



Public Pension Oversight Board

Cash Flow Update as of 06/30/2020

KENTUCKY RETIREMENT SYSTEMS

DAVE HARRIS, CHAIR; BOARD OF TRUSTEES

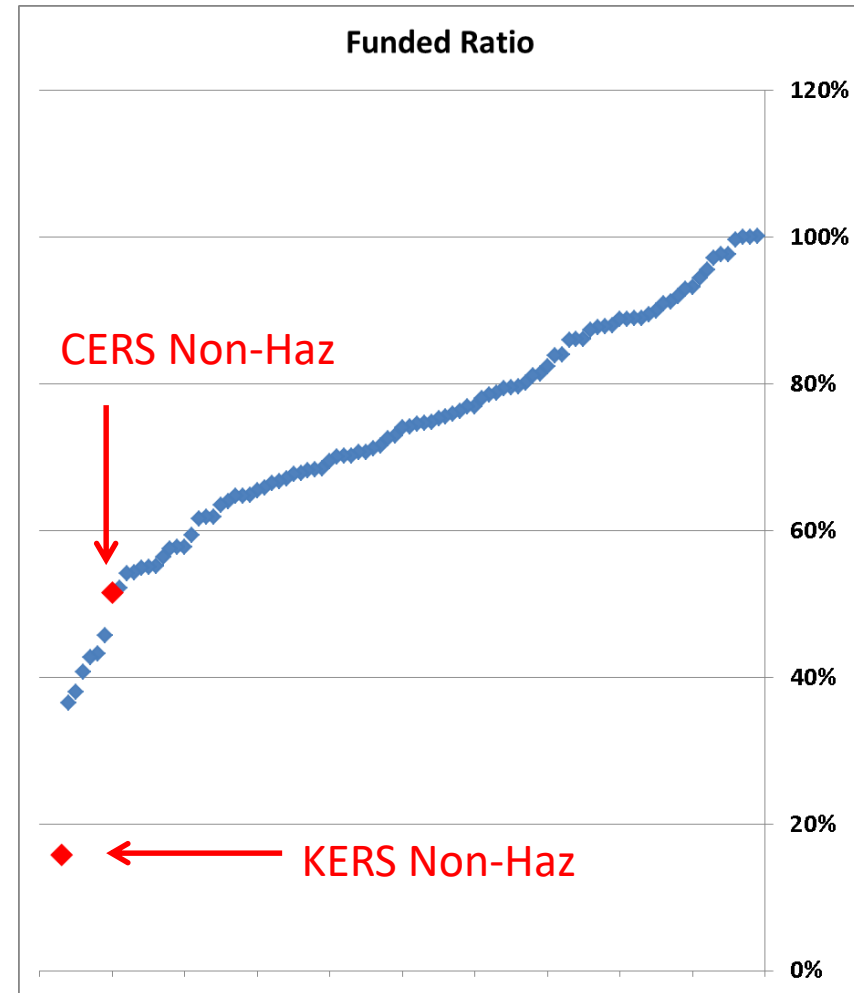
DAVID EAGER, EXECUTIVE DIRECTOR

RICH ROBBEN, EXECUTIVE DIRECTOR; OFFICE OF INVESTMENTS

VICTORIA HALE, STAFF ATTORNEY III; OFFICE OF LEGAL SERVICES

Comparison of Funded Ratio

- Comparison of funded ratio to other statewide retirement systems (excluding public safety and firefighter systems).
- Funded ratio percentiles
 - 25th Percentile: 65%
 - 50th Percentile: 74%
 - 75th Percentile: 86%

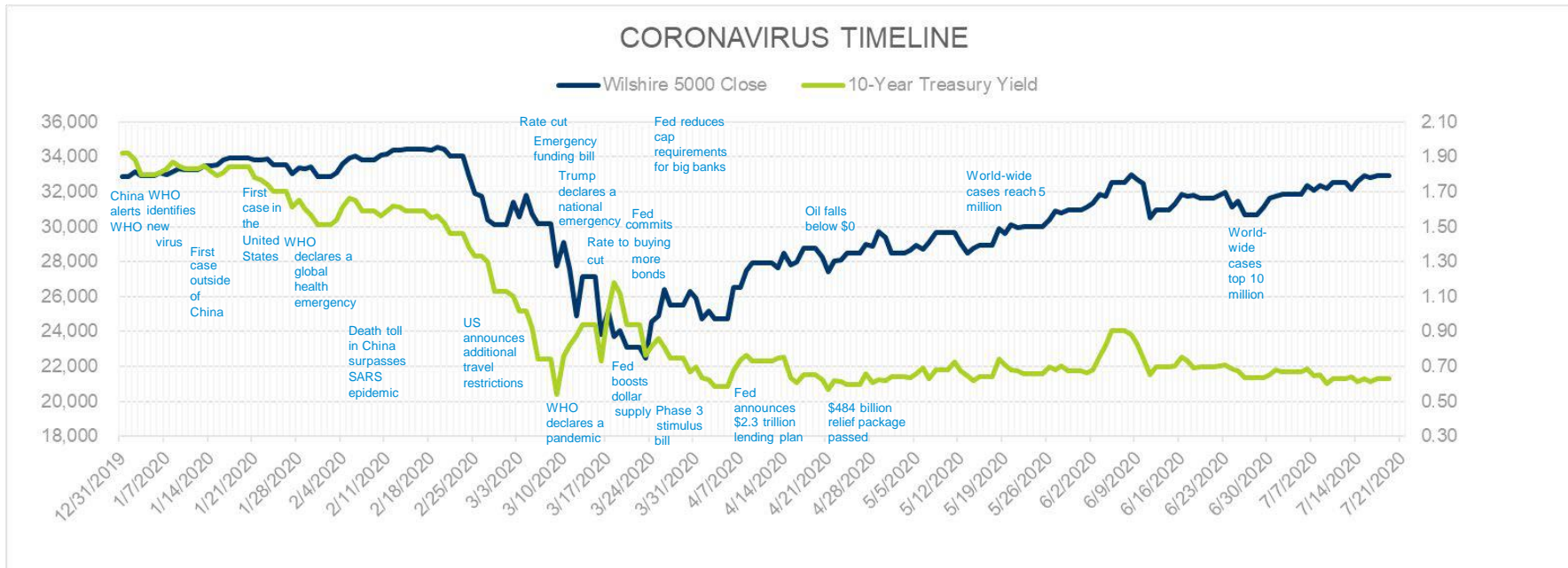


Source: GRS prepared information from Public Plan Database downloaded in August 2019. N = 97.



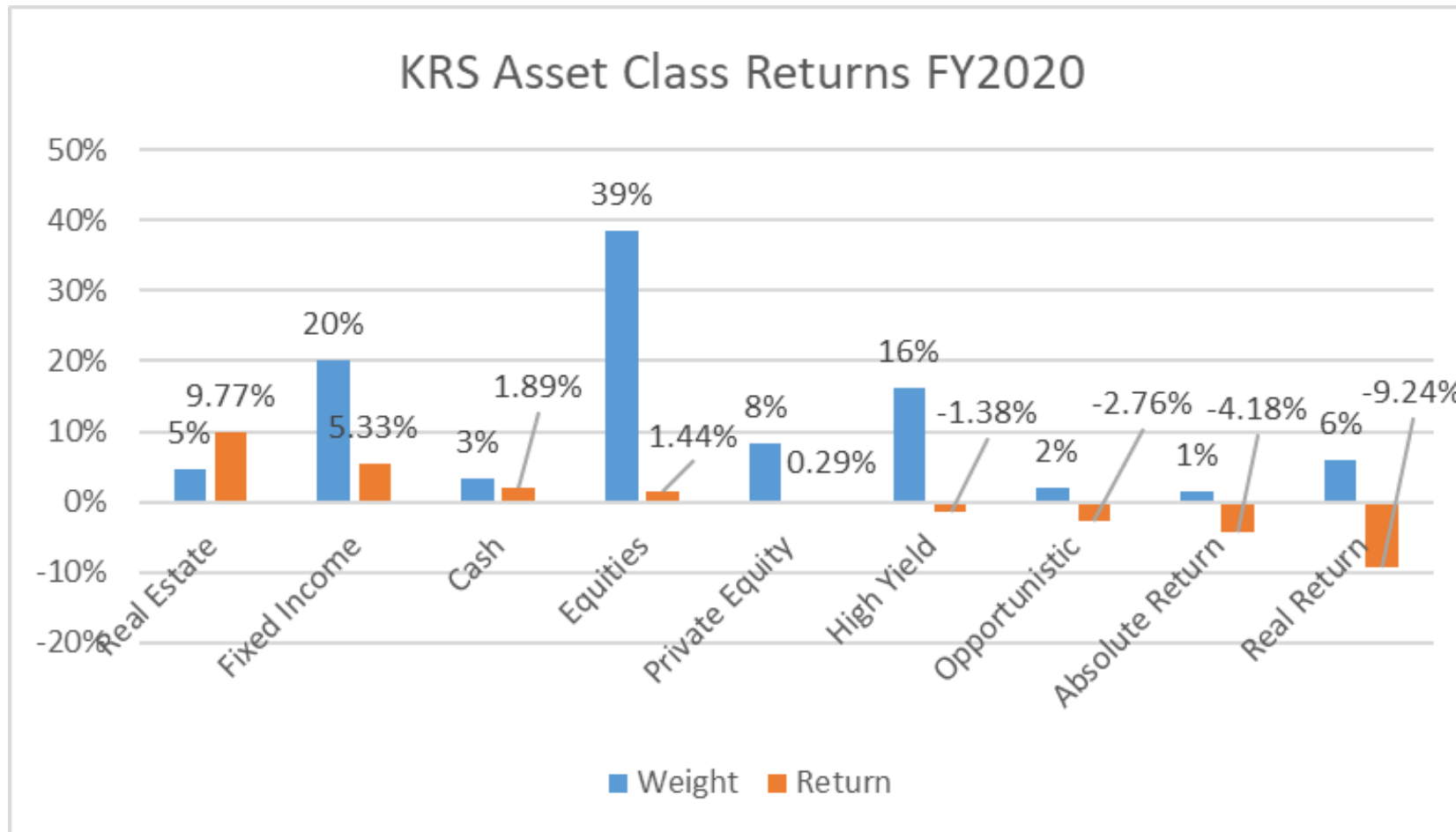
Wilshire Consulting

CORONAVIRUS TIMELINE





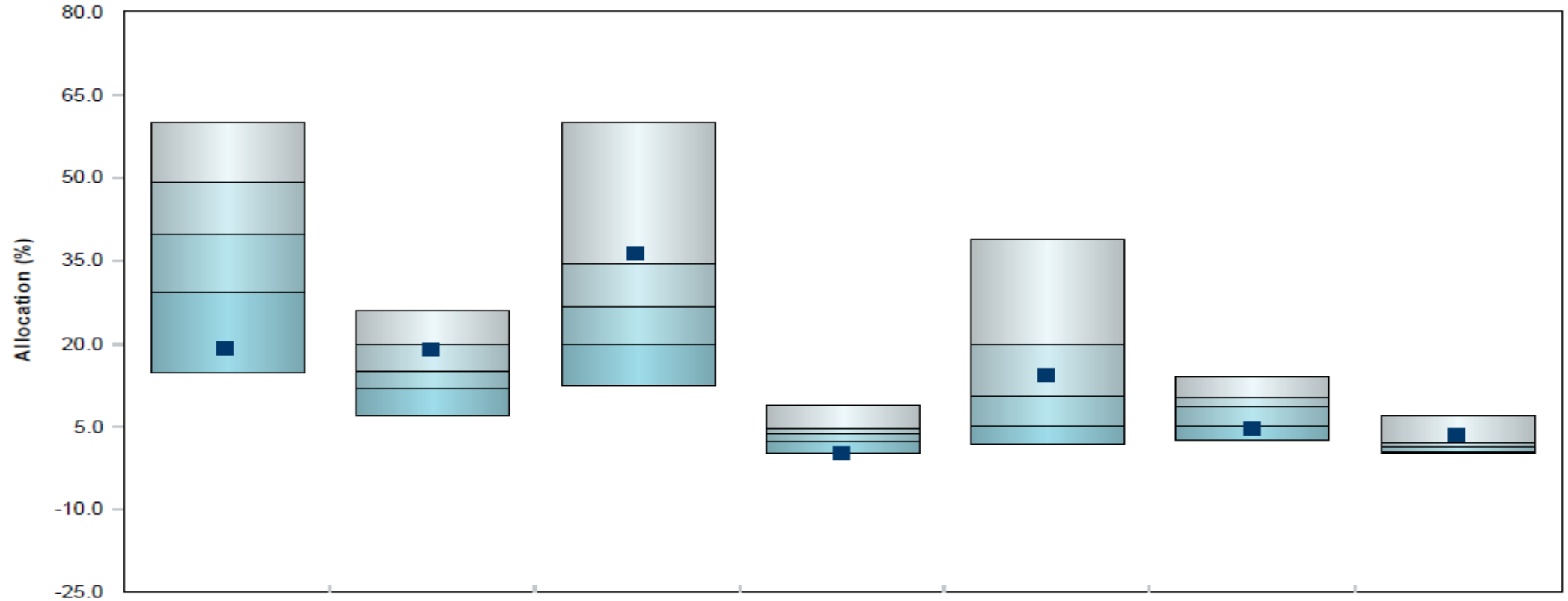
Fiscal Year 2020 Highlights



Plan Sponsor TF Asset Allocation

KRS Pension Plan vs All Public Plans-Total Fund

Periods Ended June 30, 2020

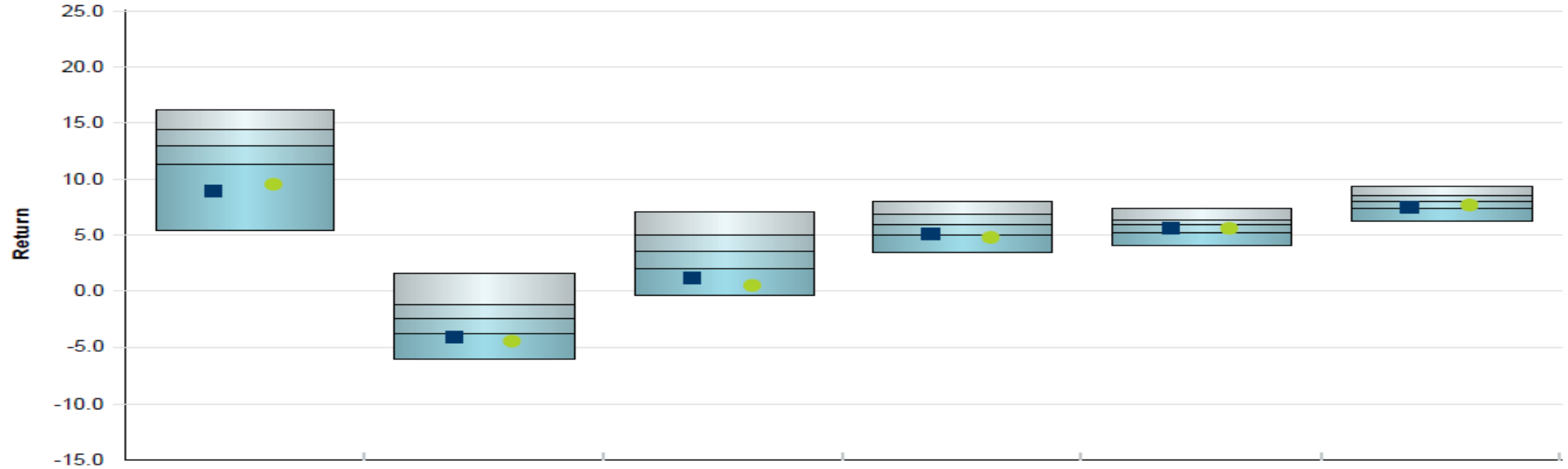


	US Equity	Intl. Equity	US Fixed Income	Intl. Fixed Income	Alternative Inv.	Real Estate	Cash
■ KRS Pension Plan	19.10	18.95	36.13	0.00	14.10	4.51	3.22
5th Percentile	60.14	25.97	60.05	8.96	38.71	14.02	6.99
1st Quartile	49.18	19.86	34.41	4.64	19.86	10.21	2.06
Median	39.73	14.98	26.68	3.74	10.46	8.57	1.13
3rd Quartile	29.44	11.95	20.01	2.23	5.15	5.22	0.56
95th Percentile	14.56	7.05	12.37	0.17	1.65	2.46	0.07

Plan Sponsor Peer Group Analysis

KRS Pension Plan vs All Public Plans-Total Fund

Periods Ended June 30, 2020

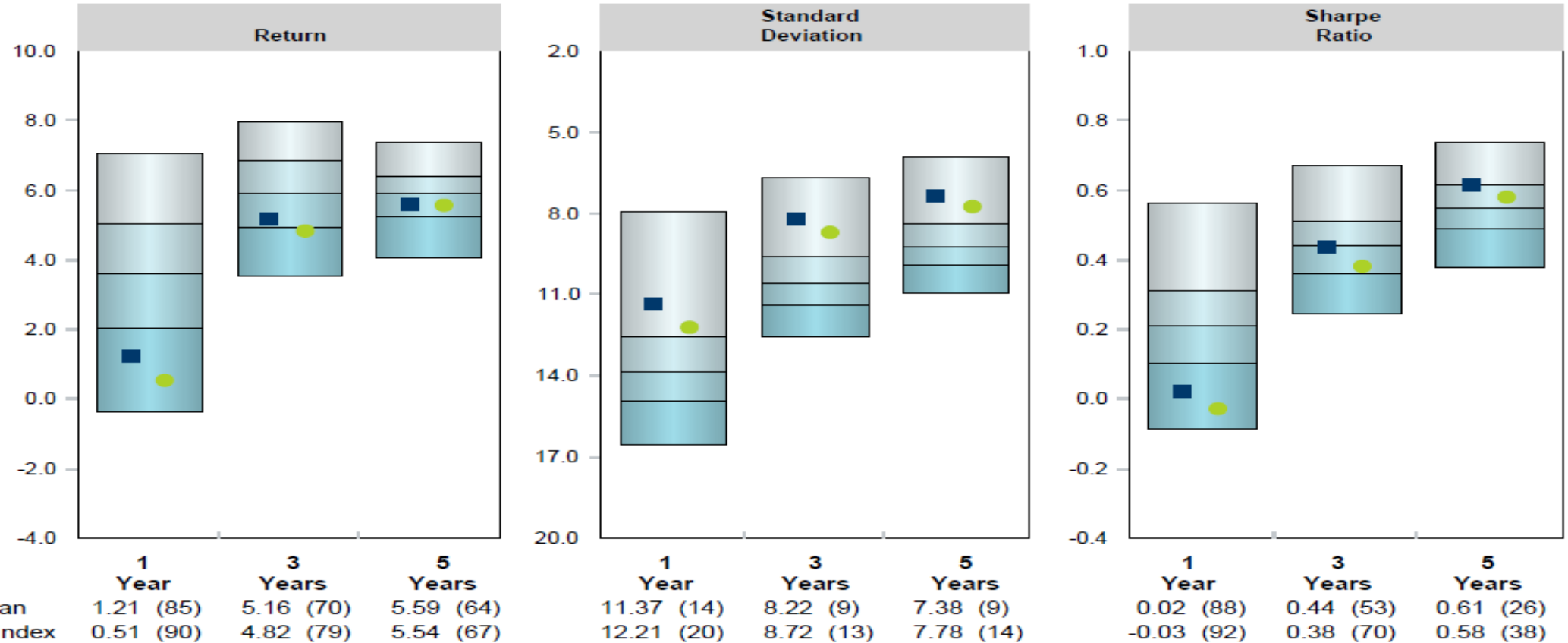


	QTD	YTD	1 Year	3 Years	5 Years	10 Years
■ KRS Pension Plan	8.92 (91)	-4.12 (82)	1.21 (85)	5.16 (70)	5.59 (64)	7.37 (77)
● KRS Allocation Index	9.54 (89)	-4.45 (86)	0.51 (90)	4.82 (79)	5.54 (67)	7.65 (66)
5th Percentile	16.24	1.63	7.07	7.96	7.38	9.41
1st Quartile	14.51	-1.18	5.04	6.85	6.42	8.63
Median	12.93	-2.40	3.59	5.92	5.90	8.05
3rd Quartile	11.34	-3.78	2.05	4.94	5.22	7.41
95th Percentile	5.49	-6.01	-0.36	3.51	4.08	6.25
Population	674	673	665	632	582	478

Plan Sponsor Peer Group Analysis - Multi Statistics

KRS Pension Plan vs All Public Plans-Total Fund

Periods Ended June 30, 2020



	1 Year	3 Years	5 Years
■ KRS Pension Plan	1.21 (85)	5.16 (70)	5.59 (64)
● KRS Allocation Index	0.51 (90)	4.82 (79)	5.54 (67)
5th Percentile	7.07	7.96	7.38
1st Quartile	5.04	6.85	6.42
Median	3.59	5.92	5.90
3rd Quartile	2.05	4.94	5.22
95th Percentile	-0.36	3.51	4.08

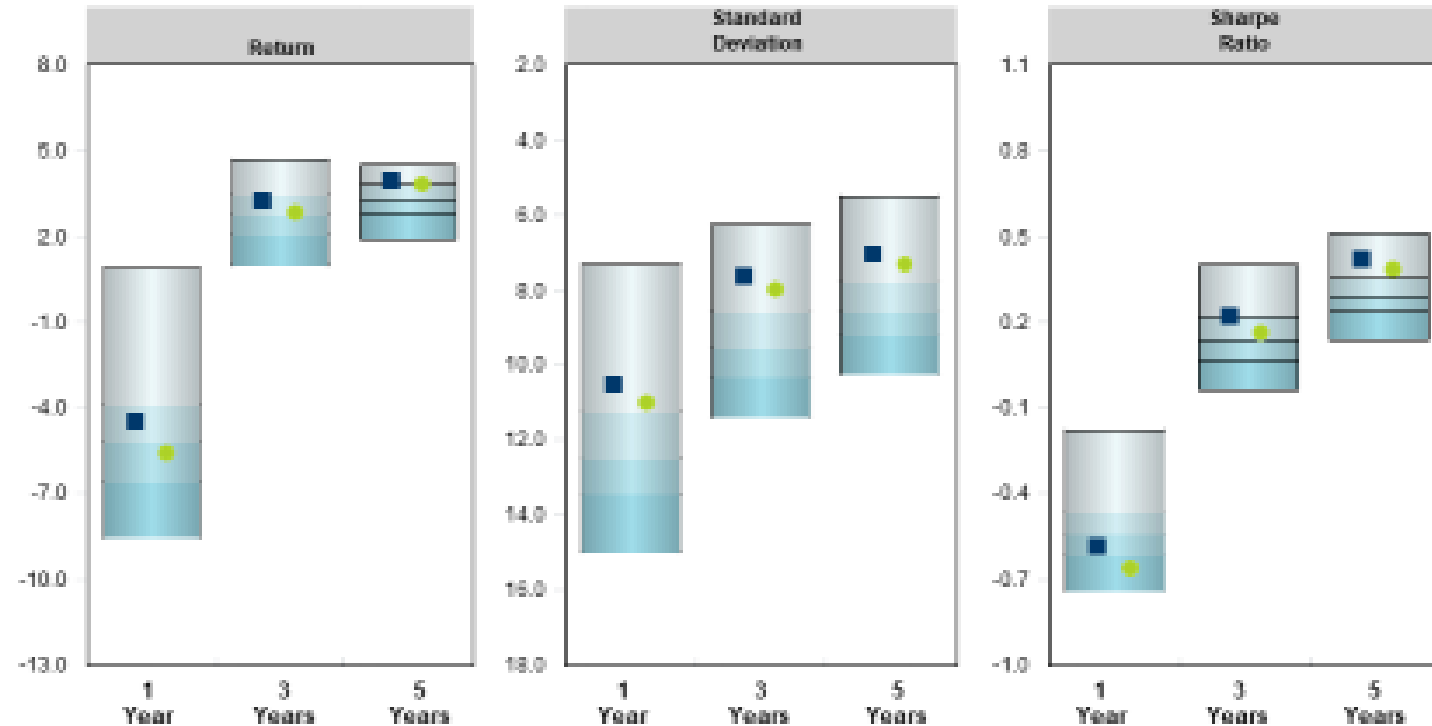
	1 Year	3 Years	5 Years
■ KRS Pension Plan	11.37 (14)	8.22 (9)	7.38 (9)
● KRS Allocation Index	12.21 (20)	8.72 (13)	7.78 (14)
5th Percentile	7.90	6.64	5.90
1st Quartile	12.54	9.55	8.35
Median	13.85	10.59	9.23
3rd Quartile	14.94	11.39	9.90
95th Percentile	16.52	12.53	10.95

	1 Year	3 Years	5 Years
■ KRS Pension Plan	0.02 (88)	0.44 (53)	0.61 (26)
● KRS Allocation Index	-0.03 (92)	0.38 (70)	0.58 (38)
5th Percentile	0.56	0.67	0.74
1st Quartile	0.32	0.51	0.61
Median	0.21	0.44	0.55
3rd Quartile	0.10	0.36	0.49
95th Percentile	-0.08	0.25	0.38

Plan Sponsor Peer Group Analysis-Multi Statistics

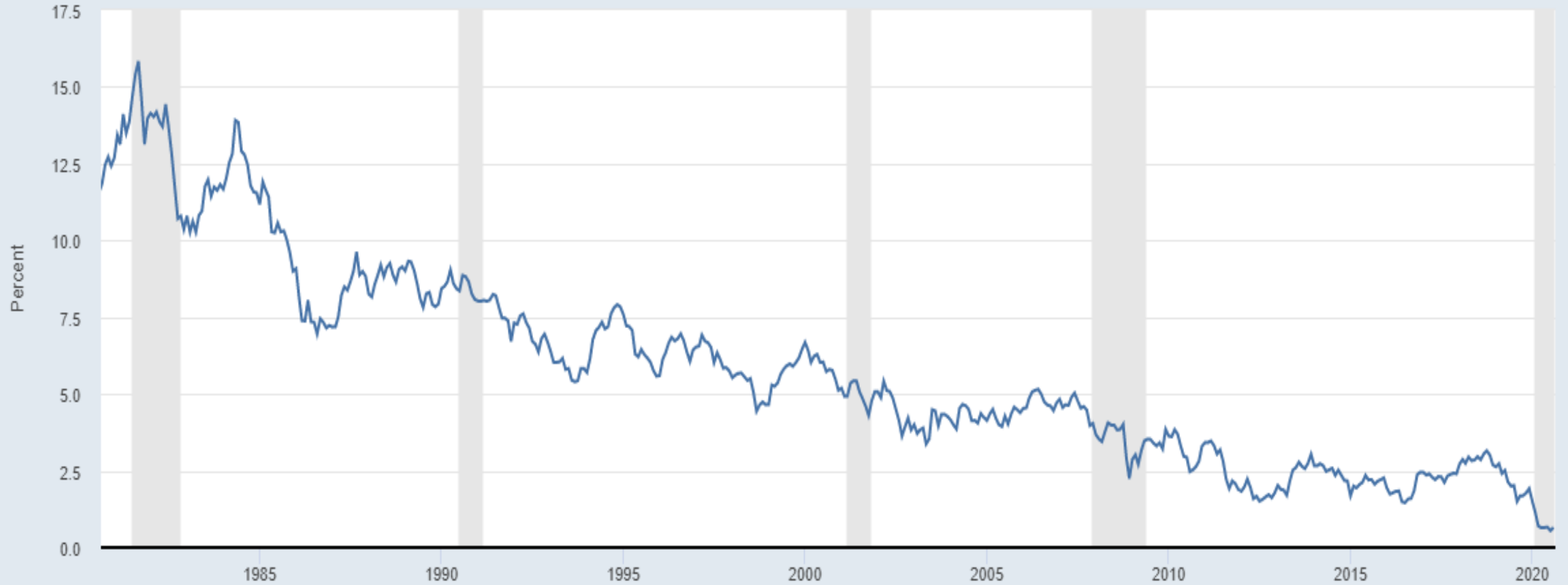
KRS Pension Plan

Periods Ended March 31, 2020



	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years	1 Year	3 Years	5 Years
■ KRS Pension Plan	-4.45 (35)	3.29 (30)	3.97 (19)	10.52 (16)	7.63 (10)	7.02 (11)	-0.58 (63)	0.22 (25)	0.42 (13)
● KRS Allocation Index	-5.64 (58)	2.82 (46)	3.78 (27)	11.04 (21)	8.01 (14)	7.33 (16)	-0.66 (86)	0.16 (44)	0.38 (18)
5th Percentile	0.86	4.67	4.56	7.35	6.26	5.53	-0.16	0.40	0.52
1st Quartile	-3.90	3.41	3.83	11.25	8.60	7.79	-0.47	0.22	0.36
Median	-5.24	2.72	3.29	12.50	9.56	8.59	-0.54	0.14	0.29
3rd Quartile	-6.63	2.02	2.84	13.44	10.35	9.20	-0.62	0.07	0.24
95th Percentile	-8.57	0.97	1.92	14.99	11.40	10.25	-0.74	-0.03	0.14

Percentiles contain percentile rankings.
Calculation based on monthly periodicity.

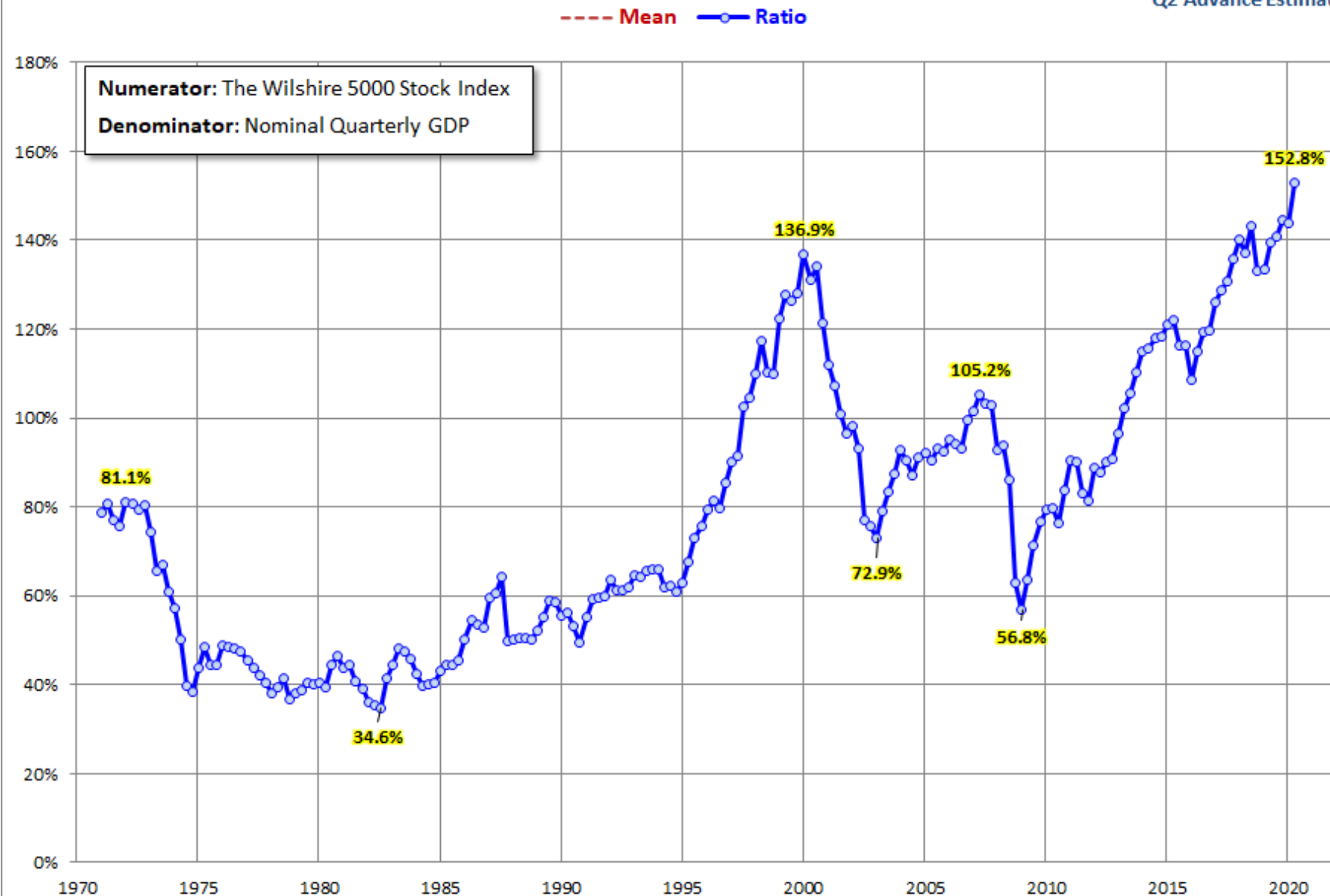


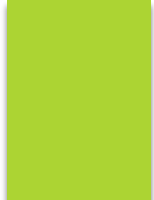
Shading indicates U.S. recessions; the most recent one is ongoing.

Source: Board of Governors of the Federal Reserve System (US)

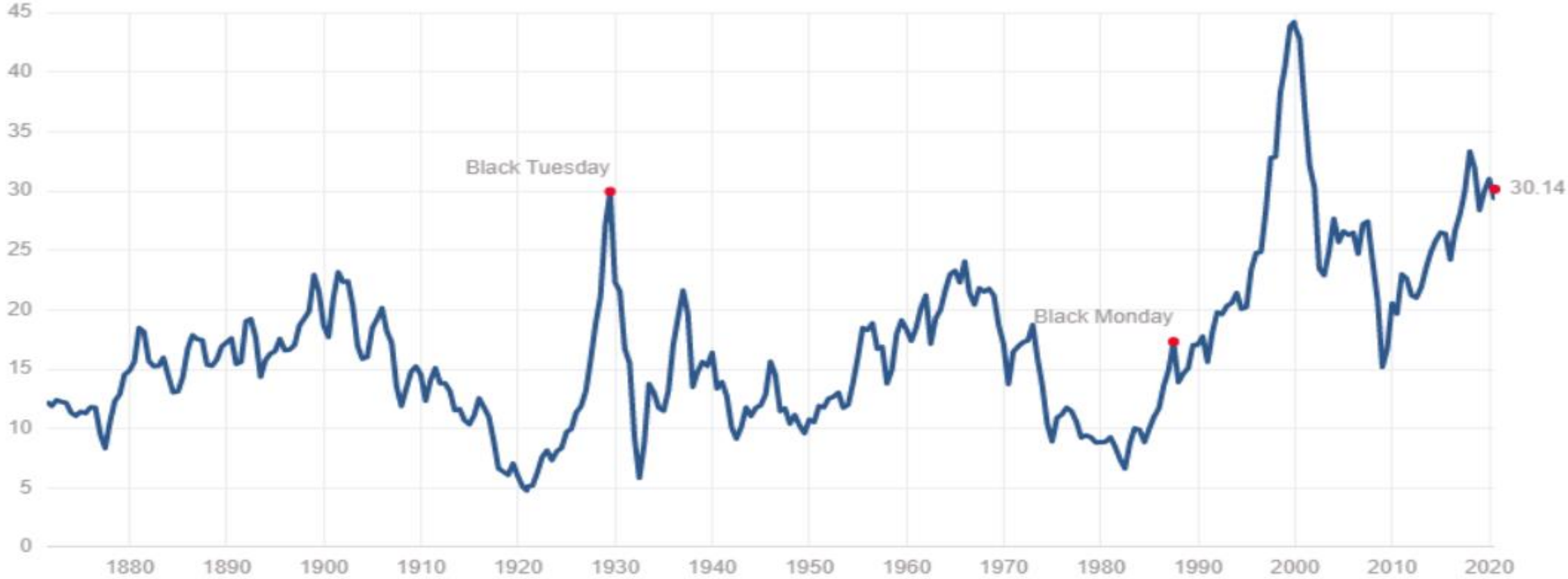
fred.stlouisfed.org

A Buffett Indicator Variant: Wilshire 5000 to GDP





Shiller PE Ratio





Pension - Investment Update 6/30/20

Net of Fees Rates of Return							
	Market Value (in \$millions)	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
KERS Non-Hazardous	\$2,317.5	2.36%	5.17%	5.31%	7.26%	5.17%	7.82%
<i>Plan Index</i>		1.07%	4.76%	5.33%	7.47%	5.14%	7.75%
KERS Hazardous	\$693.9	0.95%	5.06%	5.58%	7.36%	5.22%	7.85%
<i>Plan Index</i>		0.51%	4.85%	5.41%	7.53%	5.17%	7.77%
CERS Non-Hazardous	\$7,048.7	0.84%	5.07%	5.60%	7.37%	5.22%	7.86%
<i>Plan Index</i>		0.51%	4.85%	5.41%	7.53%	5.17%	7.77%
CERS Hazardous	\$2,377.4	0.71%	5.04%	5.60%	7.36%	5.22%	7.86%
<i>Plan Index</i>		0.51%	4.85%	5.41%	7.53%	5.17%	7.77%
SPRS	\$286.7	2.21%	5.17%	5.21%	7.17%	5.12%	7.79%
<i>Plan Index</i>		1.07%	4.83%	5.28%	7.46%	5.13%	7.74%



Insurance - Investment Update 6/30/20

Net of Fees Rates of Return

	Market Value (in \$millions)	1 Year	3 Years	5 Years	10 Years	20 Years	30 Years
KERS Non-Hazardous	\$990.1	0.97%	4.59%	5.31%	7.20%	4.54%	7.15%
<i>Plan Index</i>		0.24%	4.80%	5.45%	8.09%	4.77%	7.36%
KERS Hazardous	\$513.9	0.20%	4.84%	5.51%	7.42%	4.64%	7.22%
<i>Plan Index</i>		0.24%	4.86%	5.49%	8.12%	4.79%	7.38%
CERS Non-Hazardous	\$2,481.8	0.36%	5.04%	5.66%	7.50%	4.68%	7.25%
<i>Plan Index</i>		0.24%	4.85%	5.50%	8.13%	4.79%	7.38%
CERS Hazardous	\$1,300.2	0.26%	5.06%	5.70%	7.52%	4.69%	7.25%
<i>Plan Index</i>		0.24%	4.85%	5.50%	8.14%	4.79%	7.38%
SPRS	\$199.0	0.65%	5.18%	5.76%	7.55%	4.70%	7.26%
<i>Plan Index</i>		0.24%	4.85%	5.50%	8.14%	4.80%	7.38%





Pension Fund Contribution Report
(KERS Non Hazardous, KERS Hazardous & SPRS)
June 30, 2020 (compared to June 30, 2019)
 (\$ in millions)

	FY19	FY20	FY19	FY20	FY19	FY20
Contributions						
<i>Member Contributions</i>	\$99.7	\$96.6	\$18.0	\$19.8	\$5.2	\$4.8
<i>Employer Contributions</i>	1,035.5	948.6	55.3	59.1	60.0	59.4
<i>Net Investment Income</i>	32.5	38.7	11.4	13.3	4.9	5.3
Contribution Inflows	\$1,167.7	1,083.9	84.7	92.2	70.1	69.5
<i>Benefit Payments/Refunds</i>	1,000.7	1,011.4	72.2	75.0	61.1	62.5
<i>Administrative Expenses</i>	11.7	11.9	1.1	1.2	0.2	0.3
Contribution Outflows	1,012.4	1,023.3	73.3	76.2	61.3	62.8
NET Contributions	155.3	60.6	11.4	16.0	8.8	6.7
<i>Realized and Unrealized Gain/(Loss)</i>	82.4	15.0	25.3	(6.5)	10.0	1.1
Change in Net Position	237.7	75.6	36.7	9.5	18.8	7.8
<i>Beginning of Period</i>	2,048.9	2,286.6	651.2	687.9	268.4	287.2
<i>End of Period</i>	\$2,286.6	\$2,362.2	\$687.9	\$697.4	\$287.2	\$295.0






Pension Fund Contribution Report
(CERS-Non Hazardous and CERS-Hazardous)
June 30, 2020 (compared to June 30, 2019)
 (\$ in millions)

				
	FY19	FY20	FY19	FY20
Contributions				
<i>Member Contributions</i>	\$170.9	\$169.0	\$61.1	\$63.2
<i>Employer Contributions</i>	393.4	475.4	138.1	168.4
<i>Net Investment Income</i>	119.8	133.9	40.7	46.4
Contribution Inflows	684.1	778.3	239.9	278.0
<i>Benefit Payments/Refunds</i>	780.6	810.9	261.9	279.6
<i>Administrative Expenses</i>	21.7	22.3	1.7	2.0
Contribution Outflows	802.3	833.2	263.6	281.6
NET Contributions	(118.2)	(54.9)	(23.7)	(3.6)
<i>Realized and Unrealized Gain/(Loss)</i>	274.8	(77.2)	92.2	(30.4)
Change in Net Position	156.6	(132.1)	68.5	(34.0)
<i>Beginning of Period</i>	7,086.3	7,242.9	2,361.1	2,429.6
<i>End of Period</i>	\$7,242.9	7,110.8	\$2,429.6	\$2,395.6





CASH FLOW – Insurance Fund
(KERS Non-Haz, KERS Haz & SPRS)
June 30, 2020 (compared to June 30, 2019)
(\$ in millions)

						
	FY19	FY20	FY19	FY20	FY19	FY20
Contributions						
<i>Employer Contributions</i>	\$175.0	\$170.5	\$3.7	\$4.5	\$13.3	\$13.1
<i>Insurance Premiums</i>	3.3	0.2	0.2	-	0.1	-
<i>Retired Reemployed Healthcare</i>	4.0	4.5	1.2	1.3	-	-
<i>Health Insurance Contributions (HB1)</i>	-	6.1	-	1.1	-	0.2
<i>Net Investment Income</i>	16.6	18.9	8.9	9.9	3.2	3.7
Contribution Inflow	198.9	200.2	14.0	16.8	16.6	17.0
<i>Healthcare Premiums</i>	129.2	126.7	19.4	19.8	14.0	14.2
<i>Administrative Expenses</i>	0.9	0.8	0.1	0.1	0.1	0.1
Contribution Outflow	130.1	127.5	19.5	19.9	14.1	14.3
NET Contributions	68.8	72.7	(5.4)	(3.1)	2.6	2.7
<i>Realized and Unrealized Gain/(Loss)</i>	26.5	(8.3)	19.1	(9.3)	7.6	(2.6)
Change in Net Position	95.3	64.4	13.7	(12.4)	10.1	0.1
<i>Beginning of Period</i>	846.8	942.1	513.4	527.1	190.0	200.1
<i>Ending of Period</i>	\$942.1	\$1,006.5	\$527.1	\$514.7	\$200.1	\$200.2



Insurance Fund Contribution Report
(CERS Non Hazardous and CERS Hazardous)
June 30, 2020 (compared to June 30, 2019)
 (in \$millions)

				
	FY19	FY20	FY19	FY20
Contributions				
<i>Employer Contributions</i>	\$135.6	\$124.7	\$61.1	\$56.7
<i>Insurance Premiums</i>	4.2	0.6	0.4	-
<i>Retired Reemployed Healthcare</i>	4.1	4.5	1.2	1.2
<i>Health Insurance Contributions (HB1)</i>	-	13.0	-	2.7
<i>Net Investment Income</i>	41.6	47.7	21.9	25.0
Contribution Inflows	185.5	190.5	84.6	85.6
<i>Healthcare Premiums</i>	137.0	139.0	78.3	82.1
<i>Administrative Expenses</i>	0.9	0.9	0.4	0.4
Contribution Outflows	137.9	139.9	78.7	82.5
NET Contributions	47.6	50.6	5.8	3.1
<i>Realized and Unrealized Gain/(Loss)</i>	92.0	(39.0)	50.6	(22.8)
Change in Net Position	139.6	11.6	56.5	(19.7)
<i>Beginning of Period</i>	2,346.8	2,486.4	1,268.3	1,324.8
<i>End of Period</i>	\$2,486.4	\$2,498.0	\$1,324.8	\$1,305.1



Key FY 2020 Cash Flow Takeaways

- ▶ Only two plans were cash flow stressed. Caused by the contribution phase in.

Plan	Net Contribution \$mil (w/o Inv. Income)	Net Activity \$mil (w/inv. Income)
CERS Non Haz Pension	(\$188.8 mil)	(\$54.9 mil)
CERS Haz Pension	(\$49.9 mil)	(\$3.6 mil)

- ▶ KERS Non Haz pension employer contributions declined from \$1,035.5 mil to \$948.6 mil
 - ▶ FY 2019 had a state supplemental contribution of \$75 mil



Risk Management

- ▶ Asset Allocation Policy and Structure
 - ▶ Modeling
- ▶ Manager Risk
 - ▶ Selection Due Diligence
 - ▶ Ongoing Monitoring
- ▶ Asset/Liabilities Studies
- ▶ Stress Testing
 - ▶ Deterministic
 - ▶ Stochastic



Three LRC Scenarios

(Assume FY 2020 Actual Performance)

- ▶ Positive Markets
 - ▶ FY 2021 and beyond 5.25%/6.25%
- ▶ Flat Market
 - ▶ FY 2021 0.0%
 - ▶ FY 2022 and beyond 5.25%/6.25%
- ▶ Negative Market
 - ▶ FY 2021 -5.25%/-6.5%
 - ▶ FY 2022 and beyond 5.25%/6.25%



Sensitivity and Stress Test Highlights

KERS Non Haz

- ▶ Both the sensitivity analysis and the stress test modeling indicate contributions and funded status are not severely impacted (either positively or negatively) by investment results and payroll growth in the near term. Longer-term effects are more pronounced.

Sensitivity Study:

- ▶ For investment returns the asset base is so small relative to the liabilities and contribution rates are already very high. A 4.25% interest rate vs. 5.25% results in a 1.5% decline in the funded status and a \$78 mil increase in the FY 22 ARC
 - ▶ For payroll growth, a 1.0% decline will result in FY 22 contribution being \$112 mil higher.



Stress Testing

KERS NH			
	FY 2020	FY 2022	FY 2040
Contributions			
Current	85.3%	85.0%	82.6%
Contributions	\$1,212 mil	\$1,199 mil	\$1,134 mil
Market Neg.	\$1,214 mil	\$1,211 mil	\$1,183 mil
		85.8%	82.6%
Funded Status			
Current	17.6%	20.4%	54.6%
Market Neg.	17.5%	19.1%	53.9%

CERS NH			
	FY 2020	FY 2022	FY 2040
Contributions			
Current	27.0%	27.7%	23.3%
Contributions	\$709 mil	\$761 mil	\$954 mil
Market Neg.	\$709 mil	\$835 mil	\$1,116 mil
	27.0%	30.4%	27.9%
Funded Status			
Current	54.0%	56.4%	78.0%
Market Neg.	53.5%	51.7%	75.9%



KERS Non Hazardous Fund						
2019 Sensitivity Analysis (Pension Fund ONLY)						
Statistic/Scenario	Investment Return Assumption			Payroll Growth Assumption		
	Decline 1%	Current	Increase 1%	Decline 1%	Current	Increase 1%
	4.25%	5.25%	6.25%	-1.0%	0.00%	1.0%
Funding Level:	11.9%	13.4%	15.0%	13.4%	13.4%	13.4%
UL:	\$16.3 B	\$14.3 B	\$12.6 B	\$14.3 B	\$14.3 B	\$14.3 B
ARC* Change (\$ dollars and % of pay)	↑ 78.1 \$ M ↑ 5.4% of Pay	\$1,053.5 M 73.3% of Pay	↓ \$60.7 M ↓ 4.2% of Pay	↑ \$112.3 M ↑ 7.8% of Pay	\$1,053.5 M 73.3% of Pay	↓ \$104.7 M ↓ 7.3% of Pay

* ARC calculated in the 2019 valuation is effective FY 20/21. The amounts shown above reflect the estimated dollar contribution required if all employers were to pay the actuarially determined contribution rate.

Scenario Analysis: Actuary Projected (Pension & Retiree Health Combined—ALL FUNDS)						
Valuation Year	2020	2022	2025	2030	2040	20-YR Total (\$)
Contribution Fiscal Year	FYE2022	FYE2024	FYE2027	FYE2032	FYE2042	YR 100% Funded
CURRENT	\$1,212 M	\$1,199 M	\$1,181 M	\$1,161 M	\$1,134 M	\$23,343 M
<i>2019 Valuation Projections</i>	85.3% of Pay	85.0% of Pay	84.3% of Pay	83.5% of Pay	79.2% of Pay	
	17.6% Funded	20.4% Funded	24.9% Funded	32.3% Funded	54.6% Funded	2049
	\$15.9B UAL	\$15.5B UAL	\$14.6B UAL	\$12.8B UAL	\$7.6B UAL	
POSITIVE Market Scenario	\$1,214 M	\$1,204 M	\$1,194 M	\$1,175 M	\$1,145 M	\$23,570 M
<i>Updated 2019 Valuation with FY2020 Actual Performance and 5.25% beyond</i>	85.4% of Pay	85.3% of Pay	85.2% of Pay	84.4% of Pay	79.9% of Pay	
	17.5% Funded	20.0% Funded	24.2% Funded	31.7% Funded	54.5% Funded	2049
	\$15.9B UAL	\$15.6B UAL	\$14.8B UAL	\$13.0B UAL	\$7.6B UAL	
FLAT Market Scenario	\$1,214 M	\$1,207 M	\$1,213 M	\$1,194 M	\$1,164 M	\$23,884 M
<i>Updated 2019 Valuation w/ Actual (FY20), 0% (FY21), and 5.25% for FY22 and beyond</i>	85.4% of Pay	85.5% of Pay	86.6% of Pay	85.8% of Pay	81.3% of Pay	
	17.5% Funded	19.5% Funded	23.1% Funded	30.8% Funded	54.2% Funded	2049
	\$15.9B UAL	\$15.6B UAL	\$15.0B UAL	\$13.1B UAL	\$7.6B UAL	
Negative Market Scenario	\$1,214 M	\$1,211 M	\$1,232 M	\$1,213 M	\$1,183 M	\$24,202 M
<i>Updated 2019 Valuation w/ Actual (FY20), -5.25% (FY21), and 5.25% for FY22 and beyond</i>	85.4% of Pay	85.8% of Pay	87.9% of Pay	87.1% of Pay	82.6% of Pay	
	17.5% Funded	19.1% Funded	22.0% Funded	29.8% Funded	53.9% Funded	2049
	\$15.9B UAL	\$15.7B UAL	\$15.2B UAL	\$13.3B UAL	\$7.7B UAL	

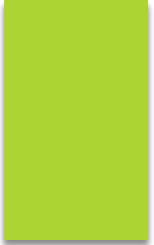
Note: All results based on the June 30, 2019 actuarial valuation and updated to reflect SB 249, which passed during the 2020 legislative session and set the amortization period to 30 years as of June 30, 2019 and to 20 years for all gains/losses incurred after June 30, 2019.



Scenario Analysis (Continued): Actuary Projected (Pension & Retiree Health Combined—ALL FUNDS)						
Valuation Year	2020	2022	2025	2030	2040	20-YR Total (\$)
Contribution Fiscal Year	FYE2022	FYE2024	FYE2027	FYE2032	FYE2042	YR 100% Funded
CURRENT	\$1,212 M	\$1,199 M	\$1,181 M	\$1,161 M	\$1,134 M	\$23,343 M
<i>2019 Valuation Projections</i>	85.3% of Pay	85.0% of Pay	84.3% of Pay	83.5% of Pay	79.2% of Pay	
	17.6% Funded	20.4% Funded	24.9% Funded	32.3% Funded	54.6% Funded	2049
	\$15.9B UAL	\$15.5B UAL	\$14.6B UAL	\$12.8B UAL	\$7.6B UAL	
One-Time Market Shock	\$1,214 M	\$1,213 M	\$1,247 M	\$1,228 M	\$1,198 M	\$24,449 M
<i>Updated 2019 Valuation w/ Actual (FY20), -10% (FY21), and 5.25% for FY22 and beyond</i>	85.4% of Pay	86.0% of Pay	89.0% of Pay	88.2% of Pay	83.7% of Pay	
	17.5% Funded	18.8% Funded	21.2% Funded	29.1% Funded	53.6% Funded	2049
	\$15.9B UAL	\$15.8B UAL	\$15.3B UAL	\$13.4B UAL	\$7.7B UAL	
Market Shock with Prolonged Low Returns	\$1,214 M	\$1,213 M	\$1,270 M	\$1,304 M	\$1,439 M	\$26,223 M
<i>Updated 2019 Valuation w/ Actual (FY20), -10% (FY21), and 2.00% for FY22 and beyond</i>	85.4% of Pay	86.0% of Pay	90.7% of Pay	93.7% of Pay	100.5% of Pay	
	17.5% Funded	18.6% Funded	19.8% Funded	24.0% Funded	40.1% Funded	N/A ¹
	\$15.9B UAL	\$15.8B UAL	\$15.6B UAL	\$14.4B UAL	\$10.0B UAL	

¹ Under the “Market Shock with Prolonged Low Returns” scenario, the fund is projected to earn a 2% annual return throughout the length of the projection period and is therefore expected to experience asset losses each year. Each asset loss will be amortized over a new 20-year period beginning in the year the loss is incurred and the fund is therefore never projected to be 100% funded.

Note: All results based on the June 30, 2019 actuarial valuation and updated to reflect SB 249, which passed during the 2020 legislative session and set the amortization period to 30 years as of June 30, 2019 and to 20 years for all gains/losses incurred after June 30, 2019.





CERS Non Hazardous Fund						
2019 Sensitivity Analysis (Pension Fund ONLY)						
Statistic/Scenario	Investment Return Assumption			Payroll Growth Assumption		
	Decline 1%	Current	Increase 1%	Decline 1%	Current	Increase 1%
	5.25%	6.25%	7.25%	1.0%	2.00%	3.0%
Funding Level:	43.7%	49.1%	54.7%	49.1%	49.1%	49.1%
UL:	\$9.1 B	\$7.3 B	\$5.8 B	\$7.3 B	\$7.3 B	\$7.3 B
ARC* Change (\$ dollars and % of pay)	↑ \$115.8 M ↑ 4.6% of Pay	\$600.5 M 23.8% of Pay	↓ \$99.4 M ↓ 3.9% of Pay	↑ \$54.0 M ↑ 2.1% of Pay	\$600.5 M 23.8% of Pay	↓ \$49.9 M ↓ 2.0% of Pay

* ARC calculated in the 2019 valuation is effective for FY 20/21. The amounts shown above reflect the estimated dollar contribution required if all employers were to pay the actuarially determined contribution.

Scenario Analysis: Actuary Projected (Pension & Retiree Health Combined—ALL FUNDS)						
Valuation Year	2020	2022	2025	2030	2040	20-YR Total (\$)
Contribution Fiscal Year	FYE2022	FYE2024	FYE2027	FYE2032	FYE2042	YR 100% Funded
CURRENT	\$709 M	\$761 M	\$777 M	\$814 M	\$954 M	\$16,407 M
<i>2019 Valuation Projections</i>	27.0% of Pay	27.7% of Pay	26.6% of Pay	25.1% of Pay	23.3% of Pay	
	54.0% Funded	56.4% Funded	59.7% Funded	64.6% Funded	78.0% Funded	2049
	\$8.5B UAL	\$8.5B UAL	\$8.4B UAL	\$8.0B UAL	\$5.5B UAL	
POSITIVE Market Scenario	\$709 M	\$791 M	\$827 M	\$869 M	\$993 M	\$17,401 M
<i>Updated 2019 Valuation with FY2020 Actual Performance and 6.25% beyond</i>	27.0% of Pay	28.8% of Pay	28.3% of Pay	26.9% of Pay	24.2% of Pay	
	53.5% Funded	54.5% Funded	56.8% Funded	62.4% Funded	77.5% Funded	2049
	\$8.6B UAL	\$8.8B UAL	\$9.0B UAL	\$8.5B UAL	\$5.6B UAL	
FLAT Market Scenario	\$709 M	\$813 M	\$884 M	\$932 M	\$ 1,055 M	\$18,492 M
<i>Updated 2019 Valuation w/ Actual (FY20), 0% (FY21), and 6.25% for FY22 and beyond</i>	27.0% of Pay	29.6% of Pay	30.3% of Pay	28.8% of Pay	25.7% of Pay	
	53.5% Funded	53.1% Funded	53.5% Funded	59.7% Funded	76.7% Funded	2049
	\$8.6B UAL	\$9.1B UAL	\$9.7B UAL	\$9.1B UAL	\$5.8B UAL	
Negative Market Scenario	\$709 M	\$835 M	\$940 M	\$994 M	\$1,116 M	\$19,579 M
<i>Updated 2019 Valuation w/ Actual (FY20), -6.25% (FY21), and 6.25% for FY22 and beyond</i>	27.0% of Pay	30.4% of Pay	32.2% of Pay	30.7% of Pay	27.2% of Pay	
	53.5% Funded	51.7% Funded	50.2% Funded	57.0% Funded	75.9% Funded	2049
	\$8.6B UAL	\$9.4B UAL	\$10.4B UAL	\$9.7B UAL	\$6.0B UAL	

Note: All results based on the June 30, 2019 actuarial valuation and updated to reflect SB 249, which passed during the 2020 legislative session and set the amortization period to 30 years as of June 30, 2019 and to 20 years for all gains/losses incurred after June 30, 2019.



Scenario Analysis (Continued): Actuary Projected (Pension & Retiree Health Combined—ALL FUNDS)						
Valuation Year	2020	2022	2025	2030	2040	20-YR Total (\$)
Contribution Fiscal Year	FYE2022	FYE2024	FYE2027	FYE2032	FYE2042	YR 100% Funded
CURRENT	\$709 M	\$761 M	\$777 M	\$814 M	\$954 M	\$16,407 M
<i>2019 Valuation Projections</i>	27.0% of Pay	27.7% of Pay	26.6% of Pay	25.1% of Pay	23.3% of Pay	
	54.0% Funded	56.4% Funded	59.7% Funded	64.6% Funded	78.0% Funded	2049
	\$8.5B UAL	\$8.5B UAL	\$8.4B UAL	\$8.0B UAL	\$5.5B UAL	
One-Time Market Shock	\$709 M	\$848 M	\$974 M	\$1,031 M	\$1,154 M	\$20,228 M
<i>Updated 2019 Valuation w/ Actual (FY20), -10% (FY21), and 6.25% for FY22 and beyond</i>	27.0% of Pay	30.9% of Pay	33.4% of Pay	31.9% of Pay	28.2% of Pay	
	53.5% Funded	50.9% Funded	48.2% Funded	55.4% Funded	75.4% Funded	2049
	\$8.6B UAL	\$9.6B UAL	\$10.8B UAL	\$10.0B UAL	\$6.1B UAL	
Market Shock with Prolonged Low Returns	\$709 M	\$854 M	\$1,041 M	\$1,276 M	\$1,850 M	\$25,315 M
<i>Updated 2019 Valuation w/ Actual (FY20), -10% (FY21), and 2.00% for FY22 and beyond</i>	27.0% of Pay	31.1% of Pay	35.6% of Pay	39.4% of Pay	45.2% of Pay	
	53.5% Funded	50.5% Funded	44.3% Funded	42.8% Funded	51.2% Funded	N/A ¹
	\$8.6B UAL	\$9.6B UAL	\$11.6B UAL	\$12.9B UAL	\$12.2B UAL	

¹ Under the “Market Shock with Prolonged Low Returns” scenario, the fund is projected to earn a 2% annual return throughout the length of the projection period and is therefore expected to experience asset losses each year. Each asset loss will be amortized over a new 20-year period beginning in the year the loss is incurred and the fund is therefore never projected to be 100% funded.

Note: All results based on the June 30, 2019 actuarial valuation and updated to reflect SB 249, which passed during the 2020 legislative session and set the amortization period to 30 years as of June 30, 2019 and to 20 years for all gains/losses incurred after June 30, 2019.



KRS 61.645 Update

-aka KY SB2 (2017 RS)

KENTUCKY RETIREMENT SYSTEMS

KRS 61.645 (effective March 10, 2017)¹

- ▶ **61.645 Board of trustees** -- Powers -- Members -- Executive director and other employees -- Appeals -
- Other duties -- Annual financial report -- Trustee education program -- **Information made available to public.**
 - ▶ (19) In order to improve public transparency regarding the administration of the systems, the board of trustees shall adopt a best practices model by **posting the following information to the retirement systems' Web site** and shall make available to the public:
 - ▶ (l) **All contracts** or offering documents **for services, goods**, or property purchased or utilized by the systems
 - ▶ (20) Notwithstanding the requirements of subsection (19) of this section, **the retirement systems shall not be required to furnish information that is protected under KRS 61.661, exempt under KRS 61.878, or that, if disclosed, would compromise the retirement systems' ability to competitively invest in real estate or other asset classes**, except that no provision of this section or KRS 61.878 shall exclude disclosure and review of all contracts, including investment contracts, by the board, the Auditor of Public Accounts, and the Government Contract Review Committee established pursuant to KRS 45A.705 or the disclosure of investment fees and commissions as provided by this section. If any public record contains material which is not excepted under this section, the systems shall separate the excepted material by removal, segregation, or redaction, and make the nonexcepted material available for examination.

Statutory Protections and Exceptions

- ▶ **KRS 61.661 Member's account confidential** -- Release of certain information from accounts of current or former legislators -- Response to subpoenas.
 - ▶ (1) (a) Each 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***
- ▶ **KRS 61.878 Certain public records exempted from inspection except on order of court** -- Restriction of state employees to inspect personnel files prohibited.
 - ▶ (1) The following public records are excluded from the application of KRS 61.870 to 61.884 and shall be subject to inspection only upon order of a court of competent jurisdiction, except that no court shall authorize the inspection by any party of any materials pertaining to civil litigation beyond that which is provided by the Rules of Civil Procedure governing pretrial discovery:
 - ▶ (c) 1. Upon and after July 15, 1992, ***records confidentially disclosed to an agency or required by an agency to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records***

Information to be Redacted

- ▶ Information that, if disclosed, would compromise the retirement systems' ability to competitively invest in real estate or other asset classes.
- ▶ Member's account information (not typically applicable in investment contracts).
- ▶ Records confidentially disclosed to KRS or required by KRS to be disclosed to it, generally recognized as confidential or proprietary, which if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records.

Kentucky Retirement Systems' Process

- after approval of investment made by Investment Committee and Board of Trustees

- ▶ KRS Gating Items Sent to Investment Manager - contains contractual language KRS requires regarding jurisdiction, venue, indemnification provisions, confidentiality provisions, and sovereign immunity. Also contains specific notification of the requirements of KRS 61.645(19) and 61.645(20) regarding the posting of redacted contracts and certain fee information on the website, notification of compliance requirements with the Investment Advisers Act of 1940, and the requirement that the investment manager complete and submit a Conflict of Interest Statement and Statement of Disclosure and Placement Agent form.
- ▶ Manager is notified that no funding of the investment will be made until the parties reach agreement on a redacted contract and it is posted to the website.
- ▶ Contract Negotiations initiated between internal legal staff² and investment manager. Internal legal staff works closely with CIO and investment staff regarding contractual issues.
- ▶ Upon successful completion of contract negotiations, internal legal staff works with the investment manager on a redacted version of the contract. Investment Manager is given an initial opportunity to submit requested redactions to KRS, but KRS has the final decision on whether or not the redactions are acceptable and what will be posted to its website.

Cost Savings to KRS with In-house Counsel

Outside Counsel 7/1/18-6/30/19

- ▶ 11 investment contracts reviewed and negotiated, including side-letter agreement negotiations and subscription agreements.
- ▶ 3 non-disclosure agreements reviewed and negotiated.
- ▶ Attorney response to audit letter prepared.
- ▶ Reviewed Most Favored Nations letter and recommended which clauses to incorporate into KRS' agreements.
- ▶ General legal review, consultation and advice regarding legislation and amendment to the gating items documents.
- ▶ \$161,030.33 paid. (Note: for FY 19/20 only \$17,560.00 was paid to outside legal counsel for investment services already in progress when in-house counsel started working with investments).

In-House Counsel 7/1/19-6/30/20

- ▶ 12 investment contracts reviewed and negotiated, including side-letter agreement negotiations and subscription agreements.
- ▶ 4 non-disclosure agreements reviewed and negotiated.
- ▶ Negotiated foreign tax guarantor agreement.
- ▶ Reviewed Most Favored Nations letter and recommended which clauses to incorporate into KRS' agreements.
- ▶ General legal review, consultation and advice regarding legislation affecting investments and day to day operations.
- ▶ Legal representative at Investment Committee meetings.
- ▶ Fees for services Included in Staff Attorney salary.

Examples of KRS Contract Redactions

Manager Proposed Version

4. Representations and Warranties of the Subscriber. The Subscriber hereby represents and warrants to, and agrees with, the Partnership, the General Partner, and the Investment Manager as follows, [REDACTED]

4.1. Authorization of Acquisition, etc. The Subscriber has the full power and authority to execute, deliver and perform this Agreement and the Partnership Agreement and to subscribe for and acquire the Interest. The Subscriber is duly organized, formed or incorporated, as the case may be, and validly existing, and to the extent applicable, in good standing, under the laws of its jurisdiction of organization, formation or incorporation. The Subscriber's acquisition of the Interest and its execution, delivery and performance of this Agreement and the Partnership Agreement have been authorized by all necessary corporate or other action on its behalf, and this Agreement and the Partnership Agreement are the legal, valid and binding obligations of the Subscriber, enforceable against the Subscriber in accordance with their respective terms.

4.2. Compliance with Laws and Other Instruments. The execution and delivery of this Agreement and the Partnership Agreement, the consummation of the transactions contemplated hereby and thereby and the performance of the Subscriber's obligations hereunder and thereunder will not conflict with, or result in any violation of or default under, any provision of any charter, bylaws, trust agreement, partnership agreement or other governing instrument applicable to the Subscriber, or any agreement or other instrument to which the Subscriber is a party or by which the Subscriber or any of its properties are bound, or any permit, franchise, judgment, decree, statute, order, rule or regulation applicable to the Subscriber or any of the Subscriber's business or properties.

4.3. The Partnership Agreement, Form ADV, etc. [REDACTED]

Final Posted Version

4. Representations and Warranties of the Subscriber. The Subscriber hereby represents and warrants to, and agrees with, the Partnership, the General Partner, and the Investment Manager as follows, and hereby agrees that each of the representations and warranties set forth below and elsewhere in this Agreement (including the exhibits hereto) shall be deemed made as of the date of each contribution by the Subscriber to the Partnership:

4.1. Authorization of Acquisition, etc. The Subscriber has the full power and authority to execute, deliver and perform this Agreement and the Partnership Agreement and to subscribe for and acquire the Interest. The Subscriber is duly organized, formed or incorporated, as the case may be, and validly existing, and to the extent applicable, in good standing, under the laws of its jurisdiction of organization, formation or incorporation. The Subscriber's acquisition of the Interest and its execution, delivery and performance of this Agreement and the Partnership Agreement have been authorized by all necessary corporate or other action on its behalf, and this Agreement and the Partnership Agreement are the legal, valid and binding obligations of the Subscriber, enforceable against the Subscriber in accordance with their respective terms.

4.2. Compliance with Laws and Other Instruments. The execution and delivery of this Agreement and the Partnership Agreement, the consummation of the transactions contemplated hereby and thereby and the performance of the Subscriber's obligations hereunder and thereunder will not conflict with, or result in any violation of or default under, any provision of any charter, bylaws, trust agreement, partnership agreement or other governing instrument applicable to the Subscriber, or any agreement or other instrument to which the Subscriber is a party or by which the Subscriber or any of its properties are bound, or any permit, franchise, judgment, decree, statute, order, rule or regulation applicable to the Subscriber or any of the Subscriber's business or properties.

4.3. The Partnership Agreement, Form ADV, etc. The Subscriber has been furnished with a copy of (i) the Partnership Agreement and (ii) the Investment Manager's Form ADV Part 2A and 2B attached hereto as Appendix II, and has read them and understands the risks of, and the other considerations relating to, the purchase of an Interest, including, without limitation, the effect of the default provisions of Section 13.4 of the Partnership Agreement. The Subscriber further acknowledges and agrees that the General Partner, the Investment Manager, their affiliates and their employees may receive [REDACTED] fees, [REDACTED] fees, [REDACTED] fees, [REDACTED] fees, and other similar fees relating directly to [REDACTED] as payment for services with respect to [REDACTED] which shall not be payable to the Partnership or the Limited Partners and shall not be subject to distribution by the Partnership. The Subscriber is purchasing the Interest relying solely on the information contained in this Subscription Agreement (including any exhibits and appendices hereto) and the Partnership Agreement, and not on any other statement or information (whether oral or written) with respect to the offering of limited partner interests in the Partnership made by the Partnership, the General Partner, the Investment Manager, or any officer, director, employee, owner, member, representative, agent, consultant or Affiliate of any of them. Neither the General Partner nor any other person acting on the Partnership's behalf

Examples of KRS Contract Redactions

Proposed Redacted Version

Governors of the Federal Reserve System of any such bank holding company, savings and loan holding company or non-U.S. bank.

5. Privacy Statement/Certain Disclosures.

[REDACTED]

6. Anti-Money Laundering Provisions. The Subscriber hereby acknowledges the Partnership's and the Administrator's requirement to comply with all applicable laws concerning money laundering, terrorism and related activities, including, without limitation, the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended ("PATRIOT Act"). In furtherance of such efforts, the Subscriber hereby represents, warrants, and agrees that, to the best of the Subscriber's knowledge based on reasonable diligence and investigation:

(a) none of the Subscriber's past or future capital contributions to the Partnership (whether payable in cash or otherwise) have been or shall be derived from money laundering or similar activities deemed illegal under federal laws and regulations;

(b) none of the Subscriber's past or future capital contributions to the Partnership will cause the Partnership, the General Partner, the Investment Manager or any of their personnel to be in violation of United States federal or other anti-money laundering laws, including without limitation the United States Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), the United States Money Laundering Control Act of 1986 or the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, and any regulations promulgated thereunder;

Posted Version

Governors of the Federal Reserve System of any such bank holding company, savings and loan holding company or non-U.S. bank.

5. Privacy Statement/Certain Disclosures. The Subscriber acknowledges receipt of the Investment Manager's Privacy Statement attached hereto as Appendix I. The Subscriber acknowledges and agrees that in connection with the services provided to the Partnership, its personal data may be transferred and/or stored in various jurisdictions in which the Administrator and/or its affiliates have a presence, including to jurisdictions that may not offer a level of personal data protection equivalent to the Subscriber's country of residence. Furthermore, the Subscriber agrees that the General Partner, the Administrator or the Investment Manager may disclose the Subscriber's personal data to each other, to any affiliate, to any other service provider to the Partnership (including banks and/or brokers of the Partnership), to any investment vehicle (including its administrator) that the Partnership may invest or to any regulatory body in any applicable jurisdiction to which any of the Partnership, the Administrator, the General Partner and/or the Investment Manager is or may be subject. This includes copies of the Subscriber's subscription application/documents and any information concerning the Subscriber in their respective possession, whether provided by the Subscriber to the Partnership, the Administrator, the General Partner and/or the Investment Manager or otherwise, including details of the Subscriber's holdings in the Partnership, historical and pending transactions in the Partnership's interests and the values thereof, the Subscriber's identity to other prospective investors or existing investors in the Partnership or other funds or accounts sponsored by the General Partner, the Investment Manager or their Affiliates and such other information regarding the Subscriber as provided in the Partnership Agreement or as otherwise required or permitted by applicable law or regulation (including, without limitation, Section 17-305 of the Act). Any such disclosure, use, storage or transfer shall not be treated as a breach of any restriction upon the disclosure, use, storage or transfer of information imposed on any such person by law or otherwise.

6. Anti-Money Laundering Provisions. The Subscriber hereby acknowledges the Partnership's and the Administrator's requirement to comply with all applicable laws concerning money laundering, terrorism and related activities, including, without limitation, the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended ("PATRIOT Act"). In furtherance of such efforts, the Subscriber hereby represents, warrants, and agrees that, to the best of the Subscriber's knowledge based on reasonable diligence and investigation:

(a) none of the Subscriber's past or future capital contributions to the Partnership (whether payable in cash or otherwise) have been or shall be derived from money laundering or similar activities deemed illegal under federal laws and regulations;

(b) none of the Subscriber's past or future capital contributions to the Partnership will cause the Partnership, the General Partner, the Investment Manager or any of their personnel to be in violation of United States federal or other anti-money laundering laws, including without limitation the United States Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), the United States Money Laundering Control Act of 1986 or the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, and any regulations promulgated thereunder;

Examples of KRS Contract Redactions

Proposed Redacted Version

Name of Subscriber: Kentucky Retirement Systems

████████████████████ L.P.
SUBSCRIPTION AGREEMENT

To: ████████████████████
████████████████████
████████████████████

Ladies and Gentlemen:

Reference is hereby made to an execution form of the Amended and Restated Agreement of Limited Partnership of ████████████████████ L.P. (the "Partnership") (as amended, restated or otherwise modified as of the date hereof, the "Partnership Agreement"), which has been previously provided to the undersigned subscriber (the "Subscriber"). Capitalized terms used herein without definition have the meanings set forth in the Partnership Agreement.

The Subscriber hereby agrees with the Partnership and with ████████████████████ (the "General Partner") as follows:

1. Acquisition of Limited Partner Interest. Subject to acceptance by the Partnership and the conditions precedent set forth herein, the Subscriber hereby (a) agrees to acquire a limited partner interest (the "Interest") in the Partnership and (b) agrees to become a limited partner of the Partnership (a "Limited Partner") and to become party to and to be bound by the terms and provisions of the Partnership Agreement (with or without execution thereof) and this Agreement, including but not limited to ████████████████████

2. Acceptance by the Partnership. The Subscriber understands and agrees (a) that this subscription shall not be deemed accepted by the Partnership until and unless the acceptance at the end of this Agreement shall have been executed by the Partnership and (b) that the Partnership reserves the right to reject this subscription in whole or in part.

3. Power of Attorney. ████████████████████
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Posted Version

Name of Subscriber: Kentucky Retirement Systems

BSP COINVEST VEHICLE K L.P.
SUBSCRIPTION AGREEMENT

To: BSP Coinvest Vehicle K L.P.
████████████████████
████████████████████

Ladies and Gentlemen:

Reference is hereby made to an execution form of the Amended and Restated Agreement of Limited Partnership of BSP Coinvest Vehicle K L.P. (the "Partnership") (as amended, restated or otherwise modified as of the date hereof, the "Partnership Agreement"), which has been previously provided to the undersigned subscriber (the "Subscriber"). Capitalized terms used herein without definition have the meanings set forth in the Partnership Agreement.

The Subscriber hereby agrees with the Partnership and with BSP SMA-K II GP LP (the "General Partner") as follows:

1. Acquisition of Limited Partner Interest. Subject to acceptance by the Partnership and the conditions precedent set forth herein, the Subscriber hereby (a) agrees to acquire a limited partner interest (the "Interest") in the Partnership and (b) agrees to become a limited partner of the Partnership (a "Limited Partner") and to become party to and to be bound by the terms and provisions of the Partnership Agreement (with or without execution thereof) and this Agreement, including but not limited to with respect to the power of attorney granted to the General Partner in Section 13.3 of the Partnership Agreement.

2. Acceptance by the Partnership. The Subscriber understands and agrees (a) that this subscription shall not be deemed accepted by the Partnership until and unless the acceptance at the end of this Agreement shall have been executed by the Partnership and (b) that the Partnership reserves the right to reject this subscription in whole or in part.

3. Power of Attorney. In connection with the Interest to be acquired pursuant hereto, the Subscriber hereby irrevocably constitutes and appoints the General Partner the true and lawful attorney-in-fact of the Subscriber, and hereby agrees and appoints the General Partner with full power and authority to do and perform each and every act and thing whatever requisite and necessary to be done in and about the foregoing as fully as the undersigned might or could do if personally present, and hereby ratifies and confirms all that the General Partner shall lawfully do or cause to be done by virtue thereof. Pursuant to Section 17-204(c) of the Act, the foregoing power of attorney is irrevocable and is coupled with an interest sufficient at law to support an irrevocable power and shall survive and be unaffected by any subsequent dissolution or termination of the Subscriber.

Examples of KRS Contract Redactions

Proposed Redacted Version

Governors of the Federal Reserve System of any such bank holding company, savings and loan holding company or non-U.S. bank.

5. Privacy Statement/Certain Disclosures. [REDACTED]

[REDACTED]

6. Anti-Money Laundering Provisions. The Subscriber hereby acknowledges the Partnership's and the Administrator's requirement to comply with all applicable laws concerning money laundering, terrorism and related activities, including, without limitation, the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended ("PATRIOT Act"). In furtherance of such efforts, the Subscriber hereby represents, warrants, and agrees that, to the best of the Subscriber's knowledge based on reasonable diligence and investigation:

(a) none of the Subscriber's past or future capital contributions to the Partnership (whether payable in cash or otherwise) have been or shall be derived from money laundering or similar activities deemed illegal under federal laws and regulations;

(b) none of the Subscriber's past or future capital contributions to the Partnership will cause the Partnership, the General Partner, the Investment Manager or any of their personnel to be in violation of United States federal or other anti-money laundering laws, including without limitation the United States Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), the United States Money Laundering Control Act of 1986 or the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, and any regulations promulgated thereunder;

Posted Version

Governors of the Federal Reserve System of any such bank holding company, savings and loan holding company or non-U.S. bank.

5. Privacy Statement/Certain Disclosures. The Subscriber acknowledges receipt of the Investment Manager's Privacy Statement attached hereto as Appendix I. The Subscriber acknowledges and agrees that in connection with the services provided to the Partnership, its personal data may be transferred and/or stored in various jurisdictions in which the Administrator and/or its affiliates have a presence, including to jurisdictions that may not offer a level of personal data protection equivalent to the Subscriber's country of residence. Furthermore, the Subscriber agrees that the General Partner, the Administrator or the Investment Manager may disclose the Subscriber's personal data to each other, to any affiliate, to any other service provider to the Partnership (including banks and/or brokers of the Partnership), to any investment vehicle (including its administrator) that the Partnership may invest or to any regulatory body in any applicable jurisdiction to which any of the Partnership, the Administrator, the General Partner and/or the Investment Manager is or may be subject. This includes copies of the Subscriber's subscription application/documents and any information concerning the Subscriber in their respective possession, whether provided by the Subscriber to the Partnership, the Administrator, the General Partner and/or the Investment Manager or otherwise, including details of the Subscriber's holdings in the Partnership, historical and pending transactions in the Partnership's interests and the values thereof, the Subscriber's identity to other prospective investors or existing investors in the Partnership or other funds or accounts sponsored by the General Partner, the Investment Manager or their Affiliates and such other information regarding the Subscriber as provided in the Partnership Agreement or as otherwise required or permitted by applicable law or regulation (including, without limitation, Section 17-305 of the Act). Any such disclosure, use, storage or transfer shall not be treated as a breach of any restriction upon the disclosure, use, storage or transfer of information imposed on any such person by law or otherwise.

6. Anti-Money Laundering Provisions. The Subscriber hereby acknowledges the Partnership's and the Administrator's requirement to comply with all applicable laws concerning money laundering, terrorism and related activities, including, without limitation, the provisions of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, as amended ("PATRIOT Act"). In furtherance of such efforts, the Subscriber hereby represents, warrants, and agrees that, to the best of the Subscriber's knowledge based on reasonable diligence and investigation:

(a) none of the Subscriber's past or future capital contributions to the Partnership (whether payable in cash or otherwise) have been or shall be derived from money laundering or similar activities deemed illegal under federal laws and regulations;

(b) none of the Subscriber's past or future capital contributions to the Partnership will cause the Partnership, the General Partner, the Investment Manager or any of their personnel to be in violation of United States federal or other anti-money laundering laws, including without limitation the United States Bank Secrecy Act (31 U.S.C. § 5311, *et seq.*), the United States Money Laundering Control Act of 1986 or the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, and any regulations promulgated thereunder;

Examples of KRS Contract Redactions

Proposed Redacted Version

5.5 Mandatory General Partner Withdrawal.

5.5.1 [Redacted]

[Redacted]

[Redacted] Section 5.5,

[Redacted] Section 5.5,

[Redacted]

5.5.2 (A) [Redacted] Section 5.5, (B) [Redacted]

[Redacted] (C) [Redacted]

[Redacted] Section 8.2

[Redacted] Section 5.5,

[Redacted] Section 5.5,

5.6 Conditions and Restrictions.

5.6.1 [Reserved.]

Posted Version

5.5 Mandatory General Partner Withdrawal.

5.5.1 In the event of a Cause Event, a Majority in Interest of the Limited Partners may require the General Partner to withdraw from the Partnership upon 30 days' Notice following such a Cause Event, and may thereafter continue the business of the Partnership and appoint one or more additional General Partners as permitted by Section 17-801(3) of the Act; provided, however, that the Partnership shall change the name of the Partnership to remove all references to the name "BSP," "Benefit Street" and "Benefit Street Partners" (or any derivative of the foregoing) promptly upon the withdrawal of the General Partner. Upon the withdrawal of the General Partner and admission of a substitute General Partner pursuant to this Section 5.5, the General Partner shall cease to have any of the powers of a general partner under this Agreement.

[Redacted]

[Redacted]

[Redacted] Upon the admission to the Partnership of one or more additional General Partners, the General Partner shall (i) assist in the transition to the additional General Partner(s), (ii) deliver the books and records of the Partnership to such additional General Partner(s) as promptly as is reasonably practicable, and (iii) provide such reasonable additional assistance in respect of such investments as may be reasonably requested by the additional General Partner(s) during the 90-calendar-day period following the admission of such additional General Partner(s), it being understood that the General Partner shall have no obligation to disclose or provide any of the General Partner's proprietary confidential information or intellectual property.

5.5.2 (A) Except as set forth in Section 5.5.1 above, the removed General Partner shall take no part in the conduct or control of the Partnership's business, (B) [Redacted]

[Redacted] (C) the removed General Partner shall, except as required by the Act, have no authority or power to act for or to bind the Partnership, and (D) the removed General Partner shall, except as required by the Act have no liability in respect of the Partnership other than the liability of a limited partner under this Agreement, including, without limitation, for the avoidance of doubt (i) return obligations under Section 8.2 and (ii) the General Partner's share of any Partnership expenses arising out of any Investment in which the General Partner participated prior to its removal. Following the removal of the General Partner of the Partnership under this Section 5.5, no action with respect to the removed General Partner's Interest in the Partnership, other than (x) the actions described under this Section 5.5, and (y) actions taken in the ordinary course of business in connection with the operation and management of the Partnership and its assets, including the disposition of the Partnership's Investments, may be taken without the Consent of the removed General Partner if such action would adversely affect the rights of or economic benefits to the removed General Partner under this Agreement.

5.6 Conditions and Restrictions.

5.6.1 [Reserved.]