



**County Employees Retirement System
Board of Trustees – Special Quarterly Meeting
September 29, 2021 at 2:00 PM EST
Live Video Conference/Facebook Live**

AGENDA

- | | |
|---|-------------------|
| 1. Call to Order | Betty Pendergrass |
| 2. Opening Statement | Betty Pendergrass |
| 3. Roll Call | Sherry Rankin |
| 4. Public Comment | Sherry Rankin |
| 5. Approval of Minutes* -- September 15, 2021 | Betty Pendergrass |
| 6. Joint Health Care Committee | Jerry Powell |
| a. Establish 2022 plan components and rates for non-Medicare members* | |
| b. Establish 2022 plan components and rates for Medicare members* | |
| c. RFP timeline for Medicare eligible and COBRA* | |
| 7. Joint Audit Committee | Betty Pendergrass |
| a. Elections* | Betty Pendergrass |
| b. Charters* | Betty Pendergrass |
| c. Update on Fiscal Year 2021 External Audit | Rebecca Adkins |
| d. Internal Audit Updates | Kristen Coffey |
| 8. KPPA Board Update | Betty Pendergrass |
| a. Administrative Investment Policies | Steven Herbert |
| b. Administrative Cost Allocation | Rebecca Adkins |
| c. Kentucky Administrative Regulations | Betty Pendergrass |
| d. Audit & Internal Audit Charters | Betty Pendergrass |
| 9. Administrative Policies | Ed Owens, III |
| a. Confidentiality Policy and Trustee Form* | |
| b. Trustee Education Policy (and related forms)* | |
| i. New Board Member Orientation Form* | |
| ii. External Training Verification Form* | |
| c. Funding Policy* | |
| d. Open Records Request Policy* | |
| e. Conflict of Interest Policy (and related forms)* | |
| i. Internal Conflicts Form* | |
| 10. CLOSED SESSION | Betty Pendergrass |
| 11. ADJOURN | Betty Pendergrass |

*Board May Take Action

**MINUTES OF MEETING
BOARD OF TRUSTEES COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED MEETING SEPTEMBER 15, 2021 AT 2:00 P.M.
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Board of Trustees held on September 15, 2021 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O’Mara, and Jerry Powell. Staff members present was Ed Owens, III, CERS CEO, Sherry Rankin, Shaun Case, Phillip Cook, Michael Board, Connie Pettyjohn, Connie Davis, Ashley Gabbard, D’Juan Surratt, Chris Johnson, Erin Surratt, Dominique McKinley, Rebecca Adkins, David Eager, Steven Herbert, Jared Crawford, and John Chilton. Others present included David Lindberg, Craig Morton and Chris Tessman with Wilshire Consulting, Lawrence Loew and Tracey Garrison with Humana, and Joseph Bowman..

Ms. Pendergrass called the meeting to order and read the Opening Statement relating to a Special Called Meeting.

Ms. Rankin took Roll Call. There was one public comment received. Ms. Rankin read, “Greetings, I would like to have the following comment submitted for consideration. I have been a County Kentucky Retirement System retiree since 2013. In this time, there have been no cost of living adjustments, as was true for many years prior. Inflation has been rising and it is impacting many retirees of KRS. It would be progressive for Kentucky to keep its dedicated retirees in mind, and propose a COLA for 2022. Thank you for your consideration, Debby Combs, Kentucky Retirement System Retiree – County System.”

Ms. Pendergrass introduced agenda item *Approval of Minutes – May 19, 2021, June 2, 2021, June 24, 2021, July 14, 2021, August 25, 2021 and September 1, 2021*. Mr. Powell indicated that the minutes for the June 24, 2021 meeting needed to reflect the full name of Mr. Owens, and should be corrected to Ed Owens, III. Mr. Fulkerson made a motion and Dr. Milkman seconded to approve all of the minutes with this correction. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *CERS Investment Committee Report*. Dr. Hackbart, Investment Committee Chair, reported that the committee met on August 25, 2021, and selected Axiom Investors to provide Non-US Small Cap Equity services pending successful agreement negotiations. Dr. Hackbart made a motion and Dr. Milkman seconded to approve this recommendation. The motion passed unanimously.

Dr. Hackbart then introduced David Lindberg, Craig Morton and Chris Tessman from Wilshire Consulting to present the Quarterly Investment Review. Mr. Lindberg reviewed an Asset Class Performance Chart reviewing the class returns over the last 5 years, showing a strong return in the US Equity market. Mr. Lindberg reviewed the Economic Growth, Consumer Activity, Business Activity, Inflation and Employment charts covering the activities in each for the quarter. Mr. Lindberg then focused on the market charts showing the quarterly activity in the US Equity Market, Non-US Equity Market, US Fixed Income Markets, High Yield Bond Market, and Real Asset Market charts. Mr. Lindberg discussed the Asset Class Assumptions as of June 2021. Mr. Morton presented charts including Asset Allocation Compliance, Total Fund Attribution for both the hazardous and non-hazardous Pension and the Insurance Plans reflecting the performance during the past quarter. Mr. Morton then showed the Plan Sponsor Peer Group Analysis for CERS Pension Plan vs All Public Plans – Total Fund Chart comparing the performance of the CERS plans to other public plans.

Ms. Pendergrass introduced agenda item *CERS Finance Committee Report*. Mr. O'Mara, Finance Committee Chair, reported that the Finance Committee met on September 1, 2021, and voted to approve the participation of a new agency, Liberty Tourism and Convention Commission, to the CERS system as well as approving thirty-eight (38) requests for Hazardous Duty designations for participating agencies. Mr. Fulkerson made a motion and Mr. Powell seconded the approval of the participation of Liberty Tourism and Convention Commission in the CERS system. The motion passed unanimously. Mr. O'Mara made a motion and Mr. Powell seconded to approve the thirty-eight (38) requests for Hazardous Duty designations. The motion passed unanimously.

Mr. O'Mara introduced Ms. Rebecca Adkins to present the Quarterly Financial Reports. Ms. Adkins presented the Combining Fiduciary Net Position and the Changes in the Fiduciary Reports

for both the Pension and Insurance Funds. Ms. Pendergrass noted that these reports are reflecting fiscal year end results, but that the final audit is pending and therefore, these results are subject to change. Ms. Adkins then reviewed the Fourth Quarter Budget to Actual analysis showing the breakdown of the expenses as it relates to the CERS system. Mr. O'Mara asked Ms. Adkins to speak about how the expenses are divided between all of the systems. Ms. Adkins referred to the percentages listed on the Fourth Quarter Budget to Actual Analysis Chart and indicated that the percentages are based on the number of participants in each of the plans. Ms. Adkins presented the Contribution Reports for both the Pension and Insurance Funds and the Outstanding Invoices. Ms. Adkins announced that the Outstanding Invoices Chart includes all three systems and that going forward this chart will only reflect those agencies in the CERS system. Ms. Adkins then reviewed the cancelled, created and paid penalties in the Penalty Waiver Report.

Ms. Pendergrass introduced agenda item *Joint Health Care Committee Report*. Mr. Powell, Joint Committee Chair, indicated that the committee met on September 2, 2021 to vote on the health insurance coverage for Medicare and Non-Medicare-Eligible Retirees. Ms. Connie Pettyjohn reviewed the coverage details for both the plans. Due to a technical issue on the agenda, a vote on the recommendations was not held and this matter was passed to the next meeting. However, the Board agreed that the KPPA staff proceed with the recommendation from the Joint Health Care Committee to meet the printing and distribution deadlines. Mr. Powell introduced Ms. Adkins to give an update on the RFP process. Ms. Adkins indicated that KPPA staff are working on the scope for the RFP. The vendor contract which results from the completed RFP process should be in place mid to late summer 2022 and then the team will be working on the implementation process prior to the open enrollment, which will begin in October 2022 for plan year 2023.

Ms. Pendergrass introduced agenda item *IT Cybersecurity Overview*. Mr. Ed Owens, III indicated the importance of cybersecurity training for all of the Trustees and announced that a more thorough training will be incorporated into the Trustee's education program in the future. Ms. Rebecca Adkins and Mr. Chris Johnson presented an overview of the KPPA Cybersecurity measures that are currently in place. Mr. David Eager commented that during a past study conducted by an outside agency to see how vulnerable our system was, he asked for a rating

on our system based on a scale of 1 to 10, where 1 is poor and 10 is excellent. The representative indicated that he would rate us a 7 out of 10. Mr. Eager suggested that he didn't think that a 7 was satisfactory. The Representative replied that is about as high as they could give other like systems. Mr. Eager indicated that it represented the state of security. Mr. Eager pointed out that we are at a higher risk for cybersecurity because we are a pension system, which have been the target of many security breaches as of recent. He indicated that we have measures in place, but there is always room for improvements. Ms. Pendergrass wanted to bring attention to the Trustees that they are representatives of a high-risk organization with sensitive data; they are high-risk targets, which means we need to pay more attention to how we communicate and we need to work closely with the KPPA IT staff. Ms. Pendergrass praised the efforts of the KPPA IT staff in maintaining the security protocols to keep the sensitive information of our members safe. Mr. Cheatham had a question pertaining to the testing of the KPPA security. Mr. Johnson described the testing, both internal and external, that KPPA currently conducts on a quarterly and yearly basis.

Mr. Powell made a motion and Mr. Fulkerson seconded to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held September 15, 2021 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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CERTIFICATION

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

Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on September 15, 2021 were approved on September 29, 2021.

Chair of the Board of Trustees

I have reviewed the Minutes of the September 15, 2021 Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services



KENTUCKY PUBLIC PENSIONS AUTHORITY

David L. Eager, Executive Director

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TO: Members of the CERS Board of Trustees
FROM: Joint CERS & KRS Retiree Health Plan Committee
DATE: September 15, 2021
SUBJECT: Joint CERS & KRS Retiree Health Plan Committee Report

The Joint CERS & KRS Retiree Health Plan Committee met on Thursday, September 02, 2021 to discuss and make recommendations regarding the non-Medicare and Medicare eligible health plans for KPPA retirees for the 2022 plan year. The recommendations of the Committee are documented below in the bolded red font.

Non Medicare-Eligible Retirees (KEHP Plan)

NOTE: See Kentucky Public Pensions Authority KEHP 2022 Presentation in Retire Health BoardBooks, this contains the information for Board Decision Points:

1. Recommendation as to what the monthly maximum contribution amount for the Non-Medicare Eligible plan. Including the contribution for the hazardous Duty Spouse/Dependents
 - Tobacco Use fee
 - Access to the Consumer Directed Health Plans with embedded HRA
 - Proposed LivingWell Promise discount
 - 2022 KEHP plan premiums will increase approximately 3% for all plans and levels.
 - **Retiree Health Plan Committee recommends that the Board select the KEHP LivingWell PPO plan option as the contribution plan and set the contribution rate (at the single level) as the 100% contribution the Trusts will pay for a retiree with a service credit of 240 months of service or greater and a participation date prior to July 1, 2003.**
 - **Because the Committee recommends the selection of the LivingWell PPO as the contribution plan, the hazardous rates would be tied to the rates for the LivingWell PPO Couple, Parent Plus and Family plans.**

- **The Committee recommends the Tobacco Use Fee (\$40 single level; \$80 couple, family, parent plus) remains unchanged for 2022 Retirees (including spouses and dependents) who are tobacco users will be responsible for paying the Tobacco Use Fee as it is in 2022.**
- **The Committee recommends Retirees or Planholders that failed to complete the LivingWell promise for plan year 2021 will not be entitled to the discount (\$40) for 2022. The fee/discount remains unchanged for 2022.**
- **The Committee recommends allowing access to the Consumer Directed Health Plans with embedded HRA.**

2. Recommendation as to whether KPPA should default retirees/beneficiaries and their dependents into a plan for 2022.

Each year there are retirees who, due to unforeseen circumstances, failed to submit an application during open enrollment. KPPA is without the statutory authority to permit those persons to enroll without a qualifying event. As a result, the Board promulgated an administrative regulation, 105 KAR 1:410, which was effective 2/6/2015, to allow KPPA to default retirees and their dependents into a health plan so that these individuals will not be without coverage for the year simply because they forgot to enroll during open enrollment or as a new retiree. Each year several decisions must be made by the Board to facilitate the administration of the default process:

- a. Recommendation as to which plan should be the default plan.
- b. Recommendation as to the circumstances under which retirees and their dependents should be defaulted into a plan for 2022.
 - i. KPPA Management recommends new retirees be defaulted into a single level of coverage.
 - ii. KPPA Management recommends retirees and beneficiaries not currently enrolled in a plan will not be defaulted into a plan.
 - iii. KPPA Management recommends that retirees and beneficiaries currently enrolled in a plan for 2021 be rolled over/defaulted into the same plan at the same level of coverage for the 2022 plan year if they fail to submit a health insurance application during open enrollment.

- **Retiree Health Plan Committee recommends that the Board default retirees that fail to complete a health insurance application during a mandatory open enrollment be rolled over to the same plan they were enrolled in for 2021 at the same level of coverage.**
- **A new retiree shall be defaulted into the LivingWell Limited High Deductible plan as described above in 2b (i), (ii), and (iii).**

3. Cross Reference Retirees with Active Employee Spouse: KRS 78.5536 (4)(a)3 provides the employer's contribution for the working member or spouse to be applied toward the premium, and the KPPA insurance trust fund shall pay the balance not to exceed the monthly contribution. The Cross Reference plan is a Family plan. Unless, amended by the Board, the Cross Reference contribution will equal the monthly maximum contribution determined above.

- **Retiree Health Plan Committee recommends that the Board allows retirees described in 3 above the option to select the Cross Reference plans.**

Medicare-Eligible Retirees

NOTE: See PowerPoint Presentation in Retiree Health BoardBooks, with information from Humana and Gabriel, Roeder, Smith Consulting (GRS).

1. Recommendation as to what the contribution rate should be for the Medicare-Eligible plan for 2022.

- **Retiree Health Plan Committee recommends the contribution rate for the KPPA Premium Plan remain at the 2021 rate of \$252.51 as the 100% contribution the Trust will pay for a retiree with a service credit of 240 months of service or greater (the premium paid to Humana will be \$227.03).**
- **The Committee recommends setting the contribution rate for the KPPA Premium Plan as the 100% contribution the Trust will pay for a hazardous duty spouse and/or an eligible dependent.**
- **The Committee recommends the premiums for the KPPA Essential Plan at \$75.56 (the amount paid to Humana will be \$49.25).**
- **The Committee recommends the Medical Only Plan premium at \$186.87, the Medicare Advantage Mirror Premium Plan at \$327.97, and the Medicare Advantage Mirror Essential Plan at \$228.12.**

2. Recommendation as to whether KPPA should continue to pay for the additional administrative fees for retirees who are required to enroll in one of the Mirror plans and who fall under certain exceptions. Recommendation that individuals without Medicare Part B be allowed to enroll in the Mirror Plans and the individual would be responsible for the additional cost above the contribution amount. When the individual obtains Part

B, KPPA will transition them to the Medicare Advantage Plan they choose on the Insurance Application.

On September 15, 2016, the Board approved payment for administrative fees (estimated \$75.46 per month for 2022) for individuals who need to be enrolled in one of the Mirror Plans for several enumerated reasons (administrative exceptions):

- Individual is scheduled for a transplant or surgery at a hospital that Humana confirms will not accept Humana Medicare Advantage for said procedure for said individual.
- Individual is undergoing treatment by a specialist that Humana confirms will not accept Humana Medicare Advantage for said treatment for said individual.
- Individual resides outside Humana's Filed and Approved MA-PPO network service area where Humana affirms there are provider access issues (e.g., non-acceptance of Humana Medicare Advantage)

Note: KPPA has 1 retiree that meets this criteria.

- **Retiree Health Plan Committee recommends that KPPA continue to pay the administrative fee for administrative exceptions in 2022, under the circumstances set forth in the three bullet points above.**
- **The Committee recommends that an individual without Medicare Part B be allowed to enroll in the Medicare Advantage Mirror Plans and they will be responsible for paying the additional cost above the contribution amount.**

3. Recommendation as to whether KPPA should default retirees and their dependents into a plan for 2022.

a. If the Committee recommends that KPPA default retirees and their dependents into a plan, recommendation as to which plan should be the default plan.

Due to federal law/regulations, the Medical Only or Mirror Plan without Prescription Drug coverage would be the only option available as a default plan for the Medicare-eligible population.

b. If the Committee recommends that KPPA default retirees and their dependents into a plan, recommendation as to the circumstances under which retirees and their dependents should be defaulted into a plan for 2022.

i. KPPA Management would recommend that current enrollees and new retirees be defaulted into a plan. Retirees and beneficiaries not currently enrolled would not be defaulted into a plan.

ii. Current enrollee would be defaulted at the same level of coverage as the previous/current plan year (single).

iii. New retirees would be defaulted into a single level of coverage.

- **Retiree Health Plan Committee recommends that Medicare eligible retirees (and their dependents) who fail to enroll in a plan during a mandatory open enrollment, as a new retiree, or becoming Medicare eligible be defaulted into the KPPA Medical Only Plan as set forth in 3b (i), (ii), and (iii) above.**
- **The Committee recommends that the spouse and dependents that are not Medicare eligible be defaulted into the same Kentucky Employees Health Plan at the same Level/Option as the previous/current plan year (Single, Parent Plus, Couple, and Family).**

Informational:

- The KPPA Medicare Advantage Request for Proposal Time line was reviewed with the Committee.

RECOMMENDATION: The Retiree Health Plan Committee recommends approval of the above decisions by the CERS Board.



KENTUCKY PUBLIC PENSIONS AUTHORITY

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To: County Employees Retirement System Board of Trustees

From: Betty Pendergrass, CPA, CGFM, Chair
Joint Audit Committee
Kristen N. Coffey, CICA *KNC*
Division Director, Internal Audit Administration

Date: September 29, 2021

Subject: Summary of Joint Audit Committee Meeting

The County Employees Retirement System and Kentucky Retirement Systems Joint Audit Committee held a regularly scheduled meeting on August 26, 2021.

1. **The following items were approved by the Joint Audit Committee and are being forwarded to the County Employees Retirement System Board of Trustees for ratification***
 - a. **Charter for the Division of Internal Audit Administration** – *minor changes were made and have already been incorporated; passed unanimously*

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

2. **The following items were also discussed during the Joint Audit Committee meeting:**
 - a. Charter for the Joint Audit Committee – changes were made based on comments/questions during the meeting. Changes will be presented to the Joint Audit Committee in November for approval.
 - b. Information disclosures – *Five disclosures effecting five members for the 1st quarter of 2021. An addendum was made to 4th quarter of 2020 to add one additional disclosure at an external vendor that effected 1,054 members.*
 - c. Anonymous Tips – *Four open cases.*
 - d. Status of external audit.
 - e. Financial Statements for the fiscal year ended June 30, 2021.
 - f. Introduction of Internal Audit Staff
 - g. Internal Audit Budget – *11.5% of budget remaining at the end of fiscal year 2021.*
 - h. Auditor Independence Statements.
 - i. Status of current internal audits – *Twenty-eight projects completed for fiscal year 2021. For fiscal year 2022 we are currently working on 18 projects and have completed 2 projects.*
 - j. Audits issued since last meeting – *Two reports issued.*
 - k. Audit Plan
 - l. Results of the Security Infrastructure audit.

***Board of Trustees Action Required**

Kentucky Public Pensions Authority

Charter for the Division of Internal Audit Administration

I. Charter

This Charter establishes the authority and responsibility of the Division of Internal Audit Administration (Internal Audit).

II. Mission of Internal Audit

Internal Audit serves the Kentucky Public Pensions Authority (KPPA) as well as the Board of Trustees (Board) of the County Employees Retirement System (CERS) and the Kentucky Retirement Systems (KRS) by enhancing and protecting organizational value with risk-based and objective assurance, advice, and insight.

III. Core Principles of Internal Audit

1. Remain independent, which is objective and free from undue influence.
2. Demonstrate competence and due professional care.
3. Demonstrate integrity.
4. Support the strategies, objectives, and risks of the organization.
5. Remain adequately resourced.
6. Promote quality and continuous organizational improvement by communicating effectively; providing risk-based assurance; and remaining insightful, proactive, and future-focused.

IV. Audit Standards

Internal Audit shall adhere to the *International Standards for the Professional Practice of Internal Auditing* (Standards). Where applicable, Internal Audit will observe standards and statements issued by other accounting and auditing organizations located within the United States of America. Internal Audit is expected to abide by the Institute of Internal Auditors (IIA) Code of Ethics (Exhibit A).

Internal Audit will adhere to the IIA's Mandatory Guidance, which includes the Core Principles for the Professional Practice of Internal Auditing (see section III), the Code of Ethics (see Exhibit A), the *Standards*¹, and the definition of internal auditing (see section VI). The Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the Internal Audit's performance.

V. Joint Audit Committee

The purpose, authority, composition, and responsibilities of the Joint Audit Committee are outlined in the Charter for the Joint Audit Committee.

¹ <https://na.theiia.org/standards-guidance/Pages/Standards-and-Guidance-IPPF.aspx>

VI. The Internal Audit Function

Definition

As defined by the Institute of Internal Auditors, internal auditing is *an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. The goal of internal auditing is to help the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.*

Purpose and Objective

Internal Audit was established to assist the KPPA; the Boards of Trustees of CERS and KRS; and the Executive Management teams of KPPA, CERS, and KRS in their governance role. Internal Audit also assists in achieving sound managerial control over all financial and operational aspects including, but not limited to, accounting, investments, benefits, legal compliance, asset management, and information management and control systems. The primary objective of Internal Audit is to assist all levels of management in achieving the effective discharge of their assigned responsibilities by providing independent analysis, appraisals, advice, and recommendations concerning the activities reviewed. Internal Audit helps the KPPA and the systems it is tasked with administrating and operating, CERS and KRS, accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Accomplishment of the Internal Audit objective may involve:

1. Evaluating the adequacy and effectiveness of the system of internal controls.
2. Evaluating the relevance, reliability, and integrity of management, financial and operating data, and reports.
3. Evaluating the systems established to ensure compliance with those policies, plans, procedures, statutory requirements, and regulations which could have a significant impact on operations.
4. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
5. Evaluating the economy, efficiency, and effectiveness with which resources are employed.
6. Evaluating operations or programs to ascertain whether results are consistent with objectives and goals established by KPPA, CERS, and KRS as well as evaluating whether the operations or programs are being carried out as planned.
7. Assessing the adequacy of established systems and procedures.
8. Conducting special assignments and investigations on behalf of the Joint Audit Committee, KPPA, CERS, or KRS into any matter or activity affecting the probity, interests, and operating efficiency of KPPA, CERS and KRS.

Independence

Internal Audit is an advisory function having independent status within KPPA. The Internal Audit Director:

1. Shall be independent of any other office, division, branch, or section.
2. Shall have direct access, as deemed necessary, to the Joint Audit Committee and/or KPPA, CERS, and KRS Executive Management teams.
3. Shall have no managerial powers, functions, or duties except those relating to the management of the Division of Internal Audit Administration.
4. Shall not be involved in the day-to-day operation of the KPPA, CERS, or KRS.

5. Shall not be responsible for the detailed development and/or implementation of new systems, but should be consulted during the system development process on the control measures to be incorporated in new or amended systems, and be advised of approved variations or new developments.

Authority

The Internal Audit Director will report functionally to the Joint Audit Committee. Functionally meaning the Joint Audit Committee approves items including, but not limited to the Audit Plan, various Charters, the audit budget, and organizational structure of the internal audit function.

The Internal Audit Director will report administratively to the KPPA Office of Operations Executive Director. Administratively meaning the Internal Audit Director and KPPA Office of Operations Executive Director work together on day-to-day activities including, but not limited to leave reporting, training, travel, development of the Audit Plan, and staffing requirements. It is incumbent that all KPPA, CERS, and KRS employees render assistance to the Internal Audit Director in carrying out his/her audit duties. The KPPA Internal Audit Director shall:

1. Have access, at all reasonable times, to all books, documents, accounts, property, vouchers, records, correspondence, and other data of KPPA, CERS, and KRS necessary for the proper performance of the internal audit function.
2. Have the right, at all reasonable times, to enter any premises of KPPA and to request and promptly receive from any KPPA, CERS, or KRS employee all information and such explanations deemed necessary for the Internal Audit Director to formulate an opinion on the probity of action, adequacy of systems, and/or of controls.

Activities

The Internal Audit Director shall be responsible to the Joint Audit Committee for the functional control of audit activities in relation to:

1. Development, implementation, and oversight of internal audit methods and procedures.
2. Development and control of an efficient Audit Plan.
3. Scope and boundaries of internal audits.
4. Documentation of audit findings.
5. Assistance in the investigation of significant suspected fraudulent activities and promptly notifying the Joint Audit Committee; KPPA; and the KPPA, CERS, and KRS Executive Management teams of the results of any findings and conclusions.
6. Maintenance of certain records such as, but not limited to, records related to internal audits and CERS and KRS Board elections.
7. Considering the scope of work of the external auditors and regulators, as appropriate, for providing optimal audit coverage at a reasonable overall cost.
8. Fulfilling the objectives of the Division of Internal Audit Administration.
9. Utilizing Internal Audit resources to maximize the efficiency and effectiveness of the internal audit function.
10. Adherence to appropriate auditing standards, including, but not limited to, International Standards for the Professional Practice of Internal Auditing, Generally Accepted Government Auditing Standards, and Standards for Internal Controls in the Federal Government (these standards can be applied to state government).
11. Review of the Independent Auditor's Report, Management's Discussion and Analysis, Financial Statements (including footnotes), and the other various sections of the Annual

Report for both CERS and KRS prior to presentation to the Joint Audit Committee. Internal Audit staff will identify any perceived errors and discrepancies within the Annual Report. However, the KPPA Executive Management team, not Internal Audit, is responsible for the substantive content, accuracy, consistency, and completeness of Management's Discussion and Analysis, Financial Statements (including footnotes), and other sections of the Annual Report.

Relationship with External Auditors

Upon request, the Internal Audit Director shall make available to the external auditors all internal audit working papers, programs, flowcharts, and reports. The Internal Audit Director shall work with the external auditors to foster a cooperative working relationship, reduce the incidence of duplication of effort, ensure appropriate sharing of information, and ensure coordination of the overall audit effort.

VII. Internal Audit Staff and Responsibilities

Internal Audit was established in July 2003 and is currently comprised of four positions:

Division Director

1. Oversees the day-to-day operations of Internal Audit.
2. Ensures policies, programs, and procedures are in place to achieve strategic, risk management, and operational objectives.
3. Performs risk assessment.
4. Develops the Audit Plan to address items noted in the risk assessment and in accordance with specifications from the Joint Audit Committee and the KPPA, CERS, and KRS Executive Management teams.
5. Performs audit, consulting, and assurance services as well as special projects in support of the Audit Plan and in compliance with Internal Audit procedures.
6. Submits results of audit, consulting, and assurance services as well as results of special projects to the Joint Audit Committee and applicable members of the KPPA, CERS, and KRS Executive Management teams. Results of audit, consulting, and assurance services or special projects related to investments will also be submitted to the Investment Committee.

Internal Auditor

1. Supports the Division Director in completion of daily activities.
2. Performs non-investment related audit, consulting, and assurance services in compliance with Internal Audit procedures.
3. Completes non-investment related special projects, upon request, in compliance with Internal Audit procedures.
4. Communicates the results of non-investment related audit, consulting, and assurance services as well as results of special projects to the Internal Audit Director.
5. As needed, assists in the completion of investment related activities.
6. Serves as first level reviewer on non-investment related projects performed by Auditor.

Retirement Investment Specialist

1. Supports the Division Director in completion of daily activities.
2. Performs investment related audit, consulting, and assurance services in accordance with Internal Audit procedures.

3. Completes investment related special projects, upon request, in accordance with Internal Audit procedures.
4. Communicates the results of investment related audit, consulting, and assurance services as well as results of special projects to the Internal Audit Director.
5. As needed, assists in the completion of non-investment related activities.
6. Serves as first level reviewer on investment related projects performed by Auditor.

Auditor

1. Supports the Internal Auditor and Retirement Investment Specialist in completion of daily activities.
2. Performs both non-investment and investment related audit, consulting, and assurance services in compliance with Internal Audit procedures.
3. Completes both non-investment and investment related special projects, upon request, in compliance with Internal Audit procedures.
4. Communicates the results of audit, consulting, and assurance services as well as results of special projects to the Internal Audit Director.

Specific Areas of Expertise

Since Internal Audit has limited resources and specialized requirements are needed to administer a complex public pension system, Internal Audit may request third-party expertise to assist in fulfilling audit goals (e.g. information technology and data security). Outsourced third party audits will be approved by the Joint Audit Committee. The findings, recommendations, and management comments will be presented to the Joint Audit Committee for approval and for subsequent ratification by the CERS Board and KRS Board.

VIII. Internal Audit Practices

Conflicts of Interest

Internal auditors shall be objective and free from undue influence in performing their job. Objectivity requires internal auditors to have an impartial and unbiased attitude, to avoid conflicts of interest, and to perform audits in such a manner that no significant quality compromises occur. To help ensure that internal auditors are not placed in an environment impeding their ability to make objective, professional judgments, Internal Audit will take the following precautionary measures:

1. All Internal Audit staff will be required to complete an annual Independence Statement certifying that auditors have no actual or perceived conflict that would impair their objectivity or independence. This statement will be signed by the auditor's direct supervisor.
2. Staff assignments will be made so that potential and actual conflicts of interest and bias are avoided. If a conflict of interest or bias is present, the auditor(s) will be reassigned.
3. Staff assignments will be rotated periodically, if practicable to do so.
4. Internal Audit staff will not assume operational responsibilities.
5. For a period of no less than one year, Internal Audit staff will refrain from assessing specific operations for which they were previously responsible.

Due Professional Care

Internal auditors shall apply the care and skill expected of a reasonably prudent and competent auditor. Due professional care does not imply infallibility and internal auditors must exercise due professional care, with consideration of the following:

1. Extent of work needed to achieve the engagement's objectives.

2. Relative complexity, materiality, or significance of matters to which assurance procedures are applied.
3. Adequacy and effectiveness of risk management, control, and governance processes.
4. Probability of significant errors, irregularities, or noncompliance.
5. Cost of assurance in relation to potential benefits.
6. Use of various software tools including, but not limited to Excel, Access, Word, Interactive Data Evaluation and Analysis (IDEA), Tableau, and Gravity Software

Proficiency and Continuous Professional Education (CPE)

Internal Audit staff shall collectively possess the knowledge, skills, attributes, and other competencies essential to the practice of internal auditing within the organization. Educational and work experience criteria have been established for the various positions within Internal Audit. In order to maintain their proficiency, all auditors are encouraged to continue their education and will be provided adequate opportunities to do so. Such continuing education ensures that internal auditors remain current on professional techniques and standards. If an auditor holds a certification, continuing education hours necessary to meet certification requirements should be obtained. If no certification requirements are necessary, a minimum of 16 hours of continuing auditor education shall be obtained annually. Continuing education may be obtained through membership and participation in professional societies, attendance at conferences, college courses, and in-house training. KPPA may reimburse an auditor for the cost of obtaining continuing education; however, the employee should obtain approval prior to registering for any course or seminar.

Internal Audit staff are encouraged to obtain professional certification(s). Accreditation is an important indicator of an auditor's technical proficiency. The following certifications are some of those available to auditors (this list is not all inclusive):

1. Certified Internal Auditor,
2. Certified Fraud Examiner,
3. Certified Government Financial Manager,
4. Certified Information Systems Auditor, and
5. Certified Public Accountant.

Performance Evaluations

Performance evaluations for merit employees shall be conducted as outlined in the Commonwealth of Kentucky Personnel Policies and Kentucky Revised Statutes Chapter 18A. The Joint Audit Committee Chair and KPPA Office of Operations Executive Director shall review the performance for non-merit employees.

Quality Assessment and Improvement Program

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include an evaluation of Internal Audit's conformance with the *International Standards for the Professional Practice of Internal Auditing* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

Internal Assessments

1. Ongoing Internal Assessments – Ongoing internal assessments for routine internal audit activities are an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. The measurement tools for assessment are engagement supervision, feedback from audit customers, audit plan completion, and analysis of other performance

metrics such as recommendations accepted. Conclusions and planned corrective action will be developed and presented to the Joint Audit Committee and KPPA Executive Management team.

2. Periodic Assessments – Periodically, Internal Audit will conduct a Self-Assessment as outlined by the IIA. The Director of Internal Audit will disclose the results of the Self-Assessment and any needed corrective action to the Joint Audit Committee and KPPA Executive Management team.

External Assessments

Internal Audit should strive to have a qualified, independent assessor (or assessment team) conduct an external assessment at least once every five years. This can be completed as either a Self-Assessment with Independent External Validation or a full external assessment.

Records Retention and Disposition

Internal Audit shall retain a complete file of each audit report and each report of other audit and consulting services made under its authority in accordance with the KPPA records retention policy or policies of the Kentucky Department for Libraries and Archives for a period of seven (7) years. The file shall include audit work papers and other supportive material directly pertaining to the report. After seven (7) years, the work papers and other supportive material directly pertaining to the audit report can be destroyed. An electronic copy of all final reports should be maintained indefinitely. To guard against identity theft and fraud, destruction of business records and materials shall be done in a secured manner such as through use of the on-site Division of Waste Management recycle containers. All CD/DVD materials shall be submitted to the KPPA Information Security Officer.

IX. Internal Audit Services

The scope of Internal Audit shall be sufficiently comprehensive to enable the effective and regular review of all operational, financial, and related activities. Coverage may extend to all areas of KPPA, CERS, and KRS and include financial, accounting, investments, benefits, administrative, computing, and other operational activities. The extent and frequency of internal audits will depend upon varying circumstances such as results of previous audits, relative risk associated with activities, materiality, the adequacy of the system of internal control, and resources available to Internal Audit.

Internal Audit provides independent audit, consulting, and assurance services to assist management in balancing operational efficiency with risk identification, assessment, and control. Internal Audit reports to the Joint Audit Committee and collaborates with the KPPA, CERS, and KRS Executive Management teams to enhance assurance and accountability at all levels of KPPA, CERS, and KRS. In order to meet the responsibilities and objectives as set forth in the Internal Audit Charter, it is necessary for Internal Audit to perform varying types of services depending on the circumstances and requests. Services can be requested by the Joint Audit Committee; KPPA; or any member of the KPPA, CERS, or KRS Executive Management team. Other KPPA employees can also request services. In these instances, the Internal Audit Director will seek approval from the KPPA Office of Operations Executive Director and the Joint Audit Committee before engaging in the service. Internal Audit provides the following types of audit, consulting, and assurance services.

Audits

1. Performance Audits – Most audits conducted by Internal Audit are performance audits. These audits provide an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action. During a Performance Audit, the auditor completes both a Compliance Audit and a Process Review (both explained below). A Policy Review (explained below) may also be included as part of a Performance Audit.
2. Compliance Audits – Compliance audits determine whether a division has complied with KPPA, CERS, and/or KRS agency policies and procedures, divisional policies and procedures, [Kentucky Administrative Regulations](#), [Kentucky Revised Statutes](#), and federal law.
3. Operational Audits – Operational audits analyze how effectively and efficiently business units achieve organization and/or division goals. Effectiveness is measured by how successful a business unit is at achieving organization and/or division goals. Efficiency is measured by how well the business unit uses resources in order to achieve organization and/or division goals.
4. Investment Audits – Investment audits may be performed to review movement of funds (e.g. purchases, sales, and income), cash management, manager fees, and other investment related activities. Investment audits may also be performed to ensure compliance with procurement regulations, contracts, internal policies and procedures as well as to ensure proper internal controls exist over the investment function.
5. Investigative Audits – Investigative audits may result from findings during a routine audit or from information received from personnel. These audits are normally requested by a member of the KPPA, CERS, or KRS Executive Management team, the Joint Audit Committee, or the KPPA as a result of information received from an anonymous tips. These audits focus on alleged, irregular conduct. Reasons for investigative audits may include internal theft, misuse of State property, and/or conflicts of interest. These audits should be conducted immediately in order to collect and preserve as much relevant evidence as possible. It is essential that the records in question be removed from the division/employee under investigation or otherwise safeguarded. Investigative audits will be conducted in accordance with Internal Audit procedures and may include expertise from internal and external experts in fields, such as but not limited to, legal, information technology, human resources, and accounting. A draft investigative audit report will be provided to the Joint Audit Committee. The Joint Audit Committee will determine if further actions are needed. The Joint Audit Committee will control any internal or external report distribution.
6. Information Technology Audits – Audits of information systems and technology may be performed to determine whether existing or new computer applications and hardware function in an accurate and efficient manner and include adequate internal controls. Internal Audit involvement in a new system may include the review of system development methodology and the effectiveness and efficiency of the system being implemented. These audits could include reviews of general controls which affect all computer applications. Examples may include computer security, disaster recovery, program change controls, and quality control procedures.

7. Financial Audits – A financial audit is a review intended to serve as a basis for expressing an opinion regarding the fairness, consistency, and conformity of financial information with generally accepted accounting principles (GAAP). Financial audits can be comprehensive or limited in scope depending on the objectives.
- a. A comprehensive financial audit consists of a review of the financial statements of an entity over a specific duration of time to accurately express an opinion on those statements. Such an audit is conducted in accordance with generally accepted auditing standards (GAAS) as adopted by the American Institute of Certified Public Accountants (AICPA). For CERS and KRS, an external auditor performs this type of audit annually.
 - b. A limited financial audit concentrates on a review of specific financial transactions. The primary concerns include determining accuracy of data and evaluation of controls by reviewing the following items:
 - i. Physical control over assets,
 - ii. System of authorization and approval,
 - iii. Separation of duties between operations and custody of assets.

Process Reviews

A process review is specific to a single business process. These reviews assess the effectiveness of internal controls over the process as well as test the efficiency of the process. These reviews also help ensure the business process is operating the way management intended. These reviews are typically performed in conjunction with a new business process being developed or immediately after a new business process is implemented. These reviews may be performed as needed in response to particular findings identified during the course of performing other types of services within a particular division.

Policy Reviews

During a policy review, Internal Audit analyzes either a new or established policy. Internal audit will ensure the policy complies with applicable [Kentucky Administrative Regulations](#), [Kentucky Revised Statutes](#), and federal laws. Internal Audit will also determine if the policy establishes sufficient internal controls in relation to the related business process. For example, during a review of a policy related to invoice payment, Internal Audit would ensure internal controls have been designed to ensure timely payment, prevent duplicate payment, establish segregation of duties, etc.

Agreed Upon Procedures

An Agreed upon Procedures engagement is performed only upon request. During these engagements, the requestor specifies exactly what the auditor is to do. The auditor then performs only the requested procedures. An opinion is not expressed in these reviews. For example, a request could be made to review all expenditures posted to a particular account(s) during a specific time-frame to determine if any expenditures were improperly coded to the account(s). Internal Audit would review the requested account(s) over the specified time-frame and issue a report indicating how many expenditures were posted incorrectly. These engagements are beneficial if there is an area a division wants to review, but does not have the resources or time to perform the review themselves.

Annual Report Review

Each year, KPPA personnel prepares an Annual Report for the County Employees Retirement System and Kentucky Retirement Systems. Prior to presentation to the CERS Board and KRS Board, Internal Audit will review the Independent Auditor's Report, Management's Discussion and Analysis, and the various sections of the Annual Report – Financial Statements (including footnotes), Actuarial, and Statistical. Internal Audit staff will identify any perceived errors or discrepancies within the Annual

Report. However, the KPPA Executive Management team, not Internal Audit, is responsible for the substantive content, accuracy, consistency, and completeness of Management's Discussion and Analysis, Financial Statements (including footnotes), and other sections of the Annual Report.

External Audit Assistance

Assistance may be provided to the External Auditor during the annual audit of the KPPA financial statements or other audit engagements. The Internal Audit Director will work with the external auditors to foster a cooperative working relationship, reduce the incidence of duplication of effort, ensure appropriate sharing of information, and ensure coordination of the overall audit effort. Upon request, the Internal Audit Director will make available to the external auditors all internal audit working papers, programs, flowcharts, and reports. The Internal Audit Director will review the resulting audit findings and management letter comments to determine any impact upon the Audit Plan.

Referencing

During the course of various types of audit, consulting, and assurance services, the Internal Audit Director may identify continuing patterns of conduct or reoccurring "themes" (e.g. the same type of problem is noted in multiple divisions). For example, findings for two divisions within an office, which identify a broader office finding (e.g. lack of controls, need for increased communication, absence of performance criteria, insufficient data processing policy, etc.). When developing the Audit Plan, Internal Audit always considers these themes when scheduling audits for the next period, particularly when these items impact the KPPA mission.

Board of Trustee Elections

Internal Audit assists in both CERS and KRS Board elections. Detailed Internal Audit procedures related to the Board elections can be found on the [KPPA Process Documentation SharePoint](#) site.

Other Services

Internal Audit staff may conduct other services as deemed necessary to meet the responsibilities and objectives as set forth in the Charter for Internal Audit Administration. Internal Audit staff may participate on the KPPA Information Technology Governance team, the Continuity of Operations team, and other similar KPPA, CERS, or KRS teams.

X. Risk Assessment and Audit Plan

Consistent with the long-term strategic plan, the Internal Audit Director shall prepare an Audit Plan providing for the review of significant operations of KPPA, CERS, and KRS based on an assessment of risks pertaining to the achievement of objectives. The Audit Plan shall be presented to the Joint Audit Committee for deliberation and finalization. Upon approval by the Joint Audit Committee, the Audit Plan will be presented to both the CERS Board and the KRS Board for ratification.

Risk Assessment

The Audit Plan is based on a risk assessment methodology, as well as requests from management. Internal Audit assesses KPPA, CERS, and KRS by seeking input from the Joint Audit Committee; key members of KPPA, CERS, and KRS management; and other personnel. Internal Audit also reviews the results of past internal and external audits. Internal Audit then considers organizational risks, such as established internal controls, current management, control environment, staffing, system changes, regulatory and legal changes, and impact to the financial statements. Based on the information

gathered, an Audit Plan is developed weighting each risk according to the significance to the overall mission and objective of KPPA, CERS, and KRS.

The Risk Assessment methodology is based upon the following five-part process:

1. Identifying KPPA, CERS, and KRS activities/processes (these become the “audit universe”).
2. Scoring the organizational risks for each process identified in the audit universe.
3. Ranking the processes by overall risk.
4. Developing the Audit Plan.
5. Submitting the Audit Plan to the Joint Audit Committee for review and approval.

Organizational risks are scored using a point value with one (1) representing the lowest level of risk and five (5) the highest. The individual factor scores are then multiplied by the risk weight factor. The weighted risk factor elements are collectively totaled to obtain the respective aggregate risk rating for each auditable area. The overall risk scores for all KPPA activities are then ranked highest to lowest. After ranking, an Audit Plan is developed.

Audit Plan

Based upon the results of the Risk Assessment, Internal Audit develops the Audit Plan through a prioritization process that includes scheduling audits for the highest risk areas as well as areas that have not been reviewed in recent years. The Audit Plan represents potential audits to be completed during the upcoming fiscal year. Internal Audit also identifies other potential audit segments such as business processes, expense contracts, and functional areas that may cross over operational units.

The Risk Assessment and Audit Plan are presented to the KPPA, CERS, and KRS Executive Management teams in order to obtain suggestions, concerns, and priorities. After approval of the Audit Plan is obtained from the KPPA Executive Director, the Audit Plan is submitted to the Joint Audit Committee for approval. The Audit Plan is periodically reviewed, evaluated, and modified (e.g. objectives, goals, and strategies) according to the specific risk factors related to KPPA, CERS, and KRS operations, internal controls, and estimated liability exposure to the Commonwealth of Kentucky. Staff is assigned to audits based upon that auditor’s background and experience.

If Internal Audit receives a request to complete an audit not previously identified on the Audit Plan, the request shall be forwarded to the Chair of the Joint Audit Committee for approval. The Chair of the Joint Audit Committee will determine if a special called meeting of the Joint Audit Committee is necessary to discuss the requested audit. If the Chair of the Joint Audit Committee determines that a special called meeting is not warranted, then the requested audit will be added to the Audit Plan and reported to the Joint Audit Committee on the “Status of Current Projects” at the next regularly scheduled Joint Audit Committee meeting.

Tracking Projects

Internal Audit staff continually track audits and other projects using the Audit Status Tracker spreadsheet, which includes dates for significant milestones. If Internal Audit is requested to complete projects not foreseen during risk-assessment/planning, these are also tracked on the Audit Status Tracker spreadsheet. The status of current projects is presented to the Joint Audit Committee at each quarterly meeting. All findings and recommendations, including status and implementation date, are tracked through Gravity Software.

XI. Audit Process

Methodology

For all audit projects, the person responsible for the activity under review shall be advised and given the opportunity to discuss the following:

1. Objectives and scope of the audit to be conducted, prior to the commencement of such audit.
2. Findings and proposed recommendations upon the completion of an audit, including providing an official response to the findings.

Audit Reports

A comprehensive written report will be prepared and issued by Internal Audit at the conclusion of each audit and will be distributed as considered appropriate. A copy of each report is to be made available on a timely basis to the Joint Audit Committee and applicable members of the KPPA, CERS and KRS Executive Management teams. Audit reports will normally explain the scope and objectives of the audit, present findings and or conclusions in an objective manner relevant to the specific user's needs, and make recommendations where appropriate.

XII. Quality Assurance and Improvement Plan

Internal Audit will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of Internal Audit's conformance with the Standards and an evaluation of whether internal auditors apply the IIA's Code of Ethics (see Exhibit A). The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

Internal Audit will conduct both ongoing and periodic internal assessments. Internal Audit should strive to have a qualified, independent assessor (or assessment team) conduct an external assessment at least once every five (5) years. The Internal Audit Director will provide the results of the quality assurance and improvement program, including results of internal and external assessments, to the Joint Audit Committee and KPPA Executive Management team.

XIII. Internal Audit Procedures

Detailed Internal Audit procedures can be found on the [KPPA Process Documentation SharePoint](#) site.

XIV. Approvals

We, the undersigned of the Joint Audit Committee, CERS Board of Trustees, KRS Board of Trustees, and KPPA do certify that this Charter was approved on 29th day of September, 2021.

Joint Audit Committee Chair Date

Board Chair Date
County Employees Retirement System

Board Chair Date
Kentucky Retirement Systems

Executive Director Date
Kentucky Public Pensions Authority

Division Director Date
KPPA Division of Internal Audit Administration

History: Approval Date: September 29, 2021
 Amended:

EXHIBIT A

{ CODE of ETHICS... }

// PRINCIPLES

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

- **Objectivity**

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.

- **Confidentiality**

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

- **Competency**

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

// RULES OF CONDUCT

1. **Integrity**

Internal Auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. **Objectivity**

Internal Auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. **Confidentiality**

Internal Auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. **Competency**

Internal Auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal audit services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.



**COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
CONFIDENTIALITY POLICY**

Effective September 29, 2021

INTRODUCTION

Adoption of Confidentiality Policy:

In accordance with Kentucky Revised Statutes 78.782, the Board of Trustees (Board) of the County Employees Retirement System (CERS) is authorized to adopt procedures necessary to conduct the business of the retirement system as needed.

Statement of Confidentiality Policy:

Individuals and organizations associated with CERS must not release information about CERS or any of its members that would be in contravention to its statutory mandate, under Kentucky Revised Statutes 61.661, 78.545(25), and 61.931, et seq., to administer member accounts in a confidential manner or would breach any duty to protect such information. CERS recognizes the need to establish procedures to prevent such breaches.

Additionally, individuals covered by this Confidentiality Policy (Policy) must keep matters discussed in closed session pursuant to Kentucky Revised Statutes 61.810 confidential. Individuals covered by this Policy must also avoid using “confidential information acquired during his or her tenure with [CERS] to further his or her own economic interests or that of another person” in accordance with Kentucky Revised Statutes 61.655(1)(f) and 78.545.

This Policy is intended to be applied concurrently with other CERS internal policies, internal policies of the Kentucky Public Pensions Authority (KPPA), and Board policies. State and federal law shall control if any inconsistency exists between the law and this Policy.

Purpose:

The purpose of this Policy is to: a) establish the individuals and organizations that are subject to this Policy; b) establish the specific standards of conduct with regard to confidentiality; c) establish confidentiality agreements required for certain individuals and organizations; and d) establish

procedures for responding to a potential violation of the confidentiality provisions of this Policy and state and federal law.

PROCEDURES REGARDING CONFIDENTIALITY POLICY

Section 1: Application of Policy

1. This Policy shall apply to all individuals and organizations who have a statutory, contractual, or working relationship with CERS, including employees and contractors of the KPPA.
2. Individuals and organizations affected by this Policy shall include, but are not limited to:
 - a. Employees of CERS;
 - b. Members of the Board of Trustees of the County Employees Retirement System;
 - c. Independent contractors of CERS;
 - d. Vendors and service providers of CERS with whom a contractual obligation to CERS exists;
 - e. Employees of the KPPA;
 - f. Independent contractors of the KPPA; and
 - g. Vendors and service providers of the KPPA with whom a contractual obligation to the KPPA exists.

Section 2: Standards of Conduct Regarding Confidentiality

1. Individuals and organizations associated with CERS may be granted access to confidential information in the course of employment, as a CERS Trustee, or within a contractual relationship with CERS.
2. This confidential information may include, but is not limited to, individual member information, including but not limited to, Social Security numbers, names, addresses, phone numbers, birth dates, beneficiaries, health insurance information, Personal Identification Numbers (PIN), as well as documents, records, programs, files, scientific or technical information, or other information made available to individuals and organizations for purposes of completing their obligations to CERS.
3. This confidential information also includes any matters discussed in closed session pursuant to Kentucky Revised Statutes 61.810.
4. Individuals and organizations associated with CERS have a duty to keep confidential the information to which they are granted access as a result of their association with CERS,

and avoid using such information “acquired during his or her tenure with [CERS] to further his or her own economic interests or that of another person” in accordance with Kentucky Revised Statutes 61.655(1)(f) and 78.545.

5. CERS and these individuals and organizations shall also recognize that confidential information is protected under Kentucky Revised Statutes 61.661, 78.545(25) and 61.931, et seq., as well as HIPAA (the Health Insurance Portability and Accountability Act), as amended by the HITECH Act (the Health Information Technology for Economic Clinical Health Act, Title XIII of the American Recovery and Reinvestment Act of 2009), which are addressed more specifically in a separate policy.

Section 3: Written Statements of Confidentiality

1. Confidentiality Statement (Trustees): Within sixty (60) days of being sworn in as a Trustee, each Trustee shall provide to the CEO or designee a completed Confidentiality Statement attesting that the Trustee has reviewed this Policy and is aware of his or her obligation to abide by the law and this Policy governing the confidentiality of certain information that will be available to the Trustee during the course of his or her service on the Board. The Trustee agrees that all confidential information will remain confidential after the Trustee has left the Board.
2. Confidentiality Agreement (Contractors; Vendors; Service Providers): Upon proposal for a contract that requires the exchange or disclosure of confidential CERS information, the contractor, vendor, or service provider making the proposal shall file a written confidentiality agreement on a form provided by CERS and approved by the Board. The confidentiality agreement may be amended to conform to specific needs of the proposed contract as well as the individual contractor, vendor, or service provider.
3. Confidentiality Agreement (Others): Other individuals or organizations covered by this Policy may also be requested to file a written confidentiality statement as needed or requested by the Board.

Section 4: Violations of Confidentiality Policy

1. Any person who suspects that any individual or organization covered by this Policy has violated this Policy, the Bylaws, any County Employees Retirement System policy, or state and federal law shall, as soon as possible, notify the KPPA Office of Legal Services, Division of Non-Advocacy, of the possible violation by emailing the Division of Non-Advocacy at Legal.Non-Advocacy@kyret.ky.gov, by leaving a voicemail at (502) 696-8642, or by mailing a written statement to the attention of the KPPA Division of Non-Advocacy, Office of Legal Services, at 1260 Louisville Road, Frankfort, Kentucky 40601.

2. Notifications of possible violations should include the name of the relevant person or organization and a detailed description of the alleged violation including the time, date, and place, if known. All evidence regarding the alleged violation should also be provided to the KPPA Office of Legal Services, Division of Non-Advocacy.
3. Individuals who contact the KPPA Office of Legal Services, Division of Non-Advocacy, are not guaranteed complete anonymity; however, individuals who are employees of County Employees Retirement System or Kentucky Public Pensions Authority filing a complaint may be protected by the Kentucky Whistleblower Statute, Kentucky Revised Statutes 61.102.
4. If the alleged violation of this Policy involves an employee of the CERS or the KPPA and the KPPA Office of Legal Services, Division of Non-Advocacy, determines that a violation of this Policy, state law, federal law, and/or the KPPA's internal policies has occurred, then the following CERS or KPPA staff shall be notified of the violation, as appropriate:
 - a. CERS CEO,
 - b. Director of Internal Audit,
 - c. Select Executive Staff (the Executive Director, the Executive Director of the Office of Operations, the Executive Director of the Office of Benefits, and Executive Director of the Office of Legal Services),
 - d. Information Security Officer,
 - e. Incident Response team, and/or
 - f. The employee's supervisors.
5. If the alleged violation of this Policy involves a contractor, vendor, or service provider of CERS or the KPPA and the KPPA Office of Legal Services, Division of Non-Advocacy, determines that a violation of this Policy, state law, federal law, and/or the KPPA's internal policies has occurred, then the following CERS and KPPA shall be notified of the violation, as appropriate:
 - a. CERS CEO,
 - b. KPPA Staff Assistant (Procurement) for the Office of Operations,
 - c. Select KPPA Executive Staff (the Executive Director, the Executive Director of the Office of Operations, the Executive Director of the Office of Benefits, and Executive Director of the Office of Legal Services),
 - d. KPPA Information Security Officer, and/or
 - e. KPPA Incident Response team.
6. If the alleged violation of this Policy involves (i) a CERS Trustee, (ii) the CERS Chief Executive Officer, (iii) the CERS General Counsel, or (iv) a CERS contractor, vendor, or service provider, the following individuals shall be notified of the alleged violation and shall be kept apprised of the determination of whether the alleged violation in fact violates this Policy, state law, and/or federal law, as appropriate:

- a. The CERS CEO,
- b. The Chair of the Board,
- c. The KPPA Information Security Officer, and/or
- d. The KPPA Incident Response team.

Section 5: Required Actions Upon Disclosure of Confidential Information

- 1. If the disclosure of confidential information is a possible “security breach” of “personal information” as set forth in Kentucky Revised Statutes 61.931–61.934, then the provisions of these statutes, including notification and investigation as mandated by state law, shall be followed.
- 2. If the disclosure of confidential information implicate HIPAA and HITECH, then such disclosures shall be addressed in accordance with the Board HIPAA Privacy Use and Disclosure Procedures Policy, with notification, reporting, and further action as mandated by federal law.

CERTIFICATION

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

Chair of the Board of Trustees
County Employees Retirement System

Date

Chief Executive Officer
County Employees Retirement System

Date



**COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
TRUSTEE CONFIDENTIALITY STATEMENT**

Adopted: September 29, 2021

Instructions:

The Board of Trustees of the County Employees Retirement Systems (Board) has adopted a Confidentiality Policy outlining the confidentiality of certain information Trustees will be provided while serving on the Board.

Pursuant to the Board's Confidentiality Policy, within sixty (60) days of being sworn in as a Trustee, each Trustee shall provide to the CEO or designee a completed copy of this Confidentiality Statement.

Please submit this Confidentiality Statement by e-mailing this completed document to: Ed Owens, CERS CEO, (Ed.Owens@kyret.ky.gov). Completed forms may also be faxed to: (502) 696-8801.

Statement:

I have read the County Employees Retirement System Board of Trustees Confidentiality Policy made effective on September 29, 2021. I acknowledge my obligation under state and federal law to maintain the confidentiality of:

1. All member account information pursuant to Kentucky Revised Statutes 61.661, 78.545(25) and 61.931, et seq.;
2. Protected health information pursuant to HIPAA (the Health Insurance Portability and Accountability Act), as amended by the HITECH Act (the Health Information Technology for Economic Clinical Health Act, Title XIII of the American Recovery and Reinvestment Act of 2009);
3. Closed session discussions pursuant to Kentucky Revised Statutes 61.810; and
4. Information acquired during my tenure as a Trustee, which cannot be used to further my own economic interests or that of another person in accordance with Kentucky Revised Statutes 61.655(1)(f) and 78.545.

Certification:

Signature

Date

County Employees Retirement System
1270 Louisville Road
Frankfort, KY 40601

Betty A Pendergrass, Chair
Jerry Powell, Vice-Chair
Ed Owens, CEO



**COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
TRUSTEES EDUCATION PROGRAM**

Adopted: September 29, 2021

I. Introduction

1. Adoption of Board Trustees Education Program. Pursuant to the provisions of Kentucky Revised Statute (KRS) 78.782 and 105 Kentucky Administrative Regulation (KAR) 1:440, the Board of Trustees (Board) of the County Employees Retirement System (System) is required to establish a formal Trustees Education Program (Program) for all Trustees of the Board.
2. Background. KRS 78.782(17) provides the basic statutory requirements for the Program.
3. Statement of Purpose of Board Trustees Education Program. The purposes of this document are to outline the Program and to establish a procedure for ensuring compliance with the state, federal, and common law. In the event that any portion of this document conflicts with state, federal, or common law, the law shall prevail.

II. Definitions

The following definitions and terms used in this Policy shall be applicable whenever used herein:

1. "Approved Education Activity" is a Trustee Education Activity that has been approved for credit hours of training by the Board Chair or the Chief Executive Officer or designee.
2. "Trustee Education Activity" is any educational activity, program, or training which provides instruction in one or more of the following areas:
 - A. Benefits;
 - B. Benefits administration;
 - C. Investment concepts;
 - D. Investment policies;
 - E. Current composition and administration of retirement systems investments;
 - F. State or federal statutes, regulations, case law, and/or other applicable authority governing CERS or fiduciaries;
 - G. Bylaws of the Board; and/or
 - H. Actuarial and financial concepts pertaining to the retirement systems.

3. "Chief Executive Officer" or "CEO" is the Chief Executive Officer of the System or his or her designee.
4. "Credit hour" is sixty (60) minutes of actual time spent on Approved Education Activities, which may be accrued in increments of not less than fifteen (15) minutes.
5. "Education Year" is the twelve (12) months commencing on a Trustee's date of appointment and on the anniversary of that date thereafter.
6. "Trustee" is a member of the Board.

III. Board Approved Education Activities

The Board hereby adopts the following as Approved Education Activities:

1. Presentations by the CERS CEO, CERS General Counsel, Investment Consultants and/or staff of the Kentucky Public Pensions Authority (KPPA) or firms or persons retained to provide training on:
 - A. Benefits and benefits administration;
 - B. Investment concepts, policies, and current composition and administration of system investments;
 - C. Laws, bylaws, and administrative regulations pertaining to the system and to fiduciaries;
 - D. Actuarial and financial concepts pertaining to the system; and
 - E. Fiduciary responsibilities.
2. Attendance at meetings (e.g., Board, Committee) where there is a presentation on a topic identified as a Trustee Education Activity and where the meeting agenda states that the presentation is an Approved Education Activity; or
3. The Trustee makes a presentation of material that is approved as a Trustee Education Activity and the participants are receiving continuing education or professional association credit; or
4. The Trustee watches an approved Education Activity Video of previously recorded CERS Education Activity where the original attendees received Education Credit. This activity will be performed in consultation with the CERS CEO.
5. Workshops and conferences¹ presented by the following:
 - A. The National Association of State Retirement Administrators (NASRA),
 - B. The National Association of Public Pension Attorneys (NAPPA),
 - C. The National Conference on Public Employee Retirement Systems (NCPERS), and
 - D. The Institutional Limited Partners Association (ILPA).

¹ For in-person workshops and conference, no more than four (4) Trustees may attend to ensure that no quorum of the Board is present.

- E. Other associations that provide continuing education for a Trustee's professional certification, such as CPA, CFA, CGFM, CFE, or LLB among others.

IV. Chief Executive Officer (or Designee) Approved Education Activities

1. A Trustee Education Activity not delineated as a Board Approved Education Activity must be submitted for approval by the CERS CEO or the designee on a Trustee Education Activity Approval Request form thirty (30) days before the educational activity is to be held; however, the CEO may make exceptions on a case-by-case basis.
2. The Trustee Education Activity Approval Request form must be submitted with appropriate documentation, such as a sample agenda, course outline, or materials describing the content of the Trustee Education Activity. The CERS CEO may request additional supporting materials on a case-by-case basis.
3. The Board will not pay for the educational activity unless it is approved.
4. Types of education activities that may be submitted for approval by the CEO:
 - A. Review of educational material related to public pensions and/or investments;
 - B. Workshops and conferences presented by other state retirement systems;
 - C. Workshops and conferences presented by non-profit organizations other than those noted in Section III, Number Three (3);
 - D. Workshops and conference presented by trade groups, vendors, potential vendors, and other for-profit entities (however, before any such educational opportunities are approved, the program must be reviewed by the CERS General Counsel for compliance with the Executive Branch Code of Ethics under KRS Chapter 11A and the Executive Branch Procurement Code under KRS Chapter 45A);
 - E. Educational Material reviewed by the Trustee outside of a workshop or conference program and not provided by Kentucky Public Pensions Authority staff.
5. The CERS CEO shall review each Trustee Education Activity Approval Request and shall notify the Trustee of whether the Trustee Education Activity is approved for credit hours. An approval in any given year shall not bind the CERS CEO to approve a Trustee Education Activity in any future year.

V. New Trustee Orientation Program

1. After a new Trustee (New Trustee) is sworn in as a member of the Board, the New Trustee shall be required to complete the New Trustee Orientation Program during his or her first Education Year.
2. The New Trustee Orientation Program shall consist of no less than eight (8) credit hours of Approved Education Activities.

3. The Chief Executive Officer shall be responsible for working with KPPA staff to make the New Trustee Orientation Program available for New Trustees, and may designate other Approved Education Activities for fulfilling the requirements of the New Trustee Orientation Program.
4. The New Trustee Orientation Program shall include training in each of the categories listed under "Trustee Education Activity" in Section II. The New Trustee Orientation Program shall emphasize legal and fiduciary responsibilities of Trustees, including, but not limited to, presentations on these topics by independent third party experts. New Trustees shall also be informed about the operations of CERS and KPPA through presentations by any of the following: the CERS CEO, CERS General Counsel, the KPPA Executive Director, the KPPA Chief Investment Officer, the KPPA Executive Director of the Office of Operations, the KPPA Executive Director of the Office of Benefits, the Executive Director of the Office of Legal Services, the Senior Health Advisor, the Internal Audit Director, the Information Security Officer, and other qualified staff members designated by the CERS CEO.
5. If a New Trustee fails to complete the New Trustee Orientation Program within one (1) year following the date the New Trustee is sworn in, the System shall withhold payment of all per diems and travel expenses due to the New Trustee (or which subsequently may come due) until such time as the New Trustee completes the New Trustee Orientation Program.
6. Each New Trustee attending an Approved Education Activity for the New Trustee Orientation Program shall certify to the CERS CEO on an Approved Education Activity Certification of Completion form that the New Trustee attended the Approved Education Activity and the total number of hours earned.
7. An Approved Education Activity Certification of Completion form for the New Trustee Orientation Program must be received by the CERS CEO no later than sixty (60) days after completion of the Approved Education Activity. An Approved Education Activity Certification of Completion form received more than sixty (60) days after the required deadline will not be approved.
8. The CERS CEO or designee shall maintain a record of all Approved Education Activities attended and/or performed by each New Trustee. Within the following quarter after the date that the New Trustee is sworn in as a member of the Board, the CERS CEO shall report in writing to each New Trustee whether the New Trustee has complied with the requirements of the New Trustee Orientation Program. The CERS CEO shall report to the Board every quarter the status of Trustee Education. The report shall include the number of credit hours earned and any remaining credit hours that need to be earned to fulfill the requirements of the New Trustee Orientation Program and/or the annual Education Activity requirement.

VI. Annual Required Training

1. For every Education Year, Trustees shall complete a minimum of twelve (12) credit hours of Approved Education Activities. The eight (8) credit hours of New Trustee Orientation Program for New Trustees shall be applied toward the annual twelve (12) credit hour requirement. Accordingly, New Trustees shall be required to complete an additional four (4)

credit hours in addition to the New Trustee Orientation Program in order to meet their annual required training requirements.

2. The CERS CEO shall make available Approved Education Activities and may approve other Trustee Education Activities for fulfilling the annual training requirements.
3. Each Trustee attending an Approved Education Activity shall certify to the CERS CEO on an Approved Education Activity Certification of Completion form that the Trustee attended the Approved Education Activity and the total number of hours earned.
4. An Approved Education Activity Certification of Completion form must be received by the CERS CEO no later than sixty (60) days after completion of the Approved Education Activity.
5. If a Trustee fails to complete the annual required training the System shall withhold payment of all per diems and travel expenses due to the Trustee (or which subsequently may come due) until such time as the Trustee completes the annual required training.
6. The CERS CEO shall maintain a record of all Approved Education Activities attended by each Trustee. At the end of each Trustee's Education Year, the CERS CEO shall report in writing to each Trustee the number of credit hours earned by the Trustee during the Education Year.

VII. Certification

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

Chair of the Board of Trustees
County Employees Retirement System

Date

Chief Executive Officer
County Employees Retirement System

Date



COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD EDUCATION PROGRAM

Pursuant to KRS 78.782(17) after a new Board Member is sworn into office, he/she is required to complete a total of eight (8) credit hours of Education Activities. As part of this Orientation Program, a KPPA Executive is to provide an initial overview of the County Employees Retirement System (CERS) and the Kentucky Public Pensions Authority (KPPA), worth two (2) credit hours towards the first year's Education Activities.

After completing the Initial Orientation Program, each Board member is required to complete a minimum of twelve (12) credit hours of Education Activities.

Education activities are earned by attending regular, annual, and special called Board and Committee Meetings. Additional onsite Education Activities and online trainings administered by CERS will be automatically tracked. Board Members wishing to receive credit for Education Activities *not* provided by the CERS CEO will need to submit a copy of their training completion certificate detailing the education activity event title, date, time, instructor, and vendor to: Ashley Gabbard, Staff Assistant, via *email*: ashley.gabbard@kyret.kyky.gov, *fax*: (502) 696-8644, or *mail*: KPPA, 1260 Louisville Rd, Frankfort, KY 40601. For Questions regarding the Trustee Education Program, please contact Ashley Gabbard, Staff Assistant, at (502) 696-8565.

Educational training received by the Board member to comply with accreditation or continuing education requirements for external certifications may receive credit toward the twelve (12) credit hours of Educational Activities needed on an annual basis.

Education Activities provide instruction in the following areas:

- Retirement benefits; Benefits administration
- Investment concepts; Investment policies
- Administration of retirement systems investments
- Kentucky Statutes governing County Employees Retirement System (CERS)
- Administrative regulations governing CERS
- By-laws of the Board
- Case law, statutes, administrative regulations, or other application authority regarding being a fiduciary
- Actuarial and financial concepts of retirement systems
- Executive Branch Ethics
- HIPAA
- Information Security

Pursuant to KRS 78.782(17), an Education Activity *not* provided by the CERS CEO qualifies for approval, if the CEO or the Board determines that the activity conforms to the following standards:

- The activity is an organized program of learning (including a course of study, workshop, symposium or lecture).
- The activity has as its primary objective to increase the participants' knowledge regarding one of the Education Activity subjects listed above.
- The activity must be offered by a sponsor having substantial, recent experience in offering education and training on one of the subjects listed as an Education Activity above.

COUNTY EMPLOYEES RETIREMENT
SYSTEMS

Board Education Program
Initial Orientation Acknowledgement Form

Below is a checklist of Education Activities discussed during the initial New Member Orientation.

Check off each item covered:

- { } a. Retirement Benefits;
- { } b. Benefits Administration;
- { } c. Investment Concepts;
- { } d. Investment Policies;
- { } e. Administration of Retirement Systems Investments;
- { } f. Statutes governing County Employees Retirement System (CERS);
- { } g. Administrative Regulations governing CERS,
- { } h. By-laws of the Board;
- { } i. Case Law, Statutes, Administrative Regulations, or other application authority regarding Fiduciary responsibilities;
- { } j. Actuarial and Financial Concepts of the CERS System.

I acknowledge that I have received a copy of the CERS Board Education Program policy adopted on September 29, 2021. I understand that I am responsible for becoming familiar with the contents. I also acknowledge that the CERS CEO has provided me with verbal and (or) written information in each of the categories listed in Chapter 1, Section 2 of the program policy.

Board Member Signature Date

Initials of KPPA Executive conducting the orientation: _____ Date _____

Copy given to new Board Member: _____ Yes _____ No



COUNTY EMPLOYEES RETIREMENT SYSTEM
EXTERNAL TRAINING VERIFICATION FORM

Instructions: Pursuant to KRS 78.782(17), the County Employees Retirement System (CERS) Trustees Education Program allows for education activities not provided by the CERS CEO to be considered for approval, if the activity conforms to the standards outlined in Chapters 1 and 2.

Education Activities provide instruction in the following areas: retirement benefits; benefits administration; investment concepts; investment policies; administration of retirement systems investments; statutes and administrative regulations governing CERS; bylaws of the Board; case law, statutes, administrative regulations, or other application authority regarding being a fiduciary; and actuarial and financial concepts of retirement systems.

Trustee Attestation:

I hereby attest that I attended the external meeting described below and that it complies with the requirements of Chapters 1 and 2 of the County Employees Retirement System Trustees Education Program.

I hereby attest that I reviewed educational material related to pensions and investments.

Trustee name (print):

Signature: Date:

List the name of the meeting(s) attended, sponsor, date(s) and time(s), and specific education activity area of the training and/or the material(s) reviewed and the area of training for which you are claiming credit:

Three horizontal lines for listing meeting details.

Approved by: CERS CEO Date:

Number of credit hours approved:

County Employees Retirement System
Ashley Gabbard, Staff Assistant
1260 Louisville Rd · Frankfort, KY 40601
Email: ashley.gabbard@kyret.ky.gov Fax: 502-696-8801



**COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
FUNDING POLICY**

Effective: September 29, 2021

I. Introduction

- A. Adoption of Board Funding Policy: Pursuant to the provisions of Kentucky Revised Statutes (KRS) 78.782, the Board of Trustees (Board) of the County Employees Retirement System (System) is permitted to adopt policies regarding the administration of the System as needed.
- B. Background. The Board administers the County Employees Retirement System (the Plan), a public employee retirement system pension plan with a nonhazardous plan and a hazardous plan. The Board also administers a health insurance trust fund with a nonhazardous and hazardous plan for eligible members and beneficiaries of the Plan.
- C. Statement of Purpose of Board Funding Policy: Adoption of a formal policy defining priorities and guidelines for the funding of retirement and health insurance benefits is a best practice for public employee retirement systems. This Funding Policy outlines the Board's goals and strategies for financing the Plan and health insurance trust fund it administers, including the principal goal of achieving a funded ratio¹ that is equal to or greater than one hundred percent (100%) for the Plan and the insurance trust fund. In the event that this Funding Policy conflicts with state or federal law, the law shall prevail.

II. Scope of authority

- A. The Kentucky General Assembly determines:
 - 1. The design of the Plan's retirement and insurance benefits;
 - 2. Employee (member) contributions;
 - 3. The frequency and deadlines for the Board to conduct an actuarial valuation and recommend employer contributions;

¹ "Funded ratio" is defined as the actuarial value of Plan's assets divided by the Plan's actuarial accrued liability before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions.

4. A minimum frequency for the Board to cause an actuarial investigation to be made of all the experience under the Plan relative to the actuarial assumptions and funding methods previously adopted by the Board;
 5. Actuarial methods to be used in setting employer contributions; and
 6. Limits on employer contributions to the Plan administered by the Board.
- B. The Board has authority to establish, approve, and revise actuarial assumptions², and the Board has the authority over the investment of trust assets, including determining and approving the asset allocation, investment policies, and strategies for investment asset classes.

III. Funding goals

- A. The principal funding goal of the Board is to fully fund the long-term cost of retirement and health insurance benefits provided to the Plan's members and beneficiaries by statute through disciplined and timely collection of required contributions and the prudent investment of assets.
- B. The Board's principal funding goal is to strive to have the funded ratio for the Plan and the health insurance fund to be equal to or greater than one hundred percent (100%).
- C. In order to achieve the principal funding goal, employee contributions, employer contributions, and net investment returns, when combined, should be sufficient to pay benefits to eligible members and beneficiaries of the Plan.
- D. The Board shall ensure full payment of employer contributions in compliance with Kentucky Revised Statutes 78.635, including the payment of normal cost contributions and actuarially accrued liability contributions.

IV. Benchmarks

- A. To achieve the previously outlined funding goals, the Board shall cause an actuarial valuation to be made annually in compliance with Kentucky Revised Statutes 78.784.
- B. Additionally, no fewer than every five (5) years, in compliance with Kentucky Revised Statutes 78.784, the Board shall cause an actuarial investigation to be made of all the experience under the Plan relative to the actuarial assumptions and funding methods previously adopted by the Board, and the Board shall make the appropriate revisions following this actuarial investigation.
- C. As required by Kentucky Revised Statutes 78.784, all actuarial investigations, analyses, and valuations shall be certified to the Board by an actuary who shall be a fellow of the Conference of Consulting Actuaries or a member of the American Academy of Actuaries.

² However, the General Assembly provides oversight concerning the actuarial assumptions.

- D. The annual actuarial valuation conducted in accordance with Kentucky Revised Statutes 78.784 shall specify employer contributions to be paid by employers participating in the System, and such employer contributions shall be equal to the sum of the “normal cost contribution” and the “actuarially accrued liability contribution” as required by Kentucky Revised Statutes 78.635.
- E. Increases in benefits for members and beneficiaries of the Plan shall only be provided in accordance with Kentucky Revised Statutes 78.5518.

V. Actuarial methods

Pursuant to Kentucky Revised Statutes 78.635, the Board shall use the following methods for the purpose of actuarial valuations and, accordingly, for determining employer contributions:

- A. Cost method: The cost method shall be the entry age normal cost funding method.
- B. Asset smoothing: Investment gains and losses shall be spread over a five (5) year period.
- C. Amortization policy: The actuarially accrued liability contribution shall be amortized as required by Kentucky Revised Statutes 78.635.

VI. Review of funding policy

This Funding Policy shall be reviewed no less frequently than every five (5) years, following the actuarial experience investigation conducted pursuant to Kentucky Revised Statutes 78.784, although it is the intent of the Board to review this Funding Policy more frequently. This Funding Policy may be amended at any time to reflect changes to the System’s enabling statutes, Board policies, or best practices for public employee retirement plans.

VII. Certification

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

Chair of the Board of Trustees
County Employees Retirement System

Date

Chief Executive Officer
County Employees Retirement System

Date



**COUNTY EMPLOYEES RETIREMENT SYSTEM
MEMBERS POLICY AND PROCEDURES
REGARDING OPEN RECORDS REQUESTS
MADE IN ACCORDANCE WITH KENTUCKY REVISED STATUTES 61.870-61.884**

The Trustee Members of the County Employees Retirement System (CERS) in accordance with Kentucky Revised Statutes 61.876, hereby establishes the following policy and procedures regarding Open Records Requests made in accordance with Kentucky Revised Statutes 61.870-61.884.

- (1) Kentucky Revised Statutes 61.876 provides that "(e)ach public agency shall adopt rules and regulations in conformity with the provisions of Kentucky Revised Statutes 61.870 to 61.884 to provide full access to public records, to protect public records from damage and disorganization, to prevent excessive disruption of its essential functions, to provide assistance and information upon request and to insure efficient and timely action in response to application for inspection."

- (2) The policy of the Trustee Members is to provide broad access to all public records subject to the restrictions imposed by federal and state law. Kentucky Revised Statutes 61.878(1)(l) provides an exemption for public records or information the disclosure of which is prohibited or restricted or otherwise made confidential by enactment of the General Assembly. Kentucky Revised Statutes 61.661(1)(a) provides that "(e)ach current, former, or retired member's account shall be administered in a confidential manner and specific data regarding a current, former, or retired member shall not be released for publication." In 13-ORD-008, the Kentucky Attorney General found that denying Open Records Requests for documents regarding individual members of the retirement systems is a proper denial pursuant to KRS 61.878(1)(l). The decision states "...Retirement properly denied [the] request on the basis of [Kentucky Revised Statutes] 61.661(1), incorporated into the Open Records Act by operation of [Kentucky Revised Statutes] 61.878(1)(l)."

The County Employees Retirement System shall not release any information regarding a current, former, or retired member without express written authorization or PIN number from the member or a court order or subpoena from a court of competent jurisdiction, except when the request asks for certain information relating to members or retired members who are current or former officeholders in the Kentucky General Assembly as provided in Kentucky Revised Statutes 61.661(a)(3)(a), in which case the County Employees Retirement System shall provide the requested information as mandated by statute.

- (3) Procedures for Accessing Public Records from the County Employees Retirement System:
- A. The County Employees Retirement System shall designate a custodian of records according to their systems' bylaws.
 - B. All Open Records Requests received by the County Employees Retirement System shall be forwarded to the Kentucky Public Pensions Authority (KPPA) Office of Legal Services, Non-Advocacy Division, which shall be responsible for responding to all such requests.
 - C. Requests under open records must be made in writing and be in sufficient detail to allow the County Employees Retirement System to identify the records requested for review.
 - D. Requests may be submitted to the CERS by:
 - (i) Hand delivery at the retirement office;
 - (ii) U.S. Mail;
 - (iii) Electronic mail at openrecords@kyret.ky.gov; or
 - (iv) Fax to (502) 696-8615.
 - E. Requests for Open Records submitted by U.S. Mail should be addressed to:

Executive Director or designee
Kentucky Public Pensions Authority
1260 Louisville Road
Frankfort, Kentucky 40601
 - F. Public records may be reviewed in person at the offices of the KPPA at 1270 Louisville Road, Frankfort, Kentucky during normal business hours, Monday through Friday from 8:00 a.m. to 4:30 p.m., with the exception of state holidays, or when closed to the public during a State of Emergency as declared by the Governor of Kentucky. The respective custodian of records or the Office of Legal Services, Non-Advocacy Division will designate a KPPA employee to monitor any in person inspection.
 - G. As provided in Kentucky Revised Statutes 61.870(10), only residents of the Commonwealth of Kentucky may request to inspect public records. A resident of the Commonwealth of Kentucky is defined as: (a) An individual residing in the Commonwealth; (b) A domestic business entity with a location in the Commonwealth; (c) A foreign business entity registered with the Secretary of State; (d) An individual that is employed and works at a location or locations within the Commonwealth; (e) An individual or business entity that owns real property within the Commonwealth; (f) Any individual or business entity that has been authorized to act on behalf of an individual or business entity defined in

paragraphs (a) to (e) of this subsection; or (g) A news-gathering organization as defined in KRS 189.635(8)(b)1.a. to e..

- H. The KPPA will respond to all requests under open records as provided in Kentucky Revised Statutes 61.870-61.884. Under Kentucky Revised Statutes 61.880(1) and 61.872(5), responses to Open Records Requests are to be provided within five (5) business days unless more time is needed. If more time is needed, the KPPA will send notice of such which explains the circumstances for any delay. This timeline may also be suspended or extended by Order of the Governor of Kentucky.
- I. If the KPPA deems any responsive records exempt under Kentucky Revised Statutes 61.878, it shall so state the relevant exemptions in its response. If the KPPA deems any sections of the responsive records as needing redaction, it shall state the reasons for each such redaction.
- J. For responsive records in an electronic format sent by attachment to secure email, the KPPA will impose no charge for the production of the records, unless costs were incurred according to sections K and L of this policy. In order to ensure compliance with the provisions of Kentucky Revised Statutes 61.661, which mandates that members' retirement accounts be administered confidentially, the KPPA will convert all records in an electronic format to a non-editable electronic format (e.g. portable document format, or PDF) and otherwise remove any metadata prior to the production of responsive records. For responsive records in an electronic format that are too large to be sent by email, the KPPA will burn such records to a compact disc ("CD") and send the CD by U.S. Mail. Prior to mailing, the KPPA shall provide an invoice to the requestor indicating the costs for production of the records and postage. Upon receipt of payment, the KPPA will mail the responsive records.
- K. The KPPA may charge ten (10) cents per page for copies of records plus postage, if the requester wants the copies sent by U. S. Mail. Upon a request for copies to be mailed, the KPPA shall provide an invoice to the requester consisting of the costs of production and postage. Copies of nonwritten records (photographs, maps, material stored in computer files or libraries, etc.) shall be furnished on request, on payment of a charge equal to the actual cost of producing copies of such records by the most economic process not likely to damage or alter the record pursuant to Kentucky Revised Statutes 61.874(1). Estimated costs for the production of copies shall be communicated to the requester prior to incurring the costs. Upon written agreement by the requester to the pay the estimated amount, the KPPA will commence production of any copies and communicate the final cost to the requester by invoice. Upon the payment of the invoice, the KPPA shall produce the responsive records to the requester.
- L. The KPPA may recover actual costs and staff costs to produce records when the request specifies production of the records in a nonstandardized format or tailoring the format to meet the request of an individual or a group pursuant to Kentucky

Revised Statutes 61.874(3). Any such costs shall be identified on an invoice. The decision to produce records in a nonstandardized format or tailored to fit the needs of the requester is solely at the discretion of the KPPA.

M. The KPPA may further charge an additional fee to produce copies of records requested for a commercial purpose pursuant to Kentucky Revised Statutes 61.874(4), including the cost of staff time required to produce the records, the cost of mechanical processing, and the cost of media (e.g. a CD). Any such costs shall be identified on an invoice. The KPPA may require a requester to verify whether their request is for a commercial purpose as defined in Kentucky Revised Statutes 61.870.

Signed: _____
Chair of the Board of Trustees
County Employees Retirement System

Date: _____

Signed: _____
Chief Executive Officer
County Employees Retirement System

Date: _____



COUNTY EMPLOYEES RETIREMENT SYSTEM CONFLICT OF INTEREST POLICY

Effective September 29, 2021

INTRODUCTION

Adoption of Conflict of Interest Policy:

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

Statement of Conflict of Interest Policy:

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

Purpose:

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

PROCEDURES REGARDING CONFLICTS OF INTEREST POLICY

Section 1: Application of Policy

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

Section 2: Standards of Conduct Regarding Conflicts of Interest

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

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

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

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

Section 3: Written Statements of Conflict of Interest

1. CERS Board Conflict of Interest Statement:

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

- ii. The KPPA Executive Director shall collect the completed Conflict of Interest Statement forms from applicable KPPA staff and the KPPA Board Members.

- d. If the CERS CEO or CERS General Counsel(s) fails to file a completed Conflict of Interest Statement on the form approved by the CERS Board on or prior to December 31st of a calendar year, the Chair of the Board shall be responsible for bringing this to the attention of the CERS Board to decide the appropriate course of action for reprimanding the CERS CEO or CERS General Counsel(s).

- e. If any CERS Board member fails to file a completed Conflict of Interest Statement on the form approved by the CERS Board on or prior to December 31st of a calendar year, the CERS CEO is authorized to decline to pay any per diems and travel expenses due to the CERS Board member until the board member has filed a completed Conflict of Interest Statement on the form approved by the CERS Board with the CERS CEO. The CERS Board member will forfeit all per diems and travel expense reimbursements due to the CERS Board member for the period during which the CERS Board member had failed to timely file a completed Conflict of Interest Statement.

Section 4: Violations of Conflict of Interest Policy

1. Any person who suspects that an employee of CERS, a CERS Board member, or a contractor, vendor, or service provider has violated this Policy, the CERS Bylaws, or any CERS Board policy, may file a complaint in writing at the offices of the KPPA.

2. The written complaint shall be in the form of a letter addressed to the Chair of the CERS Board, or if the complaint is about the Chair of the CERS Board, the complaint shall be addressed to the Vice Chair of the CERS Board. A complaint may be filed anonymously. Employees of the KPPA filing a complaint may be protected by the Kentucky Whistleblower Statute, Kentucky Revised Statutes 61.102.

3. A complaint shall include the name of the person or organization against whom the complaint is made and include a detailed description of the alleged violation including the time, date, and place, if known. The complainant should attach to the complaint all evidence in his or her possession regarding the alleged violation.

4. If the complaint is against an employee of CERS (other than the CERS CEO), the complaint shall be forwarded to the CERS CEO (or delegate) for investigation, or in the discretion of the CERS CEO (or delegate) may be referred to the Executive Branch Ethics Commission. If the alleged violation is found to be true by the CERS CEO (or delegate), the employee shall be disciplined in accordance with procedures established by the Personnel Cabinet.

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

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

GENERAL STATEMENT CONCERNING EXECUTIVE BRANCH ETHICS

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

CERTIFICATION

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

Chairman of the Board of Trustees
County Employees Retirement System

Date

Chief Executive Officer
County Employees Retirement System

Date



COUNTY EMPLOYEES RETIREMENT SYSTEM INTERNAL CONFLICT OF INTEREST STATEMENT

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

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

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

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

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

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

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

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

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

CONFLICT OF INTEREST QUESTIONNAIRE

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

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

Yes No

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

Yes No

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

Yes No

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

Yes No

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

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

Agreed this the _____ day of _____, 2021.

Signature

Name

Title