



County Employees Retirement System
Securities Trading Policy for Trustees and Employees
Approved: March 16, 2022

The County Employees Retirement System (CERS) is charged with the administration of pension and group health insurance funds held in trust for active, inactive and retired CERS members and their beneficiaries. Accordingly, its Trustees and Employees have fiduciary duties commonly associated with pension and other trusts. The principal purpose of the Securities Trading Policy (Policy) is to prevent an intentional or inadvertent violation of Federal securities laws as well as Kentucky's fiduciary and ethics standards. Further, this policy serves to act as an ethical guideline to ensure that CERS' Trustees and Employees conduct themselves in a manner that fosters public confidence. Since CERS is described by statute as a state agency, CERS Trustees and Employees have special responsibilities for honesty and integrity applicable to public servants. This Policy acknowledges certain standards of conduct expected of Trustees and Employees in view of these responsibilities.

Although many of the provisions of this Policy are based upon legal and fiduciary concepts, this Policy should not be interpreted as an exclusive and complete statement of legal and fiduciary responsibilities. The primary source of laws governing the legal and fiduciary conduct of Trustees and Employees are set forth in Kentucky Revised Statutes Chapter 11A, et seq., and KRS 61.505 and KRS 78.782. This Policy does not limit or expand the scope of those laws.

This Policy is intended to provide specific requirements to Trustees and Employees regarding personal securities trading for CERS accounts and compliance with legal and fiduciary responsibilities as governed by the Commonwealth of Kentucky and CERS Board of Trustees. Personal securities trading and transactions in accordance with this policy should create a presumption of compliance with legal and fiduciary responsibilities by Trustees and Employees. Willful disregard of this Policy could result in disciplinary actions which include formal reprimands, adverse performance reviews, disgorgement of profits, removal from office, or termination of employment.

A. Definitions

In this Policy, the following definitions apply unless the context requires otherwise:

1. "CERS" means the County Employees Retirement System.
2. "Board" means the Board of Trustees of CERS.
3. "Employee" means a person working for CERS or Kentucky Public Pensions Authority (KPPA) in an employer/employee relationship.
4. "Trustee" means a member of the Board of CERS.
5. "Covered Persons" are defined as Employees and Trustees with access to material, non-public information about proposed trading, trading strategies, or holdings and the other investment funds held by CERS. This includes individuals involved in recommending or making investment decisions or who have access to systems containing investment

information. It also includes those working with or in close proximity to persons involved in decision making who regularly have the opportunity to see written information or hear discussions relating to investments. The following employees are, by virtue of their positions, conclusively presumed to be Covered Persons: CERS Chief Executive Officer, KPPA Executive Director, KPPA Executive Director of Operations, KPPA Executive Director Office of Investments, KPPA Executive Director Office of Legal Services, KPPA Executive Director Office of Benefits, General Counsel, Assistant General Counsel, all KPPA Investment Division staff, all KPPA Accounting Division staff, all KPPA Internal Audit Division staff, select KPPA Division Directors, and select positions within the Information Technology Division at KPPA.

6. "Personal securities transactions" means a discretionary transaction involving the purchase or sale of a security in which a person, or any member of such person's immediate family, had or gained directly or indirectly a financial interest and in which the person or any member of such person's immediate family had influence or control, directly or indirectly, over the timing of the trade of the security or derivative on a security.
7. "Family" means the Trustee's or Employee's spouse, their children under the age of 18, adult children financially dependent upon them or living in the same household and any other person(s) living in their household. This policy also applies to any relative of a Trustee or Employee, even if not living in their household, over whose investments the Trustee or Employee has discretionary authority.
8. "Federal Securities Laws" shall mean the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, the Investment Advisers Act of 1940, Title V of the Gramm-Leach-Bliley Act, the Sarbanes-Oxley Act of 2002 Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Jumpstart Our Business Startups Act of 2012 along with any rules adopted by the U.S. Securities and Exchange Commission ("SEC") and any rules adopted by the U.S. Department of the Treasury including sanction programs enforced by the Office of Foreign Assets Control (OFAC).
9. "Policy" means this Securities Trading Policy.
10. "Knowingly" means to do so with knowledge or awareness of the facts or situation, and not because of mistake, accident or some other innocent reason. An individual acts "knowingly" when he or she acts with awareness of the nature of his conduct and of probable consequences.

B. General Ethical Standards

All Trustees and Employees must comply with all applicable state and federal laws and ethical principles. They should specifically be aware of the following statutes and rules: KRS 11A, et seq., KRS 61.505 and KRS 78.782, 15 U.S.C. 78j, Section 10 of the Securities Exchange Act of 1934 (including rules 10b-5, 10b5-1, 10b5-2) and the Kentucky Retirement Systems Personnel and Investment Policies. The omission of any applicable statute from this list does not excuse violation of its provisions.

Federal securities laws also prohibit persons, including Trustees and Employees, from trading securities or commodities using any manipulative or deceptive device or scheme to defraud. This includes misstating or omitting any material fact. Moreover, trading securities or commodities on the basis of material non-public information is prohibited. This prohibition covers both "insiders"

(persons who acquire material, non-public information in the context of their employment or a relationship of trust such as a fiduciary relationship) and “Tippees” (persons who misappropriate material, non-public information obtained from an insider). This Policy is designed to prevent Trustees and Employees from misusing material, non-public information in a manner that might violate Federal securities laws or from otherwise engaging in inappropriate securities transactions such as front-running in CERS accounts as well as their personal and family accounts.

Accordingly, all Trustees or Employees are prohibited from trading on material, inside and non-public information whether obtained in the course of their CERS duties or otherwise. Material, inside information is non-public information that a reasonable investor is likely to consider important in determining whether to purchase or sell a security. It is also information that, if made public, would likely affect the market price of a security. Information may be considered material even if it relates to future, speculative or contingent events and even if it is significant only when considered in combination with publically available information. Information is considered non-public unless it has been publically disclosed and adequate time has passed for securities markets to digest the information. Any instances or questions regarding possible inside information must be immediately brought to the attention of the KPPA Compliance Officer.

Federal laws also prohibit Trustees, Employees or Investment Managers from transacting securities issued in countries subject to economic sanctions by the U. S. Department of Treasury OFAC. Additionally, Trustees, Employees and Investment Managers should not conduct business or invest with individuals or entities connected with sanction targets or Specially Designated Nationals (SDNs).

C. Personal Securities Transactions

Prohibited Transactions

All Trustees or Employees are prohibited from engaging in the following personal securities transactions:

1. **Knowingly** conducting any securities transaction in any instrument CERS is actively trading until three (3) trading days after the buy/sell orders have been completed or canceled.
2. Purchasing stock in any Initial Public Offering (IPO) in order to prevent quid pro quo activity or conflicts of interest. Employees may accept IPO shares derived from a stock dividend on shares previously owned, from demutualization of an insurance company in which they are a policy holder or as the result of a Family member’s employment by an IPO issuer.
3. Front-running, which is defined as buying or selling a security in advance of the time such a transaction would be blocked by the pre-clearance procedure. Trustees and Employees who have actual knowledge of transactions that are being considered for implementation in CERS portfolios, even in securities exempted by this policy, are prohibited from acting in advance thereof even if such purchase or sale would not otherwise be barred by the pre-clearance procedure below.

Covered Accounts, Securities and Assets

Personal securities transactions covered by this policy include transactions in:

- Individual equity or equity-related instruments, including but not limited to stocks, convertibles, preferred stock, options and futures on individual stocks, warrants, rights, etc., for domestic and foreign securities, whether publicly traded or privately placed.
- Individual bonds, options and financial futures on individual bonds.
- Investments in real estate involving more than one individual or entity with a fiduciary duty to CERS, or otherwise subject to the requirements of this policy, must be disclosed thirty (30) days PRIOR to transaction consummation even if it falls under an exemption listed below.

Exempted Accounts, Securities and Assets

The following are exempt trades: (1) trades in units of open ended mutual funds, segregated funds, or pooled trust funds; (2) purchases made under automatic dividend reinvestment or share purchase plans, but not sales from these made at the direction of those covered under this Policy; (3) trades that result from corporation actions without any voluntary action by the person holding the security; and (4) trades in index products (ETF securities, options, futures, or other derivatives that track published indices). Exempt trade examples include the following:

- Stock splits,
- Stock dividends,
- Mutual funds,
- Index funds,
- Unit Investment Trusts,
- Master trusts,
- Covered call writing or protective put purchases on securities already owned by the Trustee or Employee,
- Real estate used for personal or recreational residence,
- Agricultural or real property with a value of less than \$250,000 and bona fide rental properties with two (2) or fewer units,
- Real estate held through a real estate investment trust for which the Trustee or Employee is not making individual property selections,
- Dividend Reinvestment Plans (DRIP) or Direct Stock Plans (DSP) purchases, and
- Discretionary, fee-based accounts where the account owner is not making individual security selections.
- Annuity or insurance contracts,
- Tangible personal property and hard assets,
- Money market instruments,
- Certificates of deposit,
- Commercial paper,
- Options and futures on indices.

Pre-Clearance

Covered Persons shall not enter into a non-exempt personal securities transaction without first complying with the pre-clearance process defined herein and receiving approval or clearance from the KPPA Compliance Officer or the KPPA Executive Director Office of Investments. The KPPA

Compliance Officer shall be responsible for implementation of this policy and for establishing procedures to track Trustee and Employee compliance with this Policy.

A. Open Orders/Options

If a Covered person wants to place a “good until canceled” limit, which is the equivalent of an open order that specifies certain execution limits, or writing a covered call in a security that has not been defined as exempt in this policy, they must indicate the order type on their request for approval. If the order request is approved in accordance with pre-clearance procedures in this policy, a transactional disclosure form must be completed and submitted to the KPPA Compliance Officer within ten (10) calendar days of the order being executed. **If at any time between approval by the KPPA Compliance Officer and trade execution the Covered Person obtains actual knowledge of CERS or its external managers transacting in that security, then transacting in that option or open order is no longer approved.**

Employees may obtain pre-clearance for personal securities transactions by sending an e-mail to the KPPA Compliance Officer requesting a determination as to whether trading is allowed and must wait for approval from the KPPA Compliance Officer **before entering into the transaction**. In the absence of the KPPA Compliance Officer, the KPPA Executive Director Office of Investments may also consider the pre-clearance request of an Employee pursuant to the same procedure. In consultation with CERS investment managers and staff, the KPPA Compliance Officer may approve or deny pre-clearance approval or denial based on reasonable discretion that the transaction does not conflict with federal or Kentucky law or CERS policies.

Pre-clearance for Trustees and Employees will be documented in a personal securities transaction log, which will provide a record of all requests for approval of personal securities transactions. The KPPA Compliance Officer will provide pre-clearance and maintain the log. Unless otherwise noted by the Compliance Officer, pre-clearance approval for personal securities transactions is effective until market close on the first trading day following communication of pre-clearance approval, unless the Trustee or Employee has been approved for an open order. **Under no circumstances shall an employee approve or clear their own transaction.**

A transactional disclosure form must be completed for personal securities transactions, except for those described above which are exempted from the disclosure requirement. Transactional disclosure forms must be fully completed and given to the KPPA Compliance Officer along with the trade confirmation from the broker (unless the transaction only involved real estate) within ten calendar days of the personal transaction trade date. A sample of the required form is attached to this policy.

The transactional disclosure form must be fully completed and contain information including:

- The name and amount of the security involved. If the asset is real estate not exempted by this policy, then the address of the property should also be included.
- The date and nature of the transaction.
- The price at which the transaction was effected.
- The name of the broker through whom the transaction was effected.

D. Certifications

1. Annual

Each year, at the request of the KPPA Compliance Officer, all Covered and Deemed Covered Persons shall submit to the KPPA Compliance Officer a certification of their understanding of the requirements of this policy. Additionally, unless they are a Trustee, all Covered and Deemed Covered persons should submit a brokerage statement disclosing the account title, their securities holdings and securities transactions for personal and family accounts where any non-exempt securities transactions may occur for the period ending the preceding December 31st.

2. New Hire/Appointment

All Covered Persons or Deemed Covered persons shall also be required to file with the KPPA Compliance Officer, in such a format as the KPPA Compliance Officer may require, a certification of their understanding of the requirements of this policy. Additionally, unless they are a Trustee, all Covered and Deemed Covered persons should disclose the account name and account for all personal and family accounts where non-exempt securities transactions may occur within fifteen business (15) days of becoming a Covered Person.

E. Violations and Remediation

CERS takes violations of securities laws and this policy very seriously. As mentioned previously, willful disregard of this Policy could result in disciplinary actions which include formal reprimands, adverse performance reviews, disgorgement of profits and termination of employment or removal from office. Failure to pre-clear non-exempt personal securities transactions shall be considered a willful violation of this policy and will subject that Covered Person to appropriate sanctions.

As such, Trustees and Employees should promptly report any suspected violation of securities laws or this policy to the KPPA Compliance Officer. If any violation of this policy is determined to have occurred, the KPPA Compliance Officer will escalate the situation to the KPPA Executive Director and Chair of the Board of Trustees for action. No Trustee or Employee shall participate in a determination of whether he or she has committed a violation of this policy or in the imposition of any sanction against himself or herself.

Signatories

As Adopted by the Investment Committee

Date: 4/1/22

Signature: 

Dr. Merl Hackbart
Chair, Investment Committee

As Adopted by the Board of Directors

Date: 03/16/2022

Signature: 

Ms. Betty Pendergrass
Chair, Board of Trustees