacing

## CERS

With annual commitments of \$600 million, stepping down to \$500 million in 2027, and stepping down to \$400 million thereafter, CERS is expected to achieve and maintain its 8.0% allocation target to private equity, additionally allowing for appropriate vintage year diversification.

Model Input Summary	
Plan Asset Value as of 6/30/2025	\$20,054
Private Equity Target Allocation	8.0%
Expected Nominal Growth Rate (after plan expenditures)	2.5%



Private Equity NAV as of Wilshire's Q2 2025 report.

(All figures in \$M)	Dec-24	Year 2025	Year 2026	Year 2027	Year 2028
Total Plan Market Value	20,054	20,555	21,069	21,596	22,136
Private Equity Target Allocation	1,604	1,644	1,686	1,728	1,771
Private Equity Net Asset Value	1,078	681	725	965	1,277
Over/Under Allocated (\$)	(526)	(964)	(960)	(763)	(494)
Private Equity Net Asset Value	5%	3%	3%	4%	6%
Over/Under Allocated (%)	-3%	-5%	-5%	-4%	-2%

Existing Commitments					
Net Asset Value	1,078	538	311	198	108
Contributions		23	1	4	0
Distributions		421	251	119	92

Total Future Commitments					
Net Asset Value		600	600	500	500
Contributions		143	284	389	473
Distributions		0	36	102	192

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EXTERNAL  
INTERNATIONAL PUBLIC  
EQUITY MANAGEMENT  
TRANSITION  
RECOMMENDATION

SUPPORTED BY WILSHIRE  
ASSOCIATES

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## External Management Transition Recommendation 2

**Recommendation**

Kentucky Public Pensions Authority (KPPA) Staff and Wilshire recommend the transfer of management responsibilities from Franklin Templeton to ClearBridge (a Franklin Templeton Company) for the existing Franklin Equity Group MSCI ACWI Ex-US portfolio.

No placement agents have been involved or will be compensated as a result of this recommendation.

**Franklin Templeton – Issues**

Franklin Templeton (FT), after an initial period of strong performance, the strategy has experienced a period of significant underperformance. This underperformance has been the result of a combination of significant market headwinds (value and large cap biases), market narrowness, and self-inflicted wounds (stock selection, significant TE, stop loss passivity).

The manager has made good-faith efforts to address the strategy and management issues under their control. An analyst change was made in the health care sector to specifically address certain stock selection issues. FT strengthened its 20% relative loss rule instituting a “sell” bias to stock review. A tracking error limitation of 6% was instituted to ensure that while all holdings can be contributors in a concentrated portfolio, a significant individual stock failure should not derail the entire portfolio’s performance.

Staff believe the changes made are appropriate; however, it will take a more accommodative market to see a sustained relative performance recovery. This would likely entail a decrease in market volatility, a cut in rates, and midcap strength. It is unclear when this will occur.

An additional challenge is that the strategy is beginning to experience asset redemption and client loss. Recently staff have learned that a portfolio manager, along with two analysts, have agreed to buyouts offered by the firm and will be leaving the team in June. While the team lead notes that the remaining team members have capacity and points to the fact they are supported by a central research group, staff find these events concerning.

**Recommended Solution**

Transitioning asset management responsibilities to ClearBridge (an affiliate of FT) provides an attractive solution given current concerns, ease of transition, and timing. It is the belief of both ClearBridge (CB) and staff that management responsibilities can be transferred with a delegation of management document and continue to operate under the current Investment Management Agreement. The cost of transition will be covered by CB through an additional three months of no investment management fees.

ClearBridge has been running its NonUS growth strategy since 2015 and has an experienced team with a demonstrated, solid track record. The strategy offered is concentrated (to a lesser degree), has a similar growth profile, no market cap bias, and lower tracking error.

**Organization Structure and Stability**

ClearBridge is a Franklin Templeton Company with over 60 years of operation in the asset management space. As of 12/31/25, firm assets under management topped \$210 billion. The firm has over 350 employees. The team responsible for the strategy managed \$16.8 billion across the international growth platform as of 03/31/26, having 120 clients at the end of the quarter.

**ClearBridge Investment Team**

## External Management Transition Recommendation 3

The strategy is managed by a long-tenured team consisting of four co-Portfolio Managers (3 of which have been on the strategy continuously since 2015) and two dedicated investment analysts (which joined the team in 2021). Each individual is responsible for 2-3 sectors, with overlapping coverage in a manner where each sector has at least two individuals covering. The team also utilizes the firm's central research desk of 15 sector analysts.

### ClearBridge – Philosophy, Principles, Portfolio Construction & Sell Discipline

#### Philosophy

Invest in high-quality businesses with growth characteristics trading at a discount relative to their intrinsic value, or when growth drivers are not understood. The strategy defines quality as a product, process, or platform with a durable advantage over competitors and ability to finance growth.

#### Principles

The strategy is a valuation-driven approach to growth, supported by a multi-factor model, which enables consistent and systematic evaluation, and helps facilitate efficient allocation of resources and eliminate bias. Portfolio construction is an equal division between quality/valuation versus earnings/price momentum. The outcome is a roster of stocks with good valuation/quality, consistent and meaningful earnings upgrades, and positive surprises.

The strategy invests in a spectrum of growth companies categorized as the following:

- 1) Structural growth (20-40% of the portfolio) – opportunistic, capitalize on industry and/or company changes, duration and/or magnitude of growth is often mispriced
- 2) Secular growth (40-60% of the portfolio) – consistency and compounding of returns provide steady growth, stability, downside risk protection, and the duration of growth often mispriced
- 3) Emerging growth (up to 20% of the portfolio) – potential for outsized returns and participation in long-term upside, large addressable markets/very fast growth, risk of failure exists (positions are sized less than 1%), and magnitude of growth often mispriced

#### Portfolio Construction

Most of the risk is expected to come from stock selection rather than factor risk. The strategy allocates across all sectors, with no range limitations, but typically within 5% of the benchmark weight. As mentioned above, the strategy is diversified across growth types and sector exposures. Projected TE of 4-6%, with benchmark-level risk. The portfolio consists of 50-80 holdings and invests up to 40% in emerging markets. Turnover is expected to be 40-60% annually.

#### Sell Discipline

Candidates for sale include those names that have reached a price target, funding sources for better opportunities, or in the case of a broken investment thesis.

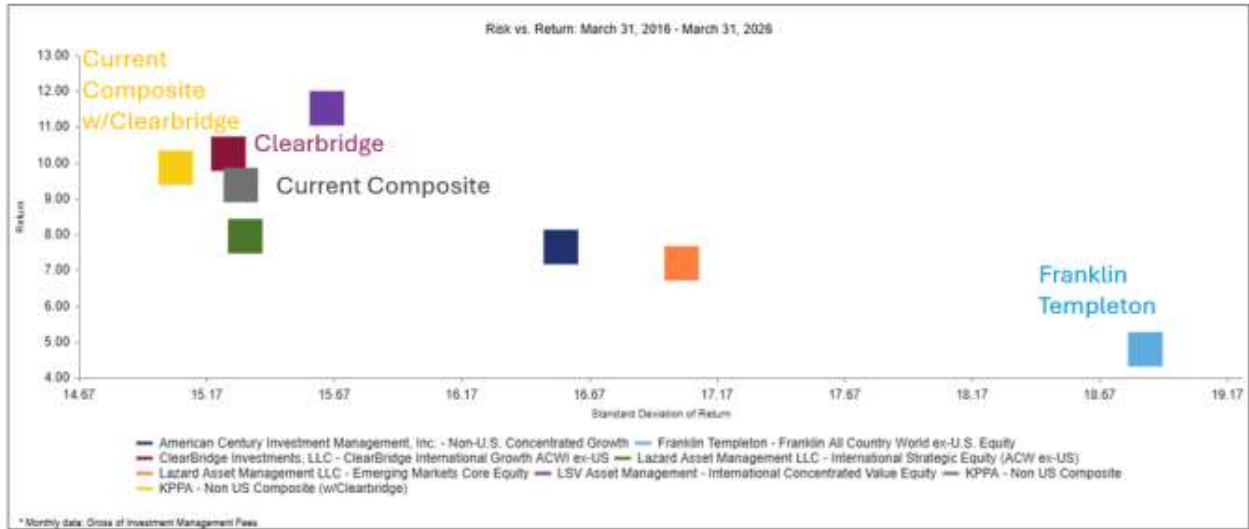
#### **Performance**

ClearBridge					
As of: 03/31/26	1YR	3YR	5YR	10YR	SI
International Growth ACWI ex-U:	13.07	10.23	5.11	10.25	8.70
MSCI ACWI ex-US	24.91	14.49	7.02	8.38	6.36
<i>Relative Performance (+/-)</i>	<i>-11.84</i>	<i>-4.26</i>	<i>-1.90</i>	<i>1.87</i>	<i>2.35</i>

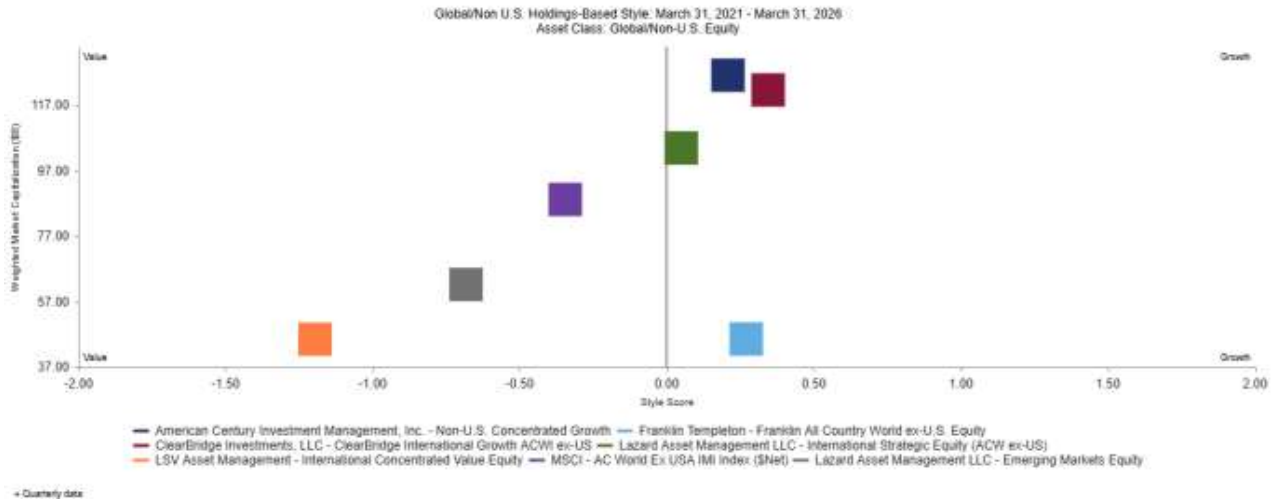
The following chart demonstrates the CB strategy has provided a greater return with a lower standard deviation (compared to the FT strategy), improving the overall KPPA international portfolio quality, as defined by the risk/reward profile.



External Management Transition Recommendation 4



The chart below demonstrates the management transition from the FT team to the CB team is expected to eliminate the current midcap bias found in the growth portion of the international portfolio, while maintaining a similar level of growth.



**Portfolio Sizing**

As of close April 20, 2026, KPPA invested across both pension and insurance funds approximately \$547.6 million in the FT Non-US Equity strategy. This equates to roughly 9.3% of the international equity exposure, or approximately 3.6% the total public equity investments, which equates to roughly 1.6% of the total KPPA portfolio.



## External Management Transition Recommendation 5

Plan Allocation based on 04/20/26				
KERS	72,190,000.00	KERS INS	37,910,000.00	110,100,000.00
KERS - H	22,250,000.00	KERS - H INS	14,250,000.00	36,500,000.00
CERS	207,020,000.00	CERS INS	70,830,000.00	277,850,000.00
CERS - H	74,320,000.00	CERS - H INS	31,650,000.00	105,970,000.00
SPRS	11,520,000.00	SPRS INS	5,660,000.00	17,180,000.00
	387,300,000.00		160,300,000.00	547,600,000.00

### Management Fees

ClearBridge originally offered a zero-management fee through March 31, 2027, consistent with the recently negotiated fee discount agreement reached with the FT team. Given the cost of transition, CB and KPPA staff have agreed to extend the zero-management fee through June 30, 2027. Beginning July 1, 2027, the manager has proposed an annual fee of a flat rate of 33bps and has provided the option of a tier break where assets under management in excess of \$750 million, will receive a 28bps fee rate.

### Third-Party Provider and Placement Agent Disclosure

In accordance with gating practices, staff has requested ClearBridge to acknowledge transparency requirements, and to complete a conflict of interest statement and placement agent form. No placement agents have been involved or will be compensated because of this recommendation.

### Recommendation

As previously stated, in a continued effort to improve the portfolio, staff are recommending transitioning asset management responsibilities for the MSCI ACWI Ex-US portfolio from Franklin Equity Group to ClearBridge (a Franklin Templeton Company).

Staff and Wilshire believe this transition is a positive response given the above concerns. ClearBridge offers what is expected to be a consistent performance strategy, whose inclusion should improve the quality of the overall international portfolio given its expected better relative performance, with a lower standard deviation than that of the current FT offering. The CB strategy maintains the same level of growth, but with a lower tracking error, by eliminating the current midcap bias that has been detracting from relative performance for some time. The transition of management responsibilities to ClearBridge is also attractive logistically and from an administrative standpoint as they are a Franklin Templeton company. Asset management responsibilities can be transitioned with a delegation of management document. Transition costs will be borne by the manager through a discount fee extension and has offered an asset management fee rate of 0bps through June 30, 2027.

Staff and consultant plan to utilize this transition event as a catalyst to conduct a larger review of the international equity portfolio to ensure efficacy of both the structure and exposures within.

We welcome any comments or questions from the Committee.

### Appendix

- Wilshire: FT-ClearBridge Transition with Evals





**EXTERNAL INTERNATIONAL PUBLIC EQUITY MANAGEMENT TRANSITION  
RECOMMENDATION**

IN CONJUNCTION WITH WILSHIRE ASSOCIATES

## RECOMMENDATION



- Kentucky Public Pensions Authority (KPPA) Staff and Wilshire recommend the transfer of management responsibilities from Franklin Templeton to ClearBridge (a Franklin Templeton Company) for the existing Franklin Equity Group MSCI ACWI Ex-US portfolio.
- No placement agents have been involved or will be compensated as a result of this recommendation.

## FT ISSUES & RECOMMENDED SOLUTION



- After a period of strong performance, the strategy has experienced a period of significant underperformance
  - Significant market headwinds (value and large cap biases), market narrowness, and self-inflicted wounds
- Manager has made good-faith efforts to address the strategy and management issues under their control
  - Analyst change made in the health care sector to address stock selection issues
  - Strengthened its 20% relative loss rule instituting a “sell” bias to stock review
  - TE limitation (6%) was instituted to ensure all holdings can be contributors, but a significant individual stock failure should not derail performance
- Changes made are appropriate; however, a more accommodative market is needed to see a sustained relative performance recovery
- Additional challenge is the strategy beginning to experience asset redemption and client loss; further, a PM and two analysts have accepted firm buyouts, leaving the team in June
  
- Recommend transitioning asset management responsibilities to ClearBridge (an affiliate of FT) provides an attractive solution given the current concerns, ease of transition, and timing.
  - Management responsibilities can be transferred with a delegation of management document and continue to operate under current IMA
  - Cost of transition will be covered by CB through an additional 3-months of no investment management fees
- CB has been running NonUS growth strategy since 2015 and has an experienced team with solid track record.
  - Concentrated strategy (to a lesser degree than FT), has similar growth profile, no cap bias, and lower tracking error

## CLEARBRIDGE



- CB is a Franklin Templeton company
  - 60 years of operation in asset management space / \$210b in firm AUM / +350 employees
  - Team manages \$16.8b across the international growth platform with 120 clients
- Investment Team
  - Long-tenured team consisting of 4 co-PMs (3 of which have been on the strategy since 2015) and 2 analysts
  - Each individual is responsible for 2-3 sectors, with overlapping coverage – each sector has at least 2 individuals reviewing
  - Central research desk of 15 sector analysts
- Philosophy
  - High-quality businesses with growth characteristics trading at a discount relative to their intrinsic value, or when growth drivers are not understood
  - Quality is defined as a product, process, or platform with a durable advantage over competitor and ability to finance growth
- Principles
  - Strategy is a valuation-driven approach to growth, supported by a multi-factor model, which enables consistent and systematic evaluation, and helps facilitate efficient allocation of resources and eliminate bias.
  - Portfolio construction is an equal division between quality/valuation versus earnings/price momentum
    - Roster of stocks with good valuation/quality, consistent and meaningful earnings upgrades, and positive surprises

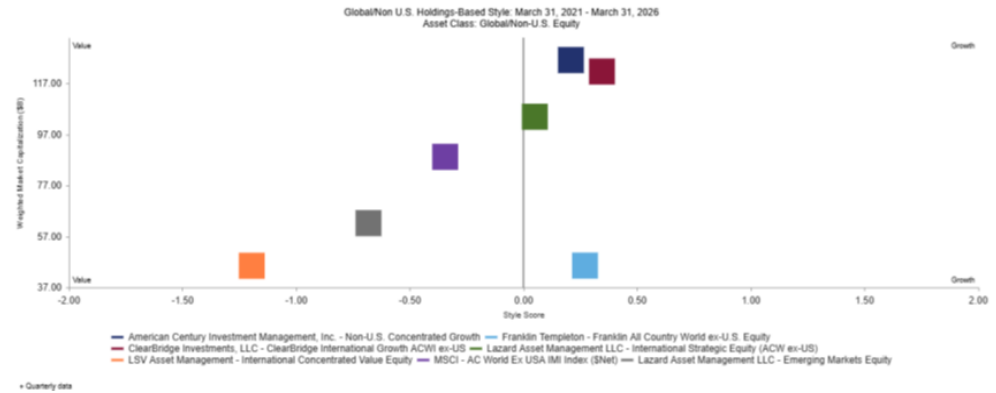
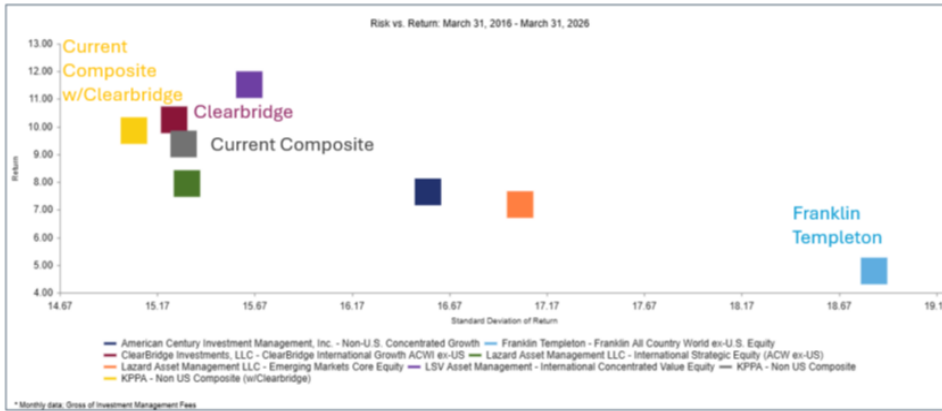
## CLEARBRIDGE (cont.)



- Principles (cont.)
  - Strategy invests in a spectrum of growth companies
    - Structural (20-40%) – opportunistic, capitalize on industry / company changes, duration and/or magnitude of growth is often mispriced
    - Secular (40-60%) – consistency and compounding of returns provide steady growth, stability, downside risk protection, and duration of growth often mispriced
    - Emerging (up to 20%) – potential for outsized returns and participation in long-term upside, large addressable markets/very fast growth, risk of failure exists (positions less than 1%), and magnitude for growth often mispriced
  
- Portfolio Construction
  - Allocates across all sectors typically +/- 5% of benchmark weight
  - Projected TE of 4-6%, which benchmark level risk
  - 50-80 holdings, turnover expected to be 40-60% annually
  
- Sell Discipline – Price target, funding sources for better opportunities, broken investment thesis

ClearBridge					
As of: 03/31/26	1YR	3YR	5YR	10YR	SI
International Growth ACWI ex-U:	13.07	10.23	5.11	10.25	8.70
MSCI ACWI ex-US	24.91	14.49	7.02	8.38	6.36
<i>Relative Performance (+/-)</i>	-11.84	-4.26	-1.90	1.87	2.35

# PERFORMANCE



## PORTFOLIO SIZING & FEES



- As of 04/20/26, KPPA invested across both pension and insurance funds approximately \$547.6m in the FT Non-US Equity strategy
  - 9.3% of the international equity portfolio / 3.6% of public equity / 1.6% of the total KPPA portfolio

Plan Allocation based on 04/20/26				
KERS	72,190,000.00	KERS INS	37,910,000.00	110,100,000.00
KERS - H	22,250,000.00	KERS - H INS	14,250,000.00	36,500,000.00
CERS	207,020,000.00	CERS INS	70,830,000.00	277,850,000.00
CERS - H	74,320,000.00	CERS - H INS	31,650,000.00	105,970,000.00
SPRS	11,520,000.00	SPRS INS	5,660,000.00	17,180,000.00
	387,300,000.00		160,300,000.00	547,600,000.00

- CB originally offered a zero-management fee through 03/31/27, consistent with the recently negotiated agreement with the FT team
  - CB and staff have agreed to extend the fee break to 06/30/27, to account for the cost of transition
  - Beginning 07/01/27, the manager has proposed a flat fee rate of 33bps, with a tier break for assets in excess of \$750m (28bps)

## RECOMMENDATION



- Staff and consultant believe this transition is a positive response given current concerns.
- ClearBridge offers what is expected to be a consistent performance strategy, whose inclusion should improve the quality of the overall international portfolio
  - Expected better relative performance, with a lower standard deviation than the current offering from FT
  - Maintains the similar level of growth, but with a lower TE, by eliminating the current midcap bias
- Transition of management responsibilities to ClearBridge is attractive logistically and from an administrative standpoint
  - Management responsibilities can be transitioned with a delegation of management document
  - Transition costs will be borne by the manager through a discount fee extension
  - Offered an asset management fee rate of 0bps through June 30, 2027
- Staff and consultant plan to utilize this transition event as a catalyst to conduct a larger review of the international equity portfolio to ensure efficacy of both the structure and exposures within

**To:** Kentucky Public Pensions Authority  
**From:** Wilshire Client Solutions Team  
**Subject:** Clearbridge – International Growth ACWI ex-US  
**Date:** April 20, 2026

---

Following discussions with Wilshire’s Manager Research team, this memo supports transitioning from the Franklin Templeton International Growth strategy to the strategy offering Clearbridge has presented, subject to a 0 bps management fee arrangement for the next 12 months.

### **Background**

Franklin Templeton’s All Country World Ex U.S. strategy has underperformed over the past several quarters. The underperformance has been largely attributable to stock selection, particularly within the Health Care sector. In addition, the strategy’s portfolio manager (John Remmert) announced his retirement in 2025, increasing key-person and continuity risk.

### **Performance & Style**

In addition to the Franklin Templeton performance concerns noted above, the Clearbridge strategy has also lagged the MSCI AC World Index IMI (Net) over the periods shown, based on data provided to Wilshire via the Compass Portal database. International growth has trailed international value over the quarter, one-, three-, and five-year periods ending 3/31/2026 (Exhibit II), with the spread between the two MSCI style indexes ranging from 5% to 10%. Both the Franklin Templeton and Clearbridge strategies exhibit a growth bias (Exhibit III), which has been a headwind to performance. Combined with negative stock selection attribution (Exhibit IV), this has resulted in negative excess returns versus the benchmark ranging from 10% to 18% for Franklin Templeton and 1% to 10% for Clearbridge over the same periods.

### **Portfolio Fit**

To assess how the Clearbridge strategy would fit within the current composite, we reviewed correlations of excess returns versus the other strategies currently in the portfolio (Exhibit V). Correlations increased modestly for three strategies, decreased for two, and were broadly unchanged for the remainder. Most increases were 10 basis points or less. The largest change was between Axiom and Clearbridge, which showed a 16 bp reduction in correlation of excess returns, indicating improved diversification (more complementary).

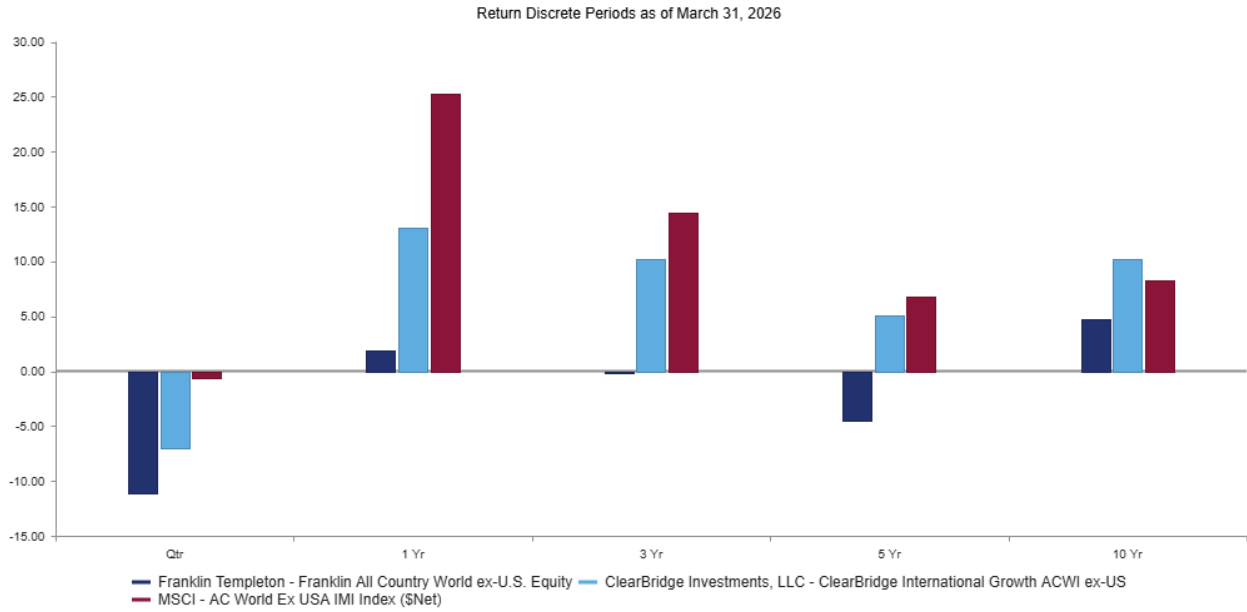
### **Qualitative Evaluations**

Wilshire’s Manager Research group has ranked both strategies, and the full evaluations are included at the end of this memo. Franklin Templeton received a downgrade from a third- to fourth-decile ranking in June 2025, and Wilshire’s manager research analyst indicated there is risk of a further downgrade. Clearbridge received a third-decile manager research evaluation; however, the firm rating is fifth decile because Clearbridge is a wholly owned subsidiary of Franklin Resources.

**Summary**

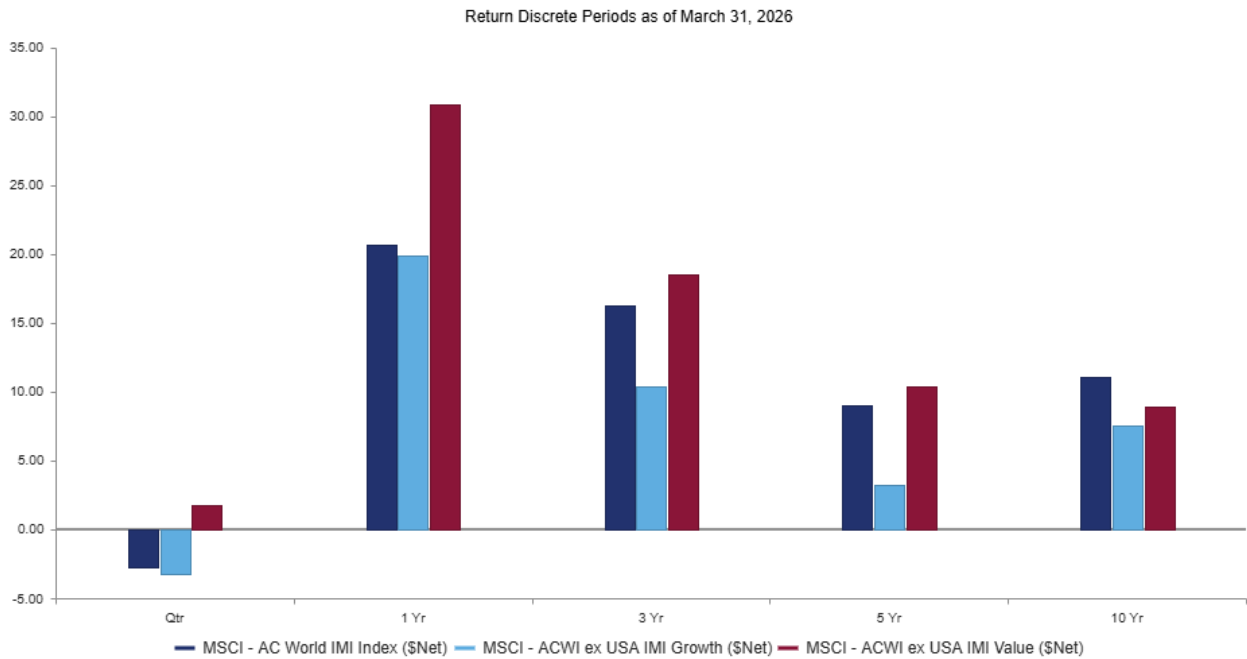
Wilshire supports transitioning from the Franklin Templeton strategy to the Clearbridge strategy, provided the management fees are held at 0 bps for the next 12 months. In addition, Wilshire will collaborate with KPPA staff to undertake a formal review of the Non-U.S. public equity composite investment structure.

Exhibit i



\* Monthly data, Gross of Investment Management Fees

Exhibit ii



\* Monthly data

Exhibit iii

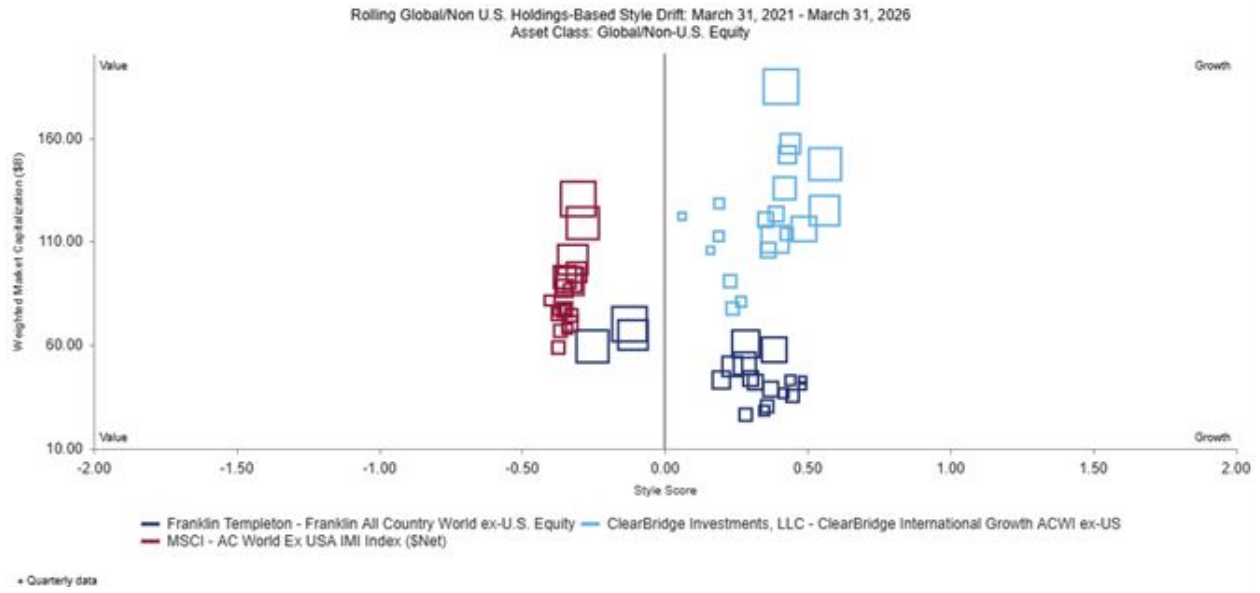


Exhibit iv

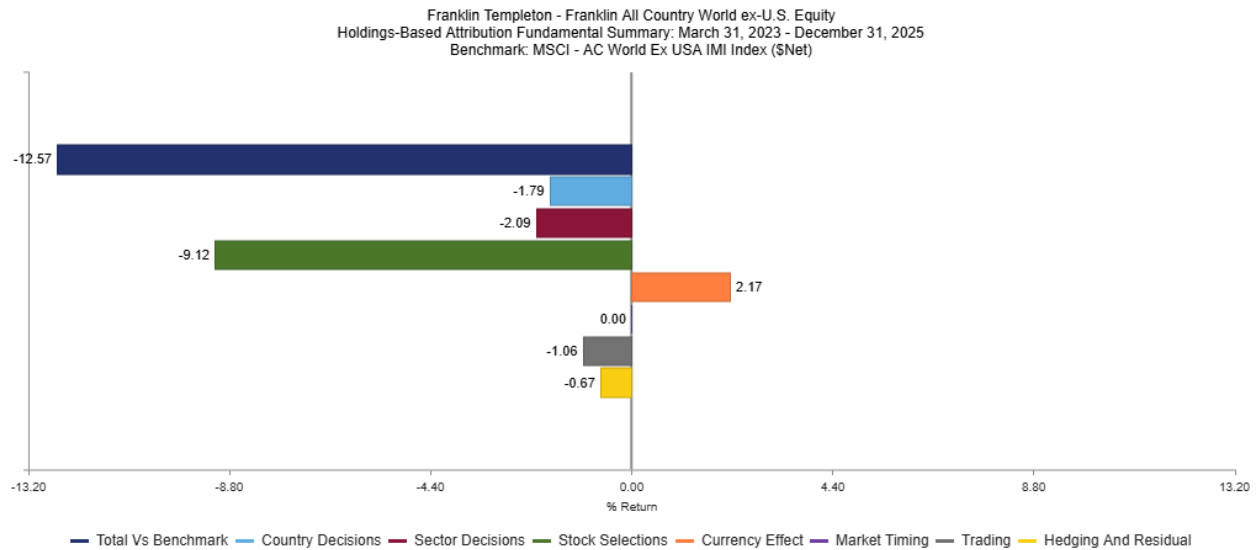


Exhibit v

	Blackrock	American Century	Franklin Templeton	Clearbridge	Lazard	Lazard EM	LSV	JPM	Pzena	Axiom
<b>Correlation</b>										
Blackrock	1.00									
American Century	0.13	1.00								
Franklin Templeton	0.14	0.69	1.00							
Clearbridge	0.22	0.73	0.57	1.00						
Lazard	0.04	0.54	0.46	0.59	1.00					
Lazard EM	-0.54	-0.43	-0.46	-0.46	-0.33	1.00				
LSV	0.21	-0.60	-0.53	-0.52	-0.35	0.21	1.00			
JPM	-0.77	0.15	0.10	0.06	0.20	0.38	-0.36	1.00		
Pzena	-0.59	-0.49	-0.50	-0.50	-0.34	0.68	0.26	0.29	1.00	
Axiom	-0.05	0.60	0.62	0.46	0.49	-0.30	-0.55	0.25	-0.37	1.00

# Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

## Franklin Templeton

Franklin EAFE Plus Equity

Rating Decile	Weight
4th	100%

### Summary

The Franklin EAFE Plus Equity fund is a fairly concentrated, quality growth-oriented international equity strategy. The team is currently led by senior portfolio manager Patrick McKeegan, who is closely assisted by portfolio managers Don Huber and Samantha Mathews. Mr. McKeegan recently took over leadership for the team after long-time portfolio manager, John Remmert, announced his retirement from the firm. Mr. Remmert had been at the helm since 2004. The strategy utilizes a bottom-up, fundamental framework focused on growth opportunities worldwide. The strategy is relatively concentrated and typically holds approximately 35-40 securities that are conviction-weighted across the portfolio. Portfolio risk is a high consideration as the team strives to diversify the revenue/earnings stream of its holdings to ensure a strong risk/reward profile. The portfolio does not have stringent constraints relative to the benchmark allowing significant latitude. Annual turnover ranges from 30-50%. The goal of the EAFE Plus product is to outperform the benchmark by 200-300 bps over a 3-5 year market cycle. It is important to note that the strategy will maintain notable growth and lower market cap biases and will perform best when growth companies are in-favor. The same team also manages an ACWI ex-U.S. version of the strategy that has more latitude to invest in emerging market names.

# Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

## Franklin Templeton

### Franklin EAFE Plus Equity

	Rating Decile	Weight
<b>I. Organization</b>	<b>5th</b>	<b>20%</b>
Firm	6th	50%
Team	4th	50%

The Templeton organization was founded by Sir John Templeton in 1940. Today, Franklin Resources, Inc., the parent company of Templeton Investment Counsel, LLC, is a publicly-listed company. Directors and officers of Franklin Resources, Inc. own a considerable minority stake in the company's stock. The firm provides investment advisory and related services to mutual funds, institutional and private accounts, and other investment products. The firm's total assets under management stand at ~\$1.6T as of 2Q24. While the firm does have a deep team of investors, there has been turnover over the last few years at the portfolio manager level on the equity side of the business that Wilshire views negatively in the short-term. The firm score has been reduced to reflect legacy Franklin Templeton's large AUM decline due to outflows and market moves, in addition to higher employee turnover. All portfolio managers and senior professional staff are compensated with a base salary, bonus in the form of cash, and restricted stock and deferred profit-sharing plan. Variable compensation is tied to investment performance as well as a number of other factors, such as top-line firm revenue. In mid-2023, the firm announced the acquisition of Putman Investments and ultimately completed its acquisition in January 2024. FT was looking to bolster its retirement and insurance capabilities. In early 2020, the firm announced the acquisition of Legg Mason, Inc. The deal is an all-cash transaction and includes the majority of Legg Mason's multiple investment affiliates, including Western Asset, ClearBridge, Brandywine Global, Martin Currie, QS Investors, Royce Investment Partners, and Clarion Partners. Most of the Legg Mason affiliates continue to operate autonomously. However, during 3Q 2020 Franklin Templeton announced its intention to combine Franklin Templeton Multi-Asset Solutions (FTMAS) and QS Investors capabilities to form Franklin Templeton Investment Solutions (FTIS).

The Franklin Non-US and Global products are managed under the Franklin Global Large Cap platform. The two strategies share the same leaders and team members. Senior Portfolio Manager John Remmert had been at the helm of the Non-US team since 2004 (this team was the former Fiduciary Trust team in NYC that was acquired by Franklin in 2001). In early 2025, Mr. Remmert announced his retirement effective June 30, 2025. At that time, it was announced that PM Patrick McKeegan would take over leadership of the team. He is supported by two other portfolio managers, Don Huber and Samantha Mathews and globally oriented team of research analysts and research associates. The team can also leverage the insights of the firm's global small cap and domestic growth teams.

This team has experienced notable turnover in recent years. Coleen Barbeau retired in 2018. Ms. Barbeau had co-managed the team with Mr. Remmert for a number of years and was a portfolio manager on the Global Equity strategy. In 2019, IT Analyst Diana Keenan departed the firm to take a position with Amazon and the team mutually parted ways with their Health Care analyst. Kelvin Way was hired as a replacement for Diana Keenan on the Technology side. In 2020, Matthew Button was hired as the new Health Care analyst. In 2021, Consumer Analyst Mary Killian left the team. She was replaced by Eric Dahl in early 2022. Two generalist analysts, Francyne Mu and Yan Lager, were promoted to portfolio managers in 2021. Lincoln Ye also joined the team as a multi-sector analyst in 2021. In 2022, Patrick McKeegan joined the portfolio management team. Financials Analyst Par Rostom left in early 2023 and the team added another generalist analyst, Samantha Mathews, that same year. In 2024, Health Care Analyst Matthew Button left the firm and Samantha Mathews was promoted to the portfolio management team. In addition, PMs Francyne Mu and Yan Lager left the team, and Anmol Bajwa was added as a replacement research analyst with in the Health Care sector. Finally, Senior Portfolio Manager John Remmert announced his retirement effective June 30, 2025. While we maintain a favorable opinion of new Group Head Patrick McKeegan, we maintain concerns about the high level of turnover associated with this team.

# Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

## Franklin Templeton

Franklin EAFE Plus Equity

	Rating Decile	Weight
<b>II. Information</b>	3rd	20%

The Non-US Equity strategy is a growth-oriented, bottom-up portfolio focused on uncovering quality growth opportunities across the globe. Current Senior PM Patrick McKeegan spearheads the research efforts. Mr. McKeegan along with the other portfolio managers lead the global sector analysts through weekly meetings and team roundtables. Utilizing the 360-degree Research Process, analysts discover new names through quantitative and qualitative means. The analysts maintain coverage of approximately 5-10 securities in addition to the stocks rated they have rated Outperform and those already in client portfolios. Constant communication helps facilitate a productive information gathering procedure. The screening process begins with a search for companies that meet the team's growth, quality, and valuation criteria and generally gravitates towards companies with a market cap of \$2 billion. Research is generated predominantly in-house for the product. Using a proprietary ranking tool, the team quantitatively screens for quality using EPS, revenue growth, ROE, and attractive free cash flow metrics. Moreover, the analysts will utilize industry research, attend conferences, and speak with various contacts to find solid ideas. 10% of the research is completed using a variety of sources including: sell-side research, industry experts, FactSet, Bloomberg, Thomson One Analytics, Guidepoint Global and Coleman research Group, and TheMarkets.com. In conjunction with the aforementioned materials, the team will use Franklin Templeton's Global Research Library and call upon the firm's vast resources and investment professionals when appropriate. The team is relatively small, but exercises a very focused approach towards a maintaining a high conviction opportunity set. The investment professionals tend to exhibit significant depth in their names, rather than breadth in covering their universe of non-US growth securities. It is important to note that we have tempered our rating in this category due to the higher level of investment team turnover.

	Rating Decile	Weight
<b>III. Forecasting</b>	4th	20%

The strategy seeks to outperform the benchmark by 200-300 bps over a 3-5 year market cycle. The team does not value sectors, market, countries, or regions as the entirety of research is focused on valuing companies in a bottom-up fashion. Macroeconomic factors are not taken into account when purchasing securities. The primary process for valuing securities is implementing discounted cash flows and dividend discount models. Fixed inputs are implemented for consistency sake, which include risk-free rate, equity risk premium, and terminal growth rate. From there, stocks are categorized as either Outperform or Sell depending on their valuation attractiveness. Outperform securities are constantly researched and added to the portfolio if they are diversified and pass the robust growth, quality, and valuation criteria. Sell ratings are given when a stock's fundamentals break down or if significant underperformance occurs. Recent relative performance has been poor, which has led to weaker longer term results. While we believe this is a strategy that has the ability to outperform the Index over longer time periods, our conviction level has declined.

# Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

## Franklin Templeton

### Franklin EAFE Plus Equity

	Rating Decile	Weight
<b>IV. Portfolio Construction</b>	3rd	20%

The team takes a conviction-weighted approach towards building a fairly concentrated portfolio. The strategy is benchmarked against the MSCI EAFE Index although alternative benchmarks can be used at a client's request. Franklin does not believe the index is an integral part of the portfolio construction process. Non-benchmark securities have historically accounted for approximately 10-30% of the portfolio. The Non-US strategy holds 35-40 companies and invests primarily in common stocks. Tracking error can be near 7% on a rolling 5-year basis. The model portfolio has the following constraints: maximum position size of 5%, maximum cash holding of 5%, maximum holdings in non-developed markets of 20% and will not hold derivatives or perform currency hedging. Typically, positions are scaled into and are weighted between 2-3.5%. Positions are not determined by domicile, but are simply a byproduct of the bottom-up process. Furthermore, the strategy invests in REITs and ADRs, GDRs etc. with ETFs used by some clients for liquidity reasons. One unique part of the portfolio construction process is the analysis of stock/company correlations. The team analyzes the overlap in economic exposures of each of their portfolio holdings.

Franklin Templeton's Performance Analysis and Investment Risk (PAIR) group is responsible for assisting the portfolio managers in monitoring portfolio risk. The PAIR group tracks risk using Barra GEM2 amongst other systems. Ultimately, through implementing a robust bottom-up process and diversifying the portfolio, the portfolio managers strive to minimize risk. Because the portfolio generally does not invest in companies with market caps below \$2 billion, liquidity concerns are not an issue.

	Rating Decile	Weight
<b>V. Implementation</b>	2nd	10%

Franklin Templeton employs a proprietary order management system, OneTIS, which links together all the operation units, from investment management to compliance, operations, trading and settlements, and fund accounting. The firm has 12 trading desks and 32 professionals encompassing the Global Equity Trading Group. The firm uses the Charles River Investment Management System, which streamlines the entire investment management process, including both pre-trade checks. Omgeo's Oasys Global and Oasys Domestic process the back-end settlements. The firm will access dark pools and other means of trading through algorithmic and alternative trading systems to minimize costs. Additionally, the firm compliments trading cost measurement with the use of ITG. Over the past five years, turnover ranged between 30-50%.

	Rating Decile	Weight
<b>VI. Attribution</b>	3rd	10%

The investment team works collaboratively with the firm's centralized Performance Analysis and Investment Risk (PAIR) group. Performance attribution is run using FactSet, which is reviewed by the PAIR group throughout the portfolio construction and monitoring process. The group is charged with informing portfolio managers of risk and benchmark awareness on a continual basis. The team constantly reviews the attribution reports and evaluates the success of investment decisions to determine necessary improvements.

	Rating									
Decile	1	2	3	4	5	6	7	8	9	10
Corresponding Grade	A		B		C		D		F	

# Wilshire

Manager Research

Wilshire Manager Research Team

June 28, 2025

## Franklin Templeton

Franklin EAFE Plus Equity

### Firm Information

**Franklin Templeton**

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**CONTACT :**

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Manager evaluations are based on investment due diligence conducted by Wilshire and do not include operational due diligence. Information and opinions are as of the date indicated and are subject to change without notice. This material may include estimates, projections, assumptions and other "forward-looking statements." Forward-looking statements represent Wilshire's current beliefs and opinions in respect of potential future events. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual events, performance and financial results to differ materially from any projections. Wilshire undertakes no obligation to update or revise any of the information provided herein. Past performance is not indicative of future results.

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Wilshire has extensive business relationships with, and may provide services to investment managers and other financial services providers that are evaluated or recommended by Wilshire to its advisory clients. In addition, Wilshire provides products and services that compete with managers and products which we evaluate.

Wilshire recognizes that conflicts of interest arise in the provision of its services. Specifically, there are conflicts of interest between Wilshire's obligation to provide objective advice to clients and Wilshire's business relationships (including being a competitor) with the investment managers and financial services providers we recommend to those clients. It is Wilshire's policy to make evaluations, recommendations and decisions based solely upon the best interests of clients and without regard to any benefit (economic or otherwise) that Wilshire receives or might receive. Wilshire is committed to ensuring that it does not consider an investment manager's or financial service provider's business relationship with Wilshire, or lack thereof, in performing evaluations for or making recommendations to its advisory clients. Wilshire has implemented policies and procedures that seek to mitigate conflicts of interest through appropriate oversight, transparency and controls. Wilshire's policy is to disclose material conflicts of interest to its clients and prospective clients. Additional information regarding conflicts of interest is available in Wilshire's ADV Part 2.

On January 8, 2021, Wilshire was purchased (the "Transaction") by Monica Holdco (US) Inc. ("Buyer"). The Buyer is indirectly controlled by CC Monica Holdings, LLC (which is affiliated with and Motive Monica LLC. As part of the Transaction, Ares Management Corporation became a lender to the Buyer. Wilshire® is a registered service mark of Wilshire Advisors LLC, Santa Monica, California. All other trade names, trademarks, and/or service marks are the property of their respective holders. Copyright ©2022, Wilshire Advisors LLC. All rights reserved.

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# Wilshire

Manager Research

Wilshire Manager Research Team

May 29, 2025

## ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

Rating Decile	Weight
3rd	100%

### Summary

ClearBridge's International Growth strategy is a moderately diversified, bottom-up portfolio that aims to outperform the MSCI AC World ex-US Index over a full market cycle. The strategy is managed by a team of three portfolio managers and three supporting portfolio analysts with additional resources sourced from ClearBridge's centralized research team. The team adopts a bottom-up quality growth investment process and views growth in three distinct buckets and stocks are modeled based on which growth bucket the stock belongs. Positions are entered around 50 bps with most positions falling around a 2% weight, and approximately 40% of the portfolio's stocks are excluded from the benchmark. The portfolio holds between 50 – 80 stocks at any given time, with the average holding period for a stock falling around three years. This strategy is offered in Global and EAFE versions as well, though each strategy follows the same philosophy and process.

	Rating Decile	Weight
<b>I. Organization</b>	<b>4th</b>	<b>20%</b>
Firm	5th	50%
Team	2nd	50%

ClearBridge Advisors, LLC is a wholly owned subsidiary of Franklin Resources, a publicly traded asset management company (BEN). ClearBridge was founded in December 2005 following the transaction with Citigroup. In 2005 the firm was acquired by Legg Mason and renamed ClearBridge. In 2020 Legg Mason was acquired by Franklin Resources. The group's asset management expertise traces back approximately 50 years to several prominent firms including Smith Barney, Davis Skaggs and Salomon Brothers Asset Management. In December 2011, CEO Peter Sundman departed the firm. Terrence Murphy was named President of the firm in 2011 and then later also took on the CEO title. In late 2012, Scott Glasser was promoted to Co-CIO with Hersh Cohen. At the end of 2Q21, Mr. Glasser became the sole CIO as Mr. Hersh stepped back into an advisor role. As of 2Q23, the firm manages roughly \$1658bn in AUM.

We view the transition from Legg Mason to Franklin Resources as a modestly favorable event for ClearBridge as the firm will continue to maintain its operating independence but should benefit from Franklin Templeton's broader distribution capabilities. In January 2021, it was announced that Mr. Murphy would join Franklin Templeton's executive committee as the Head of Equities to lead organizational growth for Franklin's equity business segment, which includes roughly 250 investment professionals. In 2019, ClearBridge entered into a business collaboration with RARE Infrastructure, a specialist in listed infrastructure investment management.

ClearBridge's PMs and other investment professionals receive a combination of base salary and discretionary compensation, comprising a cash incentive award and a deferred incentive plan (CDIP) which typically defers 15% of discretionary compensation into ClearBridge managed products. The compensation is primarily tied to long-term performance of their funds/accounts. ClearBridge makes a company investment in proprietary managed funds equal to the deferral amounts by fund, which is subject to vesting requirements. In addition, a small portion of discretionary year-end compensation is paid out in restricted stock with a typical four-year vesting period.

The strategy is managed by a team of three portfolio managers including Elisa Mazen (Head of Global Growth), Michael Testorf, and Pawel Wroblewski. The team includes three dedicated portfolio analysts, Michael Feldman, Charine Park, and Todor Petrov, with research responsibilities specific to the International Growth strategy. Both PMs and analysts typically cover three or four sectors. The team is also supported by the centralized Fundamental Research Team. PMs share ultimate decision-making authority and spend most of their time on research and portfolio construction. PMs are invested in the strategy as it is a ClearBridge practice to require personal investment from PMs. While the team has been fairly stable over time, a couple notable changes occurred more recently. In 2021, Thor Olsson, who was a PM on the team, left the firm. This was more of a firm-initiated change to focus more on increasing analytical resources for the team. Charine Park was added as a dedicated portfolio analyst in 2021 and Todor Petrov was added as a dedicated senior portfolio analyst in 2022. We continue to maintain a favorable opinion of the investment team.

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	Rating Decile	Weight
<b>II. Information</b>	3rd	20%

Research is bottom-up focused and primarily carried out by the PMs, the portfolio analyst, and the centralized Fundamental Research Team of sector analysts. Portfolio and sector analysts carry out research by focusing on the financial statements and forecasting earnings using fundamental inputs; company meetings serve as a significant source of information as well. Inputs for modeling come from discussions with customers, suppliers, distributors, and competitors in the industry, and depending on the research topic, analysts may use third-party consultants for surveys, industry-specific legal advice, and other specialized needs. The investment team meets with over a 1,000 management teams a year and covers roughly a quarter of the investable universe, which is about 1,500 names. In addition, ClearBridge subscribes to several third party vendors like Bloomberg, FactSet, Reuters Trader, Holt, and Morningstar.

The research agenda is set by the PMs according to their judgment on the needs of the existing portfolio. Research materials and the research agenda are shared through a common technology platform that provides access to current and past proprietary research, in addition to market intelligence from outside sources. The firm holds a weekly research meeting with all PM teams and analysts where investment ideas are shared. The best ideas presented during meetings are fully vetted, usually by a duo of a “sponsor” (the presenter of the idea) and another analyst. Additionally, PMs and analysts co-author whitepapers. PMs monitor the quality of the portfolio analyst, while the Director of Research, Chuck Harris, is responsible for overseeing sector analysts’ research.

	Rating Decile	Weight
<b>III. Forecasting</b>	2nd	20%

The focus of the forecasting process is to identify stocks that are trading significantly below the intrinsic value of the business. First, using a quantitative model, the universe is ranked 1 – 100 based on proprietary factors specific to the strategy with the goal of understanding relative sector and regional valuations. Next, an analysis is done on industries by examining size, growth drivers, and the competitive landscape. The team then analyzes a company’s fundamentals, competitive strategy, relative strengths, and growth opportunities. After this initial analysis, analysts have the necessary inputs to calculate critical assumptions like discount rates and growth rates. The primary valuation model is a discounted cash flow, but a comparable analysis may also be used to get a sense for the company’s absolute and relative valuation. The final output is a target price with an accompanying investment thesis, and stocks often have more than one thesis.

During this process, analysts are looking for stocks whose growth and quality characteristics are being undervalued. To better model a stock’s mispriced growth, companies are placed in three different growth buckets: emerging, secular, and structural. Emerging growth companies are modeled with emphasis on the total attributable market and the speed of adoption of a company’s product; the valuation disconnect is usually around the size of the opportunity and the speed of market share capture. Secular growth companies are modeled based on the durability and magnitude of growth, where the mispricing is generally based on the sustainability of growth and the use of free cash flow. Lastly, structural growth companies are modeled based off a step change in returns and profitability, where the disconnect is typically around the level of improvement of short-term profitability and capital allocation. The strategy has exhibited strong performance since inception with value primarily being added through stock selection. While the strategy’s growth-bias has been a headwind in terms of recent relative performance, longer-term performance remains favorable.

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	Rating Decile	Weight
<b>IV. Portfolio Construction</b>	2nd	20%

The strategy aims to outperform the MSCI AC World ex-US Index over a full market cycle. The portfolio typically holds between 50 – 80 stocks and takes an all cap approach with a slight large cap bias. Positions are initiated around 50bps with the majority of weights falling around 2%. Position sizes are determined by the team's level of conviction and are subsequently adjusted to manage risk. The PMs are benchmark aware and active sector weights are limited to +/- 10%. Tracking error is not targeted, but it commonly falls in the 4 – 6% range, and over 40% of the portfolio's holdings fall outside of the benchmark. While in the portfolio, stocks are evaluated against the target price and investment thesis and are sold when the investment thesis breaks, the target price is reached, or a significantly better option is identified.

In assessing risk, the team pays specific attention to operating and financial leverage, reporting quality, and regulatory risks. The Northfield Global Fundamental Equity Risk Model is used to monitor risk levels, and Russell Investment's external analysis is used for formal reviews against the benchmark on tracking error, beta, Sharpe ratio, standard deviation of returns, R-squared, market cap, several valuation measures. The team seeks to have stock specific risk represent at least two-thirds of the risk budget and monitors this closely. An independent Investment Risk Management Team provides insight into potential and actual risks. The team is led by Farhan Mustafa who reports directly to the CEO and regularly works with the Portfolio Analytics group to generate a wide range of risk reports using Northfield, FactSet, and Morningstar.

	Rating Decile	Weight
<b>V. Implementation</b>	4th	10%

The team of five traders is led by Patrick Collier and all strategies have a dedicated primary and backup trader to ensure familiarity with the portfolio's style. For International Growth, the primary trader is Lisa Utasi, who has over 30 years of experience and joined a predecessor in 1986. The backup trader is Mr. Collier, who has close to 30 years of experience and joined ClearBridge in 2005. ClearBridge uses Fidessa Group PLC's Buy Side suite to support investment products. PMs use the Fidessa module "Tesseract" to perform what-if scenarios and generate orders. Orders are screened through Fidessa "Sentinel", the compliance module, and are then sent to the traders' order management system called Fidessa "Minerva". Traders are required to discuss buy/sell orders with PMs through Bloomberg EMSX prior to execution, which helps the trader understand the PM's intent regarding timing and execution strategy. PMs may override restrictions, but must submit a written explanation for the override before the order is sent to trading. Following execution, traders use Omgeo Connect, Oasys, and SWIFT for trade matching and communication with brokers and custodians. Turnover for the strategy is around 40% and capacity is estimated to be \$17 billion, with current assets across the International Growth products at approximately \$8.3 billion as of 3/31/2025.

	Rating Decile	Weight
<b>VI. Attribution</b>	4th	10%

ClearBridge maintains a detailed in-house set of standard performance attribution reports, which incorporate daily holdings feeds from the fund accounting and FactSet attribution software. PMs use attribution to understand alpha sources and validate the portfolio's diversification, ensuring that no one sector allocation is having an outsized effect on performance.

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May 29, 2025

## ClearBridge Investments, LLC

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	Rating									
Decile	1	2	3	4	5	6	7	8	9	10
Corresponding Grade	A		B		C		D		F	



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May 29, 2025

## ClearBridge Investments, LLC

ClearBridge International Growth ACWI ex-US

### Firm Information

#### ClearBridge Investments, LLC

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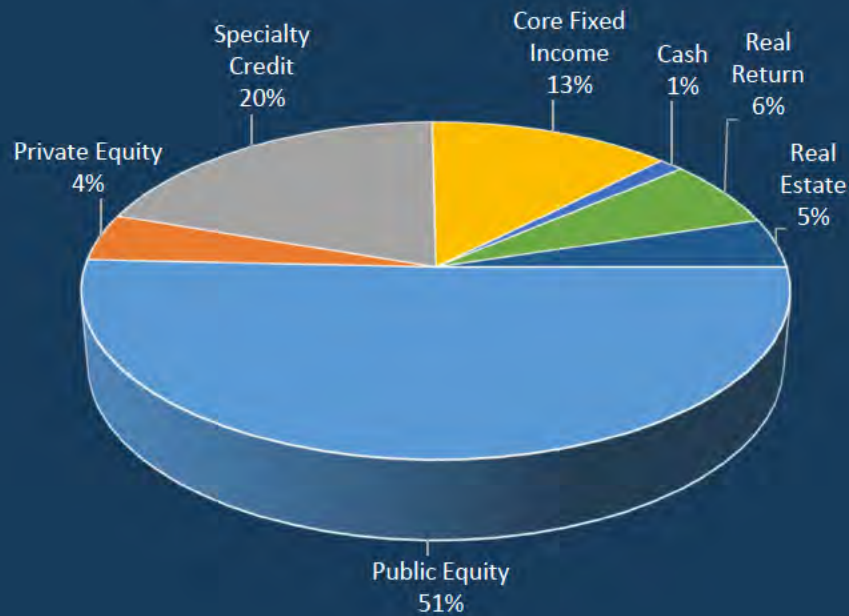


# CERS Investment Committee Real Return Recommendation

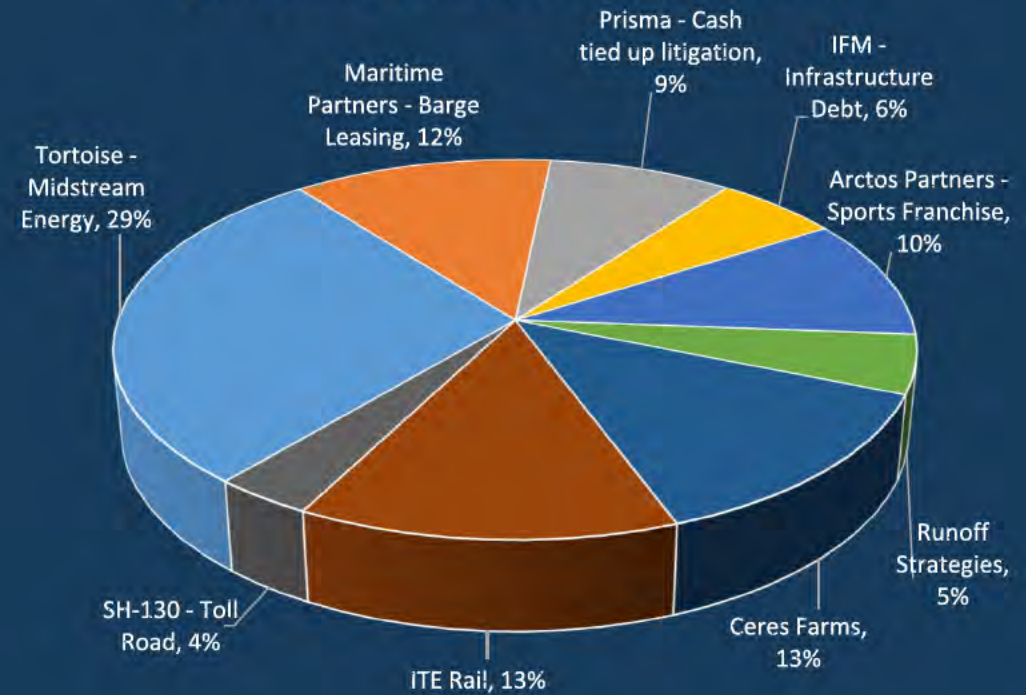
April 28, 2026

# Real Return Allocation Today

## Current Asset Allocation\*



## Current Real Return Allocation\*

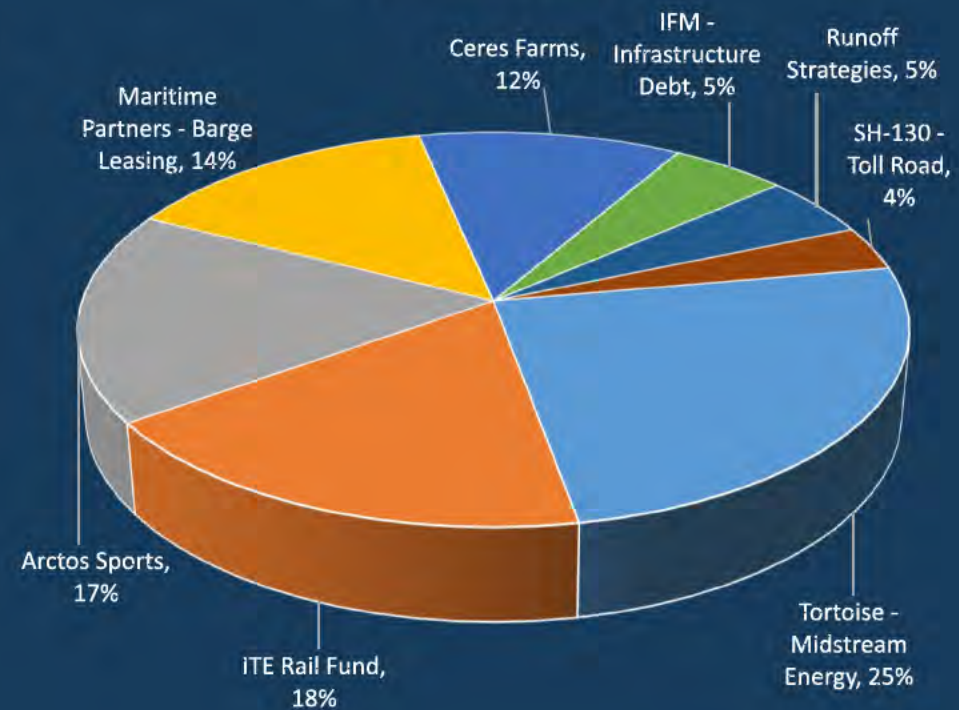


\*CERS Pension as representation

# Impact and Rationale

- Unique investment opportunity in diversified, hard to replicate assets with defensive characteristics and downside protection create a resilient strategy
- Favorable expected risk-adjusted return from stable and growing cash flows that mitigate inflation
- Low return correlations to current Real Return investments and the broader overall public and private portfolio
- Strong alignment with the General Partner
- Dominant position within the industry provides favorable economies of scale with wholly owned repair and maintenance network platform providing data advantage that benefits portfolio management and underwriting
- Will add 0.5% additional Real Return exposure within short funding window and be funded through cash and rebalancing of overweight asset classes

## Fully Called Real Return Allocation



# Top Candidate Characteristics – ITE Rail

## *Additional \$100 Million Recommendation*

Founded in 2014, Industrial Transportation Equipment (“ITE” or the “Firm”) is a New York-based investment firm focused on the leasing of cash-generating transportation assets. Historically, the Firm has primarily been invested in railcars, but it has also been building exposure in aviation, intermodal container, and inland marine assets.

The firm is led by co-founders Jason Koenig and David Smilow and employs 55 professionals across investments, asset management, operations, and back-office roles at its New York, Chicago, and St. Louis offices. The team is supplemented by affiliated operating platforms that ITE has acquired from American Railcar Industries, The Andersons, and Sumitomo Mitsui that include hundreds of employees and a nationwide maintenance and repair network.

This investment would provide exposure to an attractive, resilient lease income stream that also provides upside optionality, inflation-hedging characteristics, and diversification from public equity and fixed income assets.

### Due Diligence Summary

Date of First KPPA Meeting  
12/4/2019 (Aksia conference)

Date of Subsequent Meetings  
Calls: 2/23/2021, 6/15/2021, 1/11/2022,  
2/2/2022, 3/16/2022, 8/30/2022,  
8/13/2024, 9/23/2024, 11/21/2024  
Onsite – Chicago: 12/9/2024

Date of Operational Due Diligence Reports  
10/30/2023, 8/21/2024

Date of Consultant Manager Reports  
10/28/2022, 1/25/2023, 9/12/2024

Legal Negotiation Initiated  
11/15/2024

Comparable Strategies Reviewed  
8 (transportation and infrastructure-related funds)

Funding Dates  
4/1/2025, 10/1/2025





# KENTUCKY PUBLIC PENSIONS AUTHORITY

## INVESTMENTS



To: CERS Investment Committee

From: Anthony Chiu, Deputy CIO

Date: April 28, 2026

Subject: Investment Recommendation – ITE Rail Fund additional investment

KPPA Investment Staff is proposing an additional investment in the ITE Rail Fund, L.P. (the “Rail Fund” or “Fund”), an open-end fund managed by Industrial Transportation Equipment (“ITE” or the “Firm”). Based in New York with offices in Chicago and St. Louis, ITE primarily leases railcars for the transportation of over 500 dry and liquid cargoes such as food, fuel, cars, sand, metals, and chemicals. In December 2024, the CERS IC and Board unanimously approved Staff’s recommendation to commit up to \$200 million. This commitment was subsequently fully called and deployed as of October 2025.

The Firm launched in 2014 and as of 12/31/25 owns ~121,000 railcars with an estimated value of \$10.1 billion. ITE has grown its fleet by building vessels, buying through the secondary market from banks and non-bank lessors, as well as acquiring other lessors. The Fund has essentially been closed to new commitments and CERS’s original commitment was limited to capacity available at the time. ITE is currently evaluating a transaction on a short timeline that is providing an opportunity to invest additional capital into what we still believe is a very attractive investment. Since there is a public markets element to the potential transaction, the Investment Team is limited in the information we can share publicly, but believe this is consistent with ITE’s strategy as originally presented in December 2024.

### Business / People:

ITE was co-founded in 2014 by Jason Koenig and David Smilow with Jim Unger as the Senior Rail Operating Partner. Unger co-founded American Railcar Industries and served as its CEO from 1995 to 2009 and brought ITE access to key rail industry talent and relationships in a relatively small industry where those are essential. This is similar to other real asset areas we have evaluated in recent years (such as farmland and inland marine transportation) where deal sizes are smaller and exposure often must be aggregated gradually.

Like other lessor and asset manager entrants, ITE started by sourcing railcars from manufacturers and fleet owners that needed cash and/or balance sheet relief. However, ITE has differentiated itself through industry relationships and operational capabilities that distinguish it from competitors that are more reliant on larger players like Greenbrier or Trinity for both railcars and their servicing.

A key inflection point for ITE occurred in late 2018 when the Fund acquired American Rail Industries (ARI) from activist investor Carl Icahn. ITE was a logical buyer given Unger’s experience building and leading ARI, and the deal more than doubled ITE’s fleet to 27,000 railcars and included nine repair facilities across the US.

ARI’s railcar leasing and repair was rebranded to American Industrial Transport (AITX), which is the affiliate of ITE that directly interfaces with lessee clients like BNSF Railway, Exxon, or Cargill. These additions gave the Rail Fund a national presence and a way to reduce maintenance and repair costs for its assets.



Service and support you need, exactly where you need it.

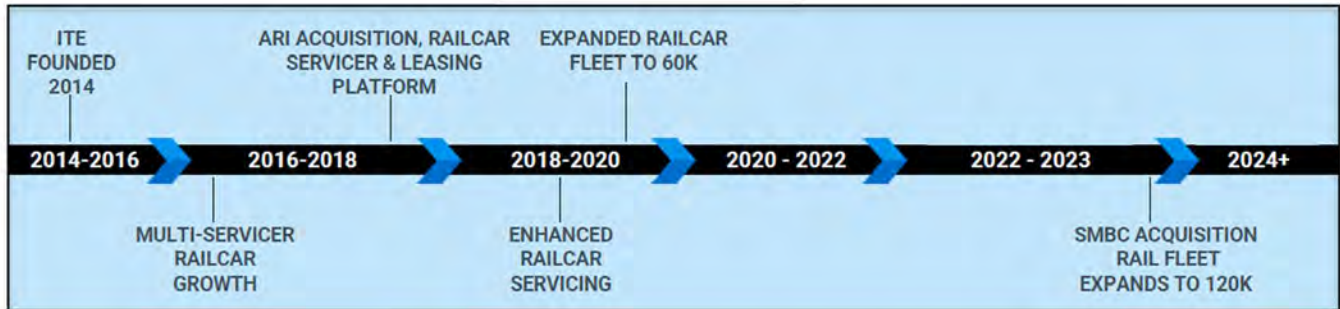


### Explore our locations.

- |                 |                       |
|-----------------|-----------------------|
| Baton Rouge, LA | Hudson, CO            |
| Bayport, TX     | LaPorte, TX           |
| Brookheven, MS  | Loggview, TX          |
| Bude, MS        | Milton, PA            |
| Channelview, TX | Mounds, IL            |
| Clinton, IN     | North Kansas City, MO |
| Emmetsburg, IA  | Point Comfort, TX     |
| Gonzales, LA    | Samia, ON (Canada)    |
| Goodrich, TX    | Tennille, GA          |
| Hastings, NE    |                       |

Subsequently, two other major acquisitions have provided step function growth for the Rail Fund's portfolio: (1) the acquisition of the Andersons, Inc. (Nasdaq: ANDE) railcar leasing business in August 2021, which added nearly 20,000 railcars and (2) the November 2023 acquisition of Sumitomo Mitsui's rail services group, which included a fleet of over 50,000 railcars as well as an experienced team and longtime customer relationships.

### ITE Rail Fund Timeline



### **Investment Process and Portfolio:**

ITE leases its fleet of railcars to a diverse set of ~1,000 lessees that transport more than 500 different commodities. Covered hoppers (48% of the Fund's ~121,000 vessels) and tank cars (36%) comprise the vast majority of the Rail Fund's fleet.

The Fund's leases are multi-year take-or-pay contracts that are typically only modified in bankruptcy. Like any leasing business, non-payment of rent is a primary risk, and the Fund mitigates that by diversifying across counterparties, commodities, asset age, and lease term expiration.

Unlike our inland marine investment, the Rail Fund has very little customer concentration. As of 9/30/25, the Fund's top 3 lessees are renting just 6% of the fleet by value, with the top 2 lessees comprising 2.6% and 1.9% of the total fleet, respectively.

Additionally, almost half of the on-lease fleet is contracted with investment grade companies, and over 85% of the fleet's lessees are rated. Write-offs as a percentage of annual revenues have typically been below 1%, except for 2019 and 2020 when they rose to 1.7-1.8% due to energy industry weakness and the fund's exposure to frac sand transportation.

ITE believes it has learned from its frac sand experience, with "virtually all" of the Fund's bankrupt lessees to date coming from that sector. As a result, ITE has significantly diversified the Fund by commodity and selectively tilted away from ones they view as less economically favorable, like coal or frac sand. As of 9/30/25, the Fund's top commodity carried by value is grain, which comprises less than 5% of the Fund. The Top 10 commodities by value represent less than 25% of fund exposure.

Fleet age is actively managed as well, with approximately half the fleet under 10 years old. Railcars can typically return their cost basis through income in 8-12 years on an unlevered basis, or within 4-7 years if levered. Ideally, ITE would like to receive its cost back before the first lease renewal. Since railcars can have a useful life of up to 50 years, additional leasing cash flows can be significant, although the lease rate is likely to decline with asset age.

Finally, the Fund has staggered lease expirations with a goal of around 15-20% of leases rolling off in any given year. With this setup, ~80-85% of the Fund's cash flows are known on January 1 each year, while re-setting leases can provide some upside. For example, publicly traded GATX reports a Lease Price Index (LPI) that measures the percentage change between the average renewal lease rate and the average expiring lease rate for its North American railcar fleet. For the third and fourth quarters of 2025, the LPI was +23% and +22%, respectively, indicating that lease rates likely still have room to rise for the next several quarters.

Given this consistent cash flow, the Rail Fund's strategy is one that can bear some leverage. The Fund targets 2:1 leverage (67% LTV) and has generally been between 60-65% since inception, which they believe is less than industry peers who are at 70-90% LTVs.

**Performance:**

<b>Fund</b>	<b>1 yr</b>	<b>3 yr</b>	<b>5 yr</b>	<b>Since Inception</b>	<b>Inception Date</b>
ITE Rail Fund	9.3%	9.6%	9.9%	10.6%	Oct-14

Source: ITE as of 9/30/25

Over the long term we are interested in accessing two main sources of return: (1) mid-single digit annual income from asset leasing and (2) modest appreciation as lease rates and vessel replacement costs increase with inflation.

**Conclusion:** Given the attractive risk/reward profile, compelling market opportunity, and current Real Return allocations, Staff is recommending an additional investment of \$100 million to be shared among all CERS portfolios pending successful legal negotiations. When fully funded, this would represent an additional ~0.5% of Plan assets (depending on fluctuations in market value).

Investment and Terms Summary

**Type of Investment:** Real Return

**Structure:** Open end

**Management Fee:** [REDACTED] of net asset value [REDACTED]

**Performance Fee:** [REDACTED] of profits [REDACTED]

**Purpose:** Capture current income and inflation exposure from railcar lease payments

**Risks:** Key Person, Leverage, Liquidity

**Exp. Net Return:** 6 - 9%

\*No placement agents have been involved or will be compensated as a result of this recommendation.



# PORTFOLIO OVERVIEW

ITE Rail Fund L.P.  
Q4 2025

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This document is not an offer to sell or the solicitation of an offer to purchase an interest in any fund managed by ITE Management L.P. or any of its affiliates (collectively, "ITE"). Any such offer or solicitation will only be made by means of a Private Placement Memorandum furnished by ITE and only in those jurisdictions where permitted by law. Information contained in this document is current only as of the date specified in this document, regardless of the time of delivery or of any investment, and does not purport to present a complete picture of the Fund or ITE, nor does ITE undertake any duty to update the information set forth herein.

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Various statements in this document, including those that express belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements. These forward-looking statements may include projections and estimates concerning the timing and success of strategies, plans or intentions. Such statements are based on ITE's current expectations and assumptions about future events. These assumptions include, among others, ITE's projections and expectations regarding market trends and ITE's ability to create an opportunity with attractive current yields and upside. Such expectations and assumptions are inherently subject to significant business, economic, competitive, regulatory and other risks and uncertainties, most of which are difficult to predict and many of which are beyond ITE's control and could cause actual results to differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. ITE undertakes no obligation to update any forward-looking statements or any other information in this document to conform to actual results or changes in expectations, unless required by applicable law. An index presents certain information with respect to the Fund in various categories and classifications. The various categories and classifications represent the opinions of ITE. The categories and classifications presented could be materially different from other third party classification systems.

The information contained herein may contain general, summary discussions of certain tax, regulatory, accounting and/ or legal issues. Any such discussions and issues may be generic and may not be applicable to or complete for the Recipient. ITE does not offer investment, tax, regulatory, accounting or legal advice and this document should not and cannot be relied upon as such. Prior to entering into any proposed transaction or agreeing to proposals made herein, the Recipient should determine, in consultation with the Recipient's own legal, tax, regulatory and accounting advisors, the economic risks and merits of any action, as well as the legal, tax, regulatory and accounting consequences of such action. When considering alternative investments, such as private equity funds, the Recipient should consider various risks which may not be suitable for all investors, including the fact that some funds may use leverage and engage in a substantial degree of speculation that may increase the risk of investment loss, can be illiquid, are not required by law to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. This document shall not, nor the fact of its distribution, form the basis for, or be relied upon in connection with, any contract or decision to invest in the Fund. Before relying on this information in any way, ITE advises the Recipient to perform independent verification of the data and conduct his or her own analysis hereto with appropriate advisors. Do not enter into an investment without fully understanding the worst-case scenarios of the investment.

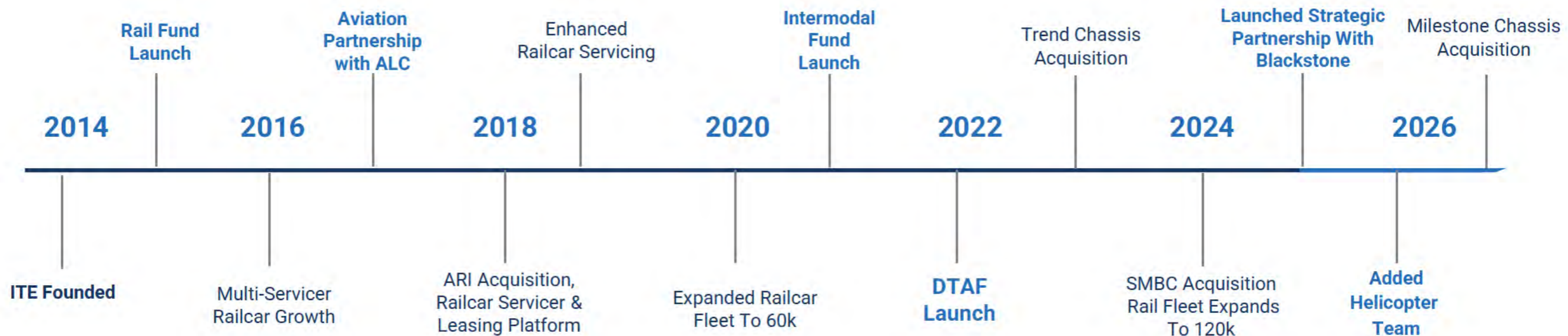
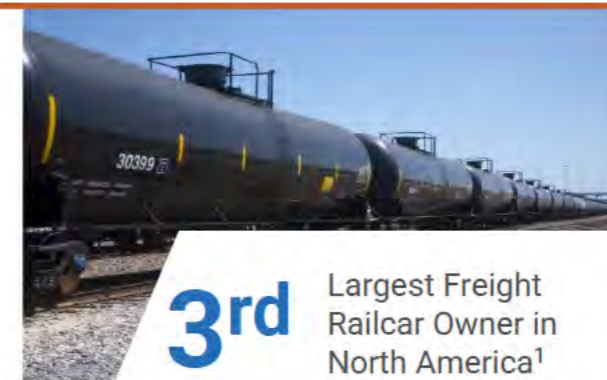
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# ITE: Recognized Leader in Transportation Infrastructure

ITE has built a portfolio of critical transportation infrastructure assets: Rail, Multimodal, Specialty Aviation

## Largest North American Railcar Lessors<sup>1</sup>

Rank	Lessor	Fleet	Market %
#1	GATX	213,300	13.3%
#2	CIT Group	127,600	8.0%
#3	<b>ITE Management</b>	<b>118,808</b>	<b>7.5%</b>

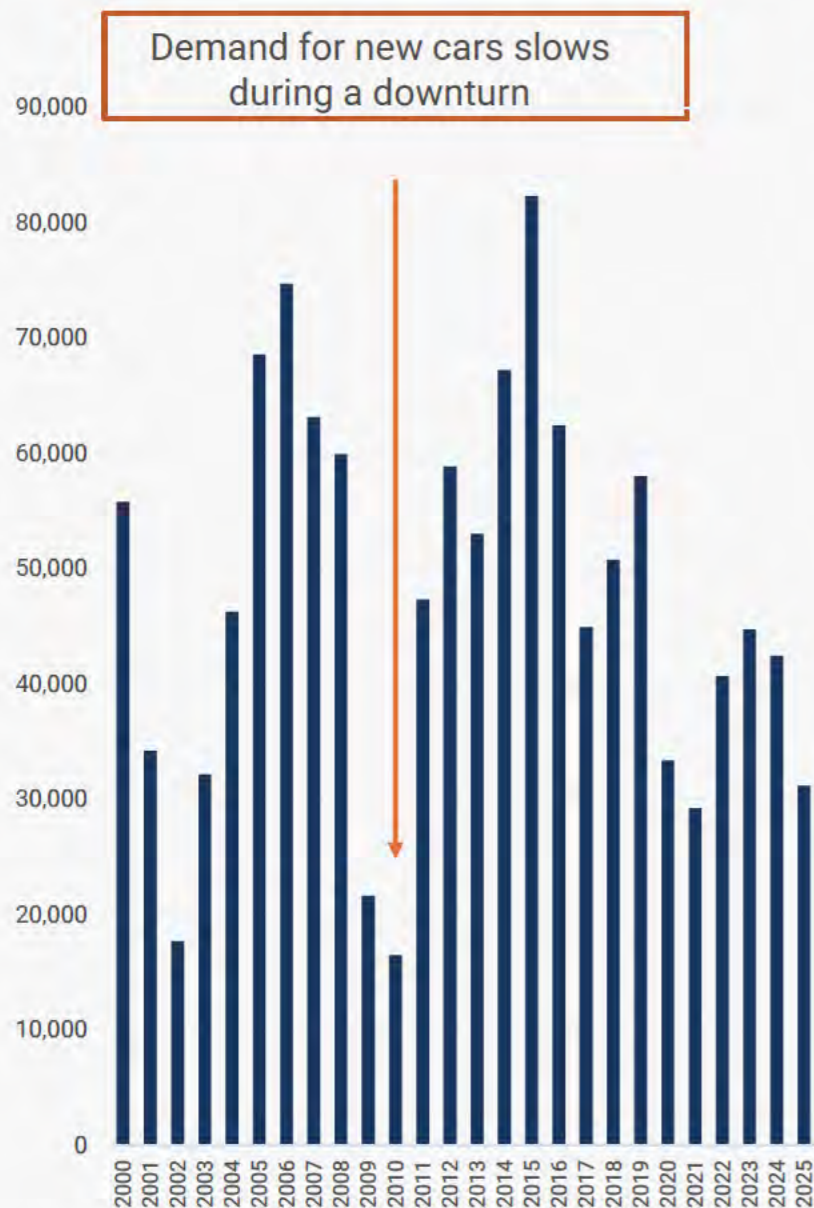


<sup>1</sup>GATX's combined North American fleet based on publicly available data as of January 2026. ITE's and CIT's fleet size as of 12/31/2025

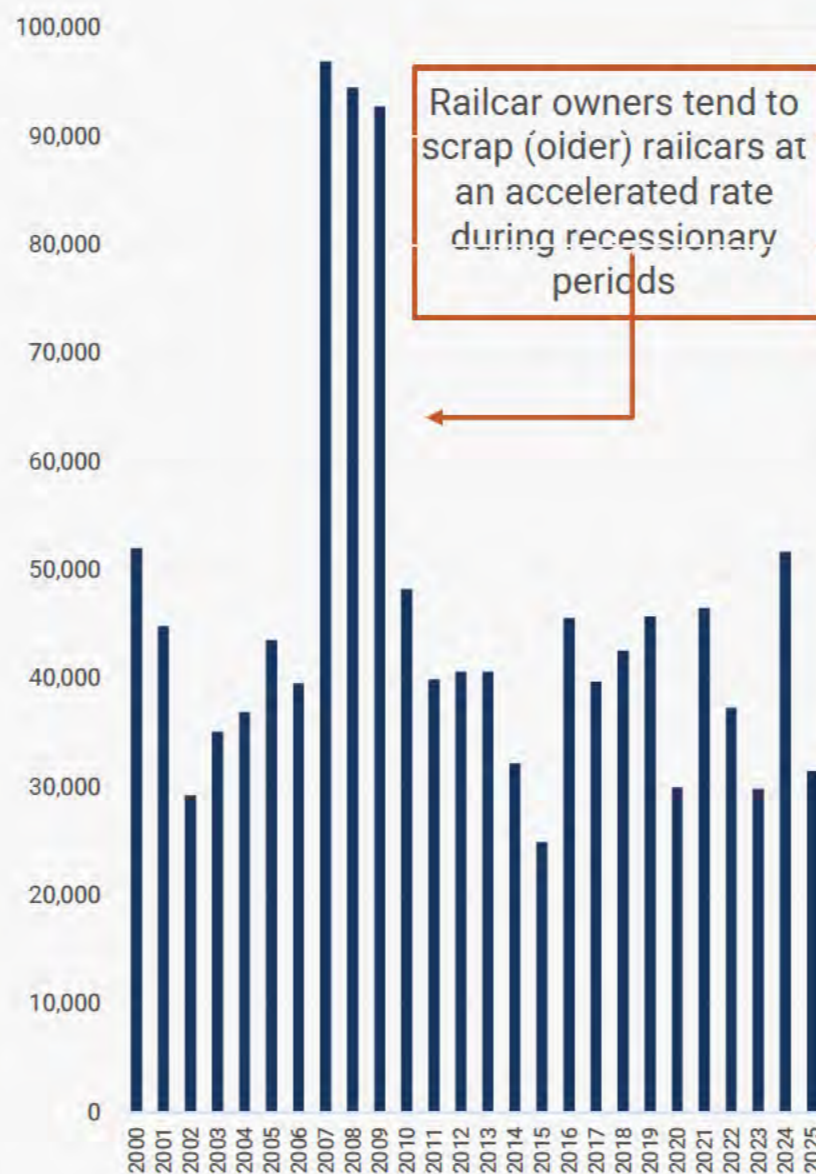
# Railcar Leasing: Industry Supply and Demand

Inelastic customer demand and reduced supply during downturns support consistently high utilization rates

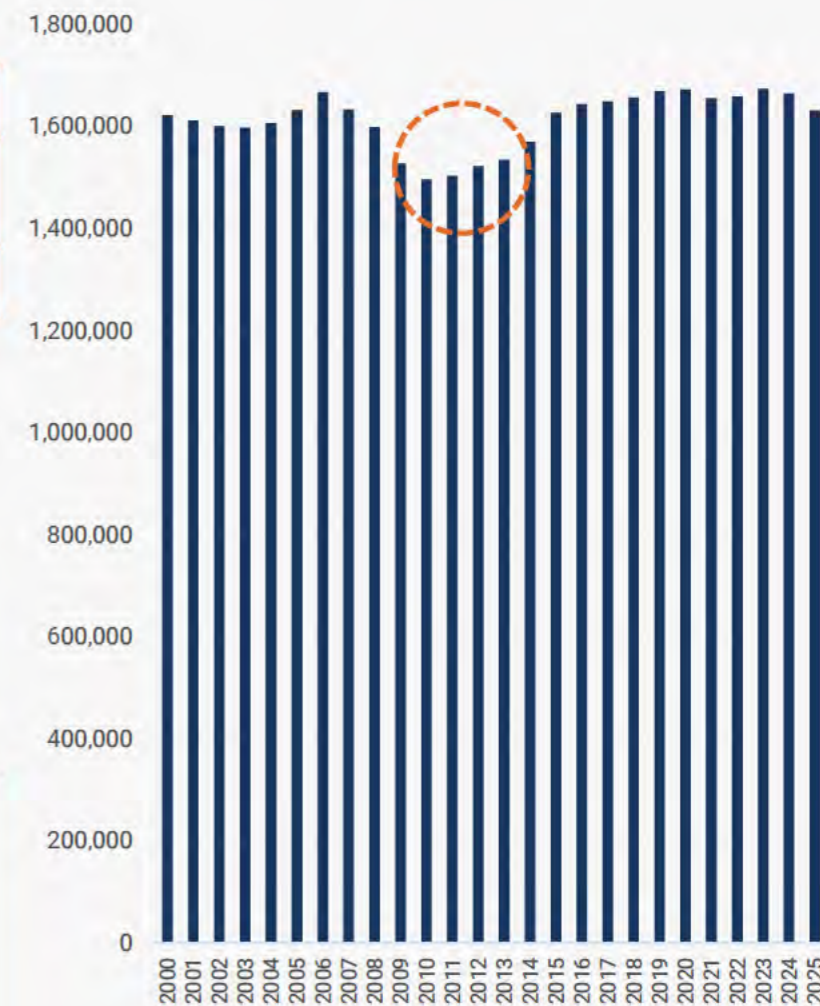
## New Build Deliveries



## Railcar Retirements



## Railcar Fleet Size



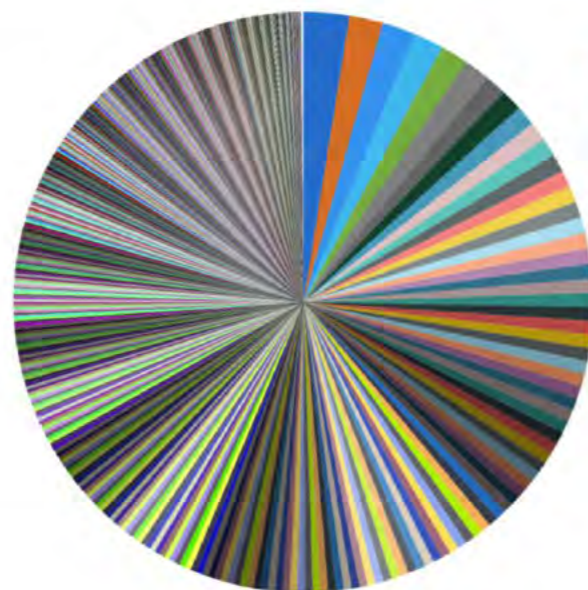
Source: TRN (Trinity Industries Inc), GBX (The Greenbrier Companies), ARI (American Railcar Industries) now AITX, RAIL (FreightCar America), UTLX (Union Tank Car), and NSC (National Steel Car), Chart: ITE, FTR, and company filings.

# ITE Rail: Portfolio Overview

ITE Rail Fund aims to generate durable cashflows across a highly diversified portfolio with staggered lease expirations

- ~121,000 Railcars
- 12 Years Average Age
- 77.2% Renewal Rate<sup>1</sup>
- ~1,000 Unique Lessees
- ~\$10.1B<sup>2</sup> Fleet Value

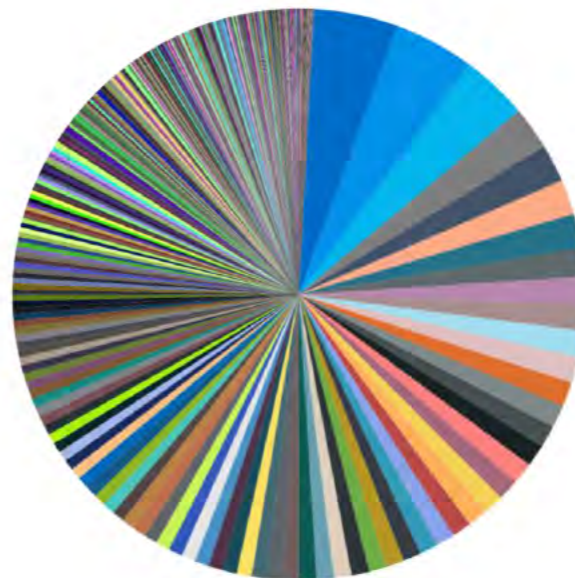
Fleet by Lessee<sup>3</sup>



**Top 3 Lessees**

Lessee 1	2.4%
Lessee 2	1.8%
Lessee 3	1.8%

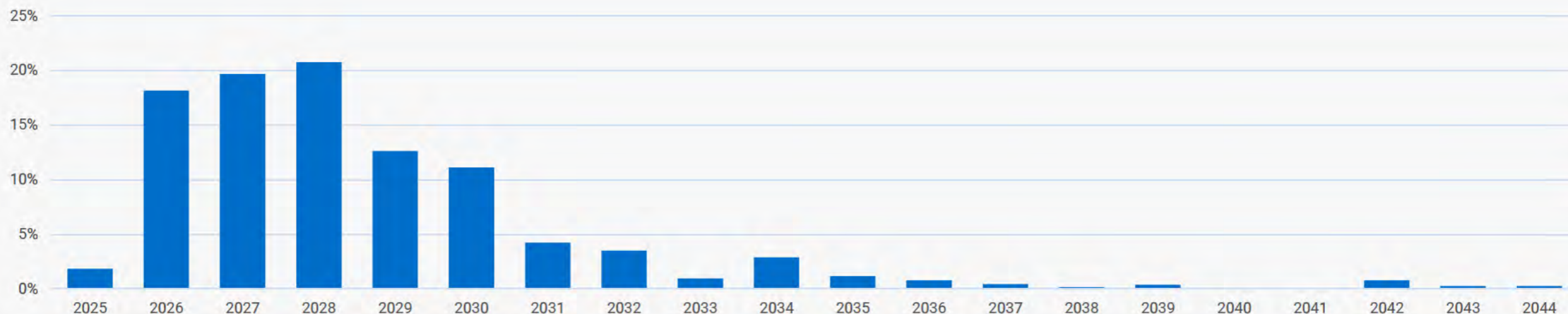
Fleet by Commodity<sup>3</sup>



**Top 3 Commodities**

Grain	5.4%
Ethanol	4.0%
LPG	3.1%

Leases Expiring Each Year<sup>1</sup>

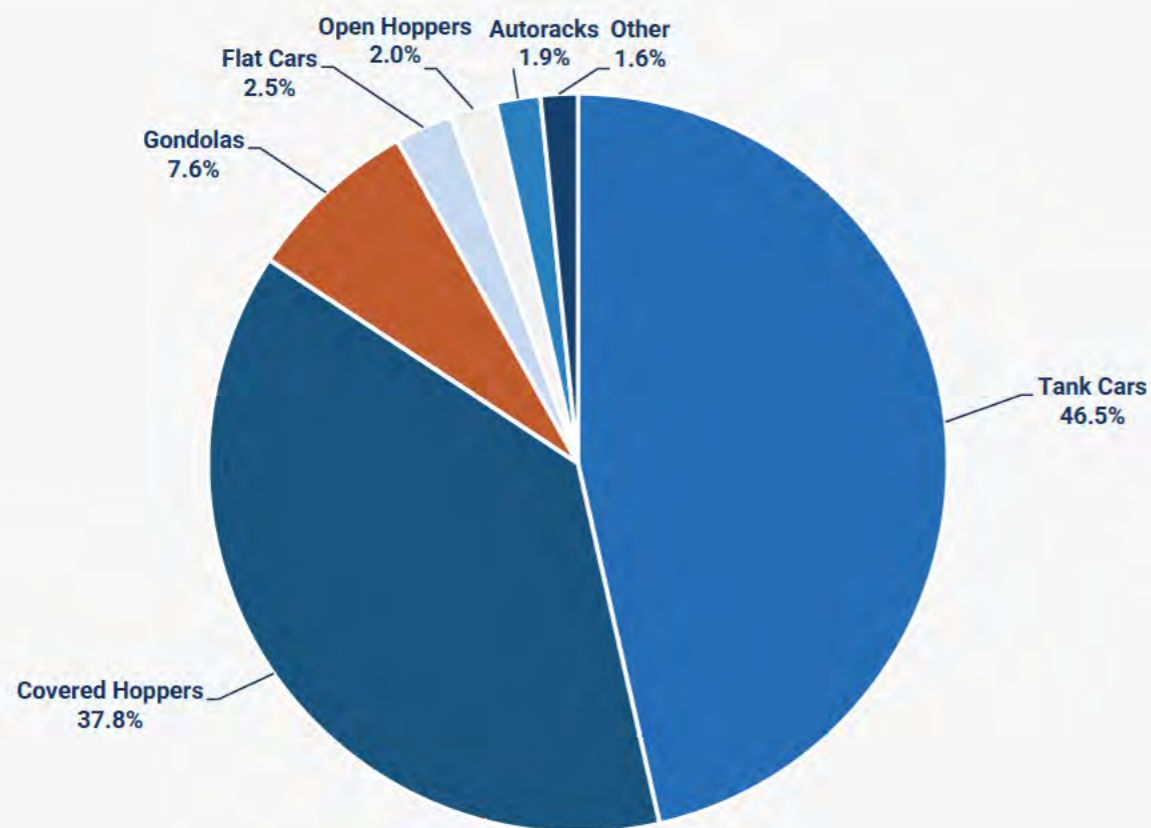


Source: ITE Research. Represents North American and European Fleet <sup>1</sup> Renewal/Reassign Success %, last twelve months, <sup>2</sup>Fleet value of ITE Rail Fund L.P. which includes leverage. <sup>3</sup>Information based on value of assets.

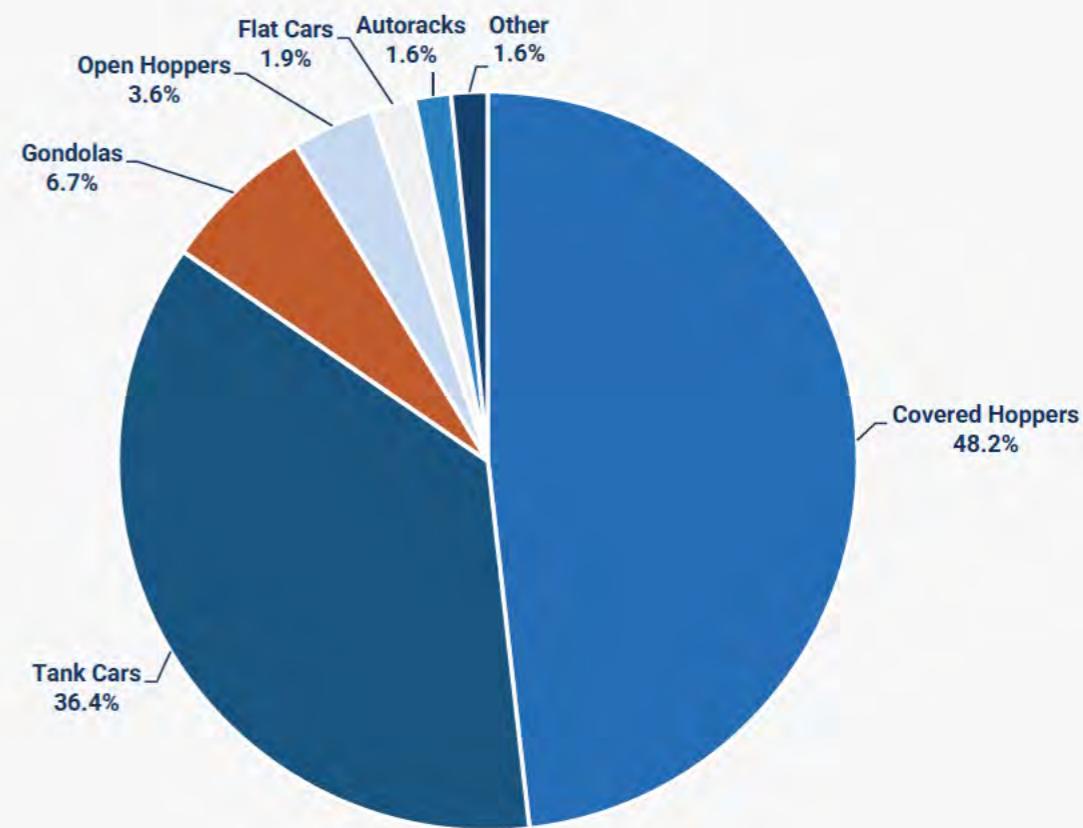
# Fleet Characteristics: Car Type

The portfolio is diversified across major car types including tank cars, gondolas, hoppers and autoracks

Fleet Car Type (By Value)



Fleet Car Type (By Number)

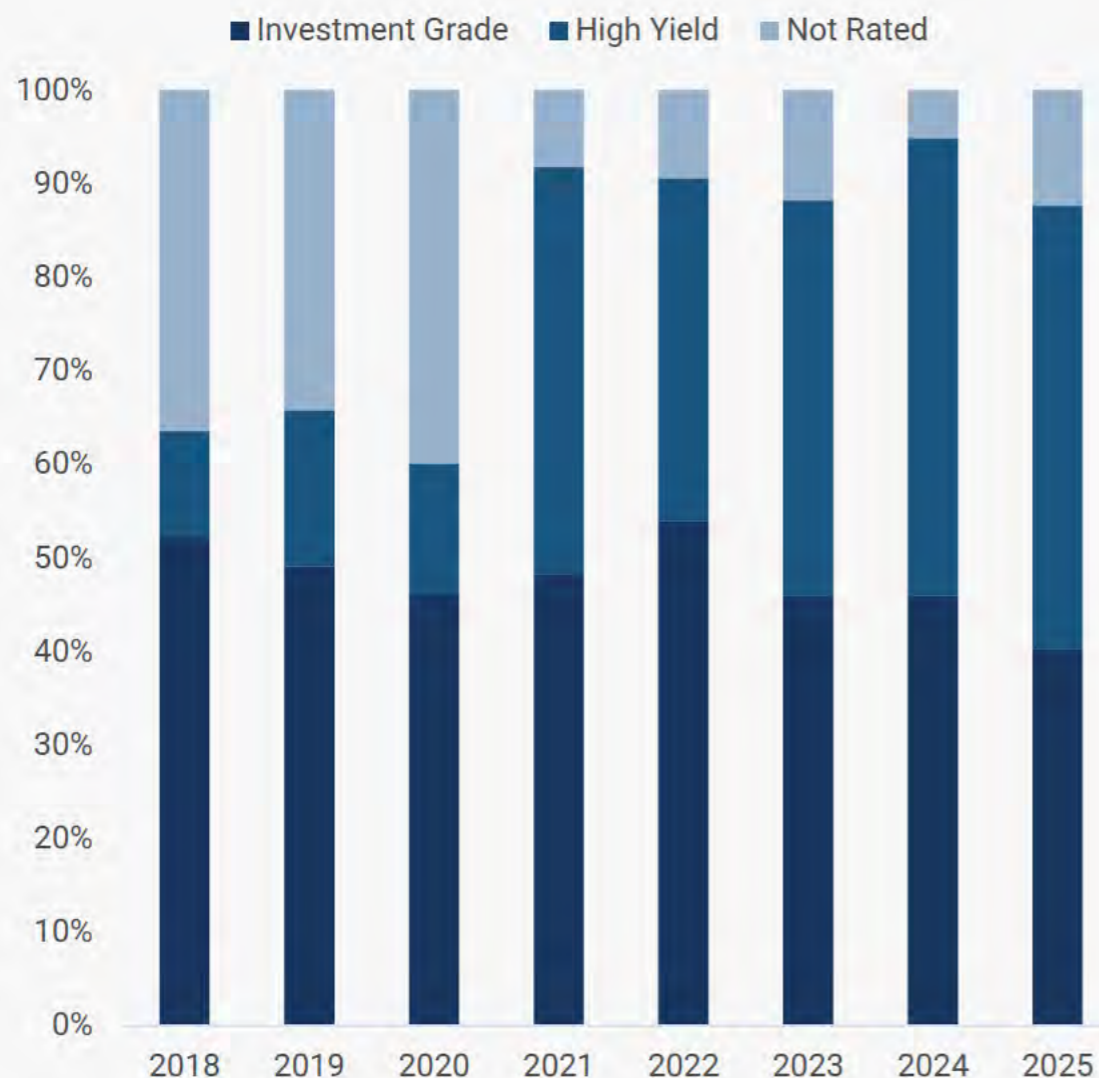


Source: ITE Research. Represents North American and European as of 12/31/2025.

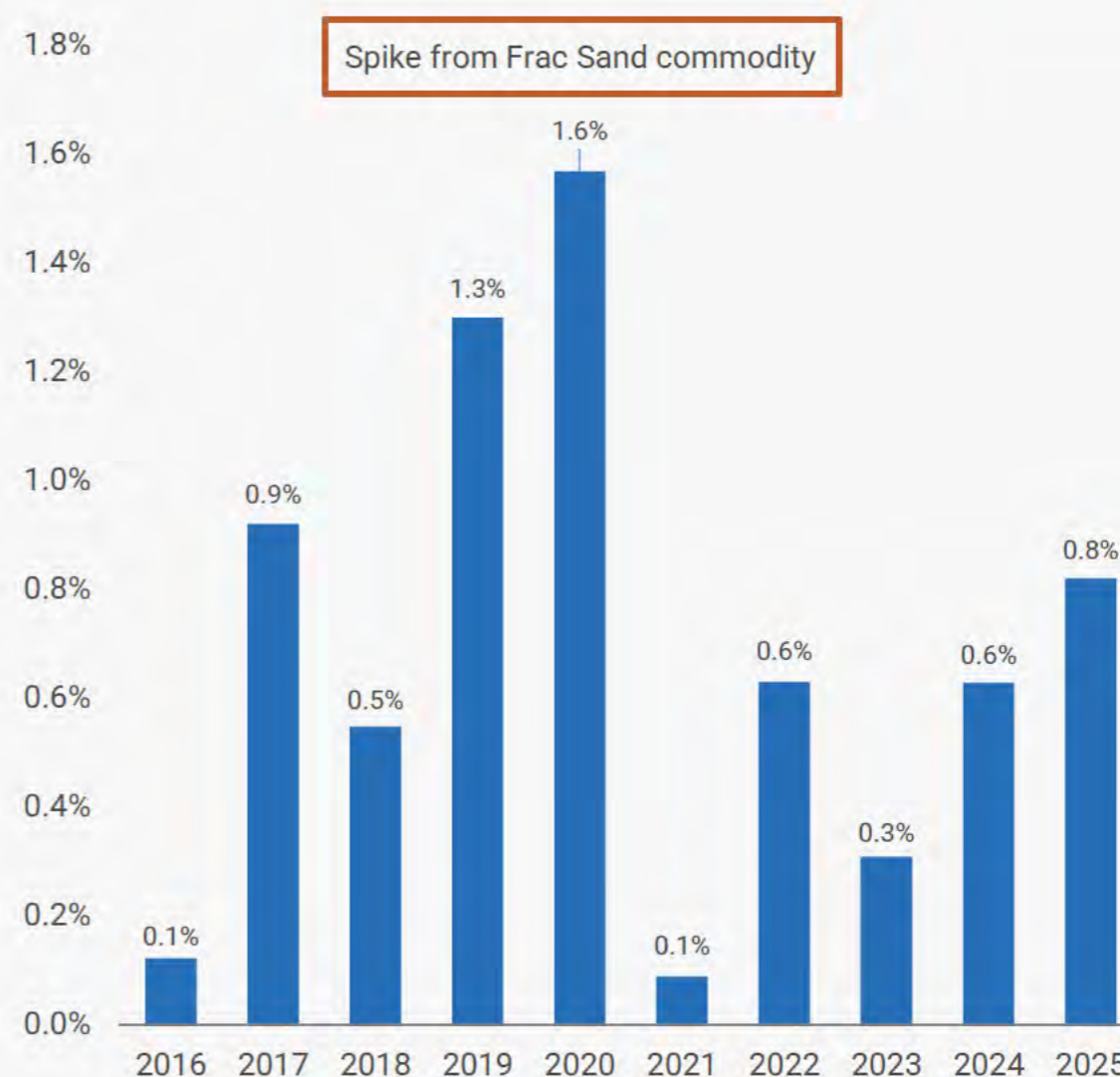
# Fleet Characteristics: Credit Quality

~95% of the fleet's lessees have a rating, and 46% are investment grade, with low default rates

### Lessee Credit Ratings



### Write Offs as a % of Annual Revenue<sup>1</sup>



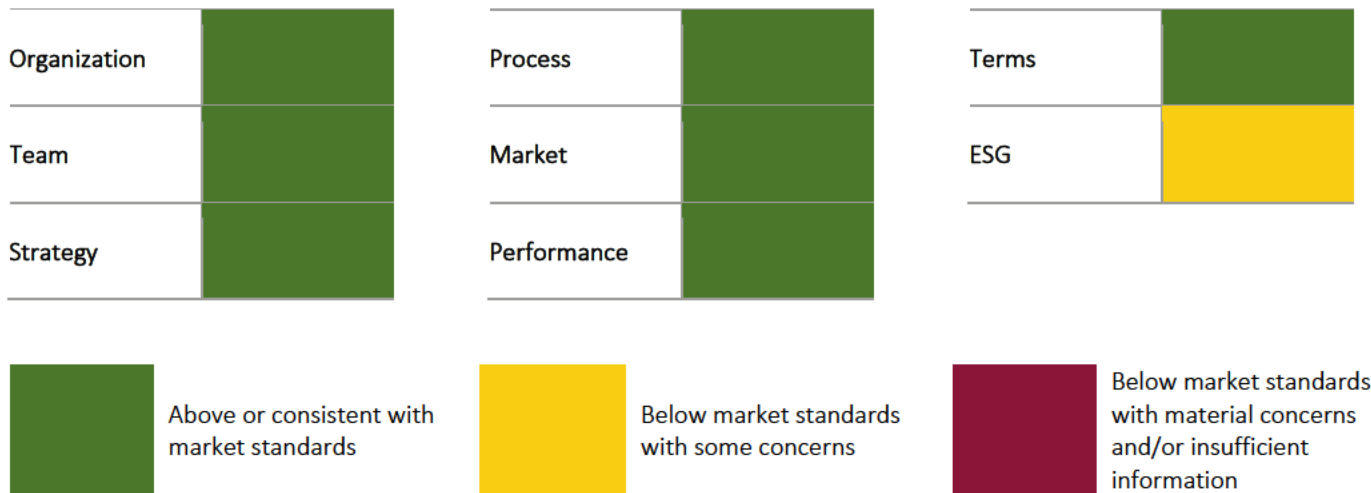
Source: ITE research. Credit quality information prior to 2022 represents an average of each year. Starting in 2022, the data represents the credit quality of the lessees as of December 31st of each year except 2025 is as of 9/30/2025. Prior to Q2 2021, in instances in which a lessee did not have a public credit rating itself but was owned by a parent with a public, investment grade, corporate family rating, ITE ascribed the parent's rating to the unrated subsidiary lessee. Beginning in Q2 2021, ITE implemented Standard & Poor's Credit Analytics rating model to assign ratings to all lessees that do not have public credit ratings, including aforementioned unrated subsidiaries. As a result, certain lessees that had previously been recognized as investment grade through their respective parents are not assigned model-generated investment grade credit ratings. <sup>1</sup>Revenue figures exclude the net impact of lease intangible amortization; <sup>2</sup>Figures exclude amounts from Intermodal entities, which were included in the combined financial statements for 2021 and 2022; <sup>3</sup>2025 revenue and write-offs are estimated annualized amounts

## INVESTMENT REVIEW ITE Rail Fund

### Background

Wilshire has been requested to review ITE Rail Fund (the “Fund”) and provide a written analysis outlining the merits and concerns of the investment opportunity along with verification that such investment is deemed prudent and consistent with market standards. Wilshire is providing a description of the Fund which relies on information provided by the investment manager and includes: i) a summary of the investment opportunity and ii) Wilshire’s view of the investment merits and concerns for the Fund. Wilshire’s view is based on a preliminary assessment of the Fund’s organization, team, strategy, process, performance, terms, and market in which it is investing. Wilshire notes that the current view is limited with respect to the amount of due diligence that was performed on the Fund.

### At-A-Glance



### Confirmation

Wilshire’s review confirms that an investment in ITE Rail Fund is considered prudent, of institutional quality, and generally consistent with market standards.

## Investment Summary

### Firm Overview

Founded in 2014, Industrial Transportation Equipment Management (“ITE” or the “Firm”) is an alternative investment firm focused on investing in real assets in the transportation industry. The Firm has specialization in Rail, Intermodal Containers, and Aviation and is led today by two co-founders, David Smilow and Jason Koenig. ITE employs 55 professionals across investment and asset management, asset operations, and back-office operations including ITE Labs (an in-house data-driven technology platform). ITE’s team is augmented by operating platforms the Firm has acquired, adding hundreds of employees and a nationwide maintenance and repair network. The Firm has offices in New York, Chicago, and St. Louis.

### Investment Strategy

ITE Rail Fund (or the “Fund”) will manage a portfolio of freight rail cars and related assets. ITE will primarily purchase rail cars that are on-lease and will seek to build a portfolio that is diversified by car type, commodity carried, lessee, length and expiration of leases, and age of car. Broad diversification allows the Fund to mitigate volatility and risks. Currently, the portfolio is comprised of approximately 120,000 rail cars and diversified across over 526 different commodities, over 1,000 lessees, rail cars ranging from 1 to 50 years old with a weighted average age of 6 years by value, and with approximately 75% of the rated fleet as investment grade. The Fund seeks to generate stable and predictable cash flows through strong lease contracts that are take-or-pay, long-dated, and priced at fixed rates throughout the term. To source opportunities, ITE uses its large network of partners including manufacturers, operating lessors, and servicers. The Fund also owns American Industrial Transport’s (“AITX”) rail car maintenance and servicing network with 15 maintenance facilities and over 540 employees, which is used to service existing assets by providing ongoing maintenance and repairs. The Fund targets 2:1 leverage on an asset-level and uses asset-backed loans and securitizations on a non-recourse basis through SPVs that contain portfolios of rail cars.

### Key Investment Personnel

Name	Title	Experience
David Smilow	Founder	Jefferson National Financial, TeleBanc, Goldman Sachs
Jason Koenig	Founder	Hale Capital Partners, Avenue Capital, Versa Capital Partners
Peter Appel	Head of Rail	Jefferson National Financial, TeleBanc

### Opportunity Summary

Investment Type	Primary
Currency / AUM (B)	USD / 2.9
Term	Open-ended
Inception Year	2014
Geographic Focus	North America
Strategy	Other Infrastructure
Industry	Industrials
Investment Size (M)	\$5 - \$100
Number of Investments	120,000+
Subscriptions	██████████
Redemptions	██████████
Notice	██████████
Lockup Period	██████████
Gate	██████████
GP Commitment*	██████████
Target Return	10% - 12% net IRR
Management Fee	██████████
Carry / Hurdle	██████████

\*GP Commitment is to ITE Rail and ITE Intermodal Funds.

### Track Record Summary

Since inception in 2014, the Firm has purchased over 120,000 rail cars totaling over \$8.9 billion in asset value. Today, the Firm is a top 10 owner of freight rail cars in North America. Currently, ITE manages over \$3.0 billion in investor commitments in the Fund. As of December 31, 2023, the Firm has achieved an unlevered gross cash yield of ██████████

Fund	Year	AUM (\$B)	ITD (%)	ITD ROI
ITE Rail	2014	2,877	10.7%	2.5x

Source: ITE Management as of December 31, 2023.

### Investment Merits

- Organizational specialization & platform resources
- Portfolio construction & diversification quality
- Due diligence insight & monitoring

### Investment Concerns

- Firm ownership distribution
- Modest use of leverage
- Underlying asset correlation/sensitivity to GDP

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

*Revised: June 10, 2024*

**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 to 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 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: Regular meetings of the Board shall be held on the second Monday of March, April, June, and September, and the first Monday of November and December at times selected by the Board Chair.
- 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 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's 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.
- o. 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.
- p. 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.

## **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. 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.
- 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 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 ensure 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.
- 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 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.

- m. 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.
- n. 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.
- o. 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.
- p. 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.
- q. 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.
- r. In the case of emergency conditions that threaten the functioning of the County Employees Retirement System, the preservation or protection County Employees Retirement System's 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.

## **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 have at least three (3) and up to five (5) members. Membership of the Committee must 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 on the second Wednesday of February and April and the fourth Wednesday of October, with authority to convene additional meetings, as circumstances require. 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 Systems' 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 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 five (5) 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 quarterly meetings shall be held on the third Monday of February, May, and August, and the fourth Monday of November at times selected by the Finance Committee Chair.
    - 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.
- d. Disability Appeals Committee: The CERS Board shall collaborate with the Kentucky Retirement Systems' 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 two (2) trustees appointed by the CERS Board Chair.
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 quarterly meetings shall be held on the fourth Wednesday of February, May, and August and the fourth Tuesday of November at times selected by the Investment Committee Chair.
    - 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 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 In-

- vestment 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. 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 System 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 quarterly meetings shall be held at those times selected by the Joint Retiree Health Plan Committee Chair.
    - 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.

- g. Personnel Committee: The CERS Personnel Committee shall include at least three (3) and up to five (5) members appointed from the CERS Board by the CERS Chair. Members should have relevant experience for personnel management and/or legal expertise for personnel laws and regulations.

- 1. Committee Responsibilities:

- A. The Committee will meet semi-annually, with authority to convene additional meetings, as circumstances require. The regular meetings shall be held on the second Tuesday of January and June at a time selected by the Committee Chair. 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.
- C. 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.
- D. The CERS Personnel Committee will report its findings and recommendations of each such review or evaluation to the CERS Board for the CERS Board of Trustees to determine appropriate implementation and action.

- h. Employer Audit Committee: The CERS Employer Audit Committee shall consist of not less than three (3) and not more than five (5) members and will act on behalf of the CERS Board in fulfilling its oversight responsibilities for CERS employer audits including, but not limited to, evaluation of internal controls, establishment of internal and external processes, and the process for monitoring compliance with laws and regulations.

- 1. Committee Responsibilities:

- A. The Committee will meet quarterly, with authority to convene additional meetings. The meetings should be scheduled in the first part of each quarter by the Committee Chair. Special meetings may be convened in conjunction with the need to evaluate information presented to the Committee by the Chief Auditor or the ERCE group.
- B. The Committee will work with the Chief Auditor and/or ERCE to develop an employer audit schedule and ensure the schedule is communicated in a timely fashion to all relevant parties. The Committee will also review the Chief Auditor's Audit Program to ensure the comprehensiveness of the information reviewed. The Committee will also selectively review audit work papers for completeness and

accuracy.

- C. The Committee will be the primary interface for the CERS Board with external audit groups charged with providing audit services for CERS employers including, but not limited to, the Kentucky State Auditor and independent CPA firms doing business across the state. The Committee will also work with CERS legal counsel to forward significant outstanding balances for collection through the court system.
- D. The CERS Employer Audit Committee will report its findings and recommendations of each such audit cycle or evaluation to the CERS Board for the CERS Board of Trustees to determine appropriate implementation and action.

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**

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 ad hoc Committees of the CERS Board and fix their duties and responsibilities for any purpose which, in the judgment of the CERS Chair or the CERS Board, is better served by an ad hoc rather than 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 ad hoc Committee Chair and designate the other members of the CERS ad hoc Committee, unless otherwise determined by the CERS Board.

### **Section 2.5 KPPA COMMITTEES**

The CERS Board of Trustees shall collaborate with Committees established by the Kentucky Public Pensions Authority to develop administrative and benefit management policies as necessary for the County Employees Retirement System.

### **Section 2.6 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 2.7 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.

**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 \_\_\_\_\_ day of \_\_\_\_\_, 2026.

\_\_\_\_\_  
Chair, CERS Board

\_\_\_\_\_  
Date

\_\_\_\_\_  
CEO, CERS Board

\_\_\_\_\_  
Date