



**County Employees Retirement System  
Board of Trustees – Annual Meeting  
April 19, 2023, at 2:00 pm ET (1:00 pm CT)  
Live Video Conference/Facebook Live**

**AGENDA**

- |   |                          |
|---|--------------------------|
| <b>1. Call to Order</b>                         | <b>Betty Pendergrass</b> |
| <b>2. Opening Statement</b>                     | <b>Michael Board</b>     |
| <b>3. Roll Call</b>                             | <b>Sherry Rankin</b>     |
| <b>4. Public Comment</b>                        | <b>Sherry Rankin</b>     |
| <b>5. Approval of Minutes* -- March 9, 2023</b> | <b>Betty Pendergrass</b> |
| <b>6. Election of Officers*</b>                 | <b>Betty Pendergrass</b> |
| <b>a. Chair*</b>                                |                          |
| <b>b. Vice Chair*</b>                           | <b>Chair</b>             |
| <b>c. Committee Assignments*</b>                | <b>Chair</b>             |
| <b>7. Administrative*</b>                       |                          |
| <b>a. General Counsel contract renewal</b>      | <b>Eric Branco</b>       |
| <b>b. CERS Public Comment Policy</b>            | <b>Eric Branco</b>       |
| <b>c. Strategic Plan</b>                        | <b>Chair</b>             |
| <b>8. Actuarial Committee*</b>                  | <b>Mike Foster</b>       |
| <b>a. Demographic experience</b>                | <b>Danny White</b>       |
| <b>b. Actuarial assumptions</b>                 | <b>Mike Foster</b>       |
| <b>9. PPW Board of Directors Election*</b>      | <b>Rebecca Adkins</b>    |
| <b>a. CERS Delegate</b>                         |                          |
| <b>b. Voting policy</b>                         |                          |
| <b>10. Closed Session – Litigation*</b>         | <b>Eric Branco</b>       |
| <b>11. Adjourn</b>                              | <b>Chair</b>             |

\*Board May Take Action

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
MARCH 9, 2023, AT 2:00 P.M. ET  
VIA LIVE VIDEO TELECONFERENCE**

At the Regular Meeting of the County Employees Retirement System Board of Trustees held on March 9, 2023, the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, KRS CEO John Chilton, Rebecca Adkins, Michael Lamb, Michael Board, Victoria Hale, Kristen Coffey, Connie Davis, Elizabeth Smith, Jared Crawford, Steve Willer, Joe Gilbert, Ann Case, Connie Pettyjohn, Amanda Clark, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Janie Shaw and Danny White with GRS, Craig Morton with Wilshire Advisors LLC., Allen Norvell with Blue & Co., Eric Branco with Johnson Bowman Branco, LLP., and Tracey Garrison and Larry Loew with Humana.

Ms. Pendergrass called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin took Roll Call.

There being no **Public Comment** received, Ms. Pendergrass introduced agenda item **Approval of Minutes – December 5, 2022, December 21, 2022, January 19, 2023, January 26, 2023 & February 8, 2023** (Video 00:09:37 to 00:10:32). Mr. Fulkerson made a motion to approve all minutes as presented and was seconded by Dr. Milkman. The motion passed unanimously.

Ms. Pendergrass requested that item 7(a) **Acceptance of FY 2022 Proportionate Share Audits** (Video 00:10:33 to 00:11:51) be discussed prior to the Finance Committee Report. There were no questions or discussion of the item; therefore, Ms. Pendergrass requested a motion. Mr. Fulkerson made a motion to accept the results of the GASB 68 and GASB 75 Proportionate Share Audit for Fiscal Year Ended June 30, 2022, and forward to the KPPA Board for approval and publication of the reports. Dr. Milkman seconded the motion and the motion passed unanimously.

Ms. Pendergrass introduced agenda item ***Finance Committee Report*** (Video 00:11:52 to 00:32:54). Mr. O'Mara stated that the CERS Finance Committee met on February 20, 2023 and considered 33 requests for Hazardous Duty designation for positions in member organizations. The Committee approved the presented Hazardous Duty Requests as presented; therefore, Mr. O'Mara made a motion to ratify the actions taken by the CERS Finance Committee. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. O'Mara advised that the quarterly financial reports were also reviewed at the meeting. Mr. Mike Lamb presented the quarterly financial reports to the CERS Board of Trustees. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2022. Next, Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the six-month period ending December 31, 2022, Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31, 2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2022, with the CERS Board of Trustees. Mr. Lamb went on to present the CERS Pension and Insurance Funds Contribution Reports for six-month period ending December 31, 2022. Lastly, he briefly presented the KPPA Administrative Budget FY 2022-2023 for the six-month period ending December 31, 2022, CERS Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Ms. Pendergrass introduced agenda item ***Joint Audit Committee Report*** (Video 00:32:55 to 01:08:19). Mr. O'Mara stated that the Joint Audit Committee met on February 28, 2023. First, Mr. Lamb provided briefly discussed the updates to the presentation of the Annual Comprehensive Financial Report (ACFR). Next, Ms. Kristen Coffey provided an overview of the Internal Audit Budget with the CERS Board of Trustees. The budgeting process was discussed. Mr. O'Mara suggested that a Trustee Education Session focusing on the KPPA budgeting process, and the different types of budgets be scheduled. Ms. Pendergrass requested that the session be scheduled in late August or early September. Ms. Coffey reviewed 18 open internal audit findings and recommendations. She also presented the audit report, Review of Chase Accounts. There were 12 findings, advised Ms. Coffey. Ms. Pendergrass wished to add information (regarding findings #8 and #10) to the Audit Report as additional information after the audit was completed. She advised that KRS 61.706 was created by a legislator who wanted to donate his travel checks to the pension system. Ms. Pendergrass advised that the account has rarely been used; therefore, the General Assembly may want to revisit the statute and repeal it. In addition, Ms. Pendergrass advised that

it is not a material source of funding, therefore, KPPA Staff may not want to spend a substantial amount of time developing controls. Ms. Pendergrass asked Ms. Coffey if there was any evidence of fraud found during the audit or if there was evidence that money was inappropriately transferred or misappropriated. Ms. Coffey confirmed that there was no evidence of fraud and that all transactions reviewed were legitimate.

Ms. Pendergrass introduced agenda item ***Joint Retiree Health Plan Committee Report*** (Video 01:08:20 to 01:23:01). Mr. Powell stated that the Joint Retiree Health Plan Committee met on February 16, 2023. At the meeting, Humana gave an informational presentation regarding the Benefit Enhancement Review, Vanderbilt Contract Update, and Underwriting Update. Additionally, GRS provided an actuarial analysis of the cost for potential benefit enhancements. They used an estimated financial cost of \$5.00 increase in Medicare premiums as a basis for showing the impact. Mr. Danny White with GRS briefly explained the financial impact of the benefit enhancements. The increase in Unfunded Liability is approximately \$148 million for CERS Nonhazardous and \$30 million for CERS Hazardous, for every \$5 increase in premium. The increase to the normal cost rate (insurance only) is 2.14% for CERS Nonhazardous and 3.99% for CERS Hazardous. Mr. Powell advised that this analysis is the first step in making an educated decision to enhance benefits or not. Mr. Larry Loew with Humana provided an update on the Vanderbilt Contract to date. Lastly, Ms. Pettyjohn added that KPPA Staff presented Open Enrollment (October 1, 2022 – December 31, 2022) statistics. She highlighted that there was a decrease of virtual visitors from 43 to 23 and an increase of in-person visitors from 0 to 57 which was expected due to in-person appointments not being offered in 2021, said Ms. Pettyjohn. Mr. Powell thanked GRS and Humana for their participation and presentations.

Ms. Pendergrass introduced agenda item ***Investment Committee Report*** (Video 01:23:02 to 01:42:45). Dr. Hackbart reported that the CERS Investment Committee held a regular meeting on February 22, 2023, and a special meeting on March 2, 2023. He stated that the CERS Investment Committee requests ratification of the “re-up” investment of up to \$75 million into the Adams Street Partners Senior Private Credit Fund III, and up to an additional \$75 million investment into a co-investment side car vehicle to be allocated proportionally among all CERS Plans. This "re-up" investment will maintain the Plans' current exposure to the Adams Street Private Credit Platform and will reside in the Specialty Credit allocation, said Dr. Hackbart. Mr. Steve Willer provided additional information on Adams Street Partners and presented investment into Adams Street Partners Private Credit Fund III. He stated that KPPA will occupy an “anchor investor”

position with preferred pricing and the co-investment vehicle will have a 0% management fee, and 0% carried interest. Dr. Milkman made a motion to ratify the Investment Committee's approval of the investment into Adams Street Partners Private Credit Fund III as presented. The motion was seconded by Mr. Cheatham and passed unanimously.

Next, Dr. Hackbart presented the CERS Procurement Policy. He advised that the conditionally approved Procurement Policy was provided to the Finance Cabinet for their review, and after 30 days having received no comment, the CERS Investment Committee requests that the CERS Board of Trustees adopt the CERS Procurement Policy. Mr. Foster made a motion to adopt CERS' Procurement Policy. Mr. Powell seconded the motion and the motion passed unanimously.

Lastly, Dr. Hackbart reported that Adams Street Partners provided the Committee with an Education Session on the Specialty Credit Market. Trustees earned Education Credits for their attendance. Wilshire and the KPPA Office of Investments presented the quarterly update on portfolio performance. Mr. Willer briefly highlighted key points within the reports presented to the CERS Investment Committee on February 22, 2023.

Ms. Pendergrass introduced agenda item *Administrative (Video 01:42:46 to Video 02:20:20)*. Ms. Pendergrass presented a Resolution Honoring the Service of Ed Davis who passed away on October 16, 2022 and read the resolution aloud to the CERS Board of Trustees. Mr. Powell made a motion to approve the Resolution Honoring the Service of Ed Davis to the Kentucky Retirement Systems by the CERS Board of Trustees. Dr. Hackbart seconded the motion and the motion passed unanimously.

Next, Ms. Pendergrass introduced Mr. Eric Branco of Johnson, Bowman, Branco, LLP. to lead a discussion of the proposed KPPA Public Comment Policy. The deadline to submit, length/time limit, content, Board review process, and the delivery (teleconference/in-person/via email etc.) of public comments were discussed. It was requested that all references of KPPA be changed to CERS. Mr. Cheatham requested that the submitted public comments be provided to the CERS Board of Trustees for reference as soon as possible. No action was taken. The CERS Board of Trustees directed Mr. Branco to present the updated policy in April 2023.

Next, Ms. Pendergrass introduced the CEO Update. Mr. Owens reminded Trustees of their Trustee Education requirements. He advised that March 31, 2023, is the end of an education year for

several Trustees. Mr. Owens advised that those who need Education Credits by March 31<sup>st</sup> have been contacted and have planned to complete their 12 hours of education.

Ms. Adkins presented the KPPA Update. She reviewed the findings of the Actuarial Audit of the Kentucky State-Administered Retirement Systems. Ms. Adkins advised that it is required that the Public Pension Oversight Board (PPOB) conduct this audit every five years. It was determined that the actuarial procedures and practices are of a high quality and in compliance with all major aspects of the applicable actuarial standards. Ms. Adkins highlighted key areas within the audit report and the recommendations.

Ms. Pendergrass introduced agenda item ***Closed Session*** (*Video 02:20:21 to 02:21:28*). Mr. Powell made a motion and was seconded by Mr. Cheatham to enter closed session for the purpose of litigation. The motion passed unanimously.

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

Coming back into open session, Ms. Pendergrass stated that the Board will be taking no action as the result of the closed session discussions and opened the floor for adjournment. Mr. Powell made a motion and seconded by Dr. Carver 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 March 9, 2023, 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.

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Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on March 9, 2023, were approved on April 19, 2023.

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Chair of the Board of Trustees

I have reviewed the Minutes of the March 9, 2023, Board of Trustees Meeting for content, form, and legality.

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Executive Director  
Office of Legal Services

## JOHNSON BOWMAN BRANCO, LLP

### PERSONAL SERVICE CONTRACT

THIS CONTRACT, made and entered into this \_\_\_\_ day of \_\_\_\_\_ 2023, by and between Johnson Bowman Branco, LLP, 326 West Main Street, Frankfort, Kentucky 40601, hereinafter referred to as the “Contractor” and the County Employees Retirement System Board hereinafter referred to as the “CERS Board”, 1260 Louisville Road, Frankfort, Kentucky 40601, for general counsel legal services as set forth in legal services is more particularly described as follows:

1. **Scope of Services:** Contractor will provide general counsel legal services when needed and determined by the CERS Board, as set forth in Kentucky Revised Statute 78.782.
2. **Relationship of Parties:** Contractor warrants that all work performed by Contractor under this personal service contract shall be performed as an independent contractor.
3. **Fees:** For the services rendered by the Contractor, the CERS Board shall pay the rates set forth in the “fee schedule” attached to this personal service contract and incorporated by reference herein. The CERS Board understands and agrees that all time spent on client’s case will be billed by Contractor including, but not limited to, office meetings, court appearances, travel, telephone calls, e-mails, research, pleadings, letters, file maintenance, reviewing documents and file, and preparing exhibits. Contractor shall invoice the CERS Board at the end of each calendar month for all services rendered during the month. The invoice shall itemize the number of hours worked, in 1/10ths of an hour increments, and a brief description of each task performed. Contractor will be reimbursed for all necessary and reasonable out-of-pocket expenses, including travel expenses.
4. **Duration and Termination:** The duration of this personal service contract shall run from time period beginning July 1, 2023, through June 30, 2024. At expiration, this personal service contract may, at the option of the parties, be renewed by negotiation for further periods. Termination or cancellation of this personal service contract may occur by Contractor or the CERS Board upon thirty (30) days advance written notice provided by certified or registered mail.
5. **Conflicts of Interests:** Contractor certifies that it has not and will not pay or cause to be paid, any money, fees, political contributions, or other things of value to any third party as a result of or in relation to legal advice provided to the CERS Board, without the prior informed written consent of the CERS Board. Contractor certifies that it has not and will not accept any money, fees, or other things of value from any third party as a result of or in relation to legal advice provided to CERS Board, without the prior informed written consent of the CERS Board. The Contractor agrees it shall not engage, directly or indirectly, in any financial or other transaction with a trustee or employee of the CERS Board which would violate standards of the Executive Branch Ethics provisions. Contractor further certifies that neither the firm, nor its employees, have knowingly violated any of the Executive Branch Ethics provisions or the campaign finance laws of the Commonwealth. Contractor will not accept any new cases or matters in its practice which will create a conflict of interest with CERS Board and will institute “ethical walls” to protect against conflict of interests between Contractor, existing clients and the CERS Board.



6. **Confidential Information:** Contractor may have certain access to confidential information maintained by the CERS Board to the extent necessary to carry out its responsibilities and shall presume that all information received pursuant to this contract is confidential. Confidential information shall remain the property of the CERS Board at all times. No confidential information collected, maintained, or used in the course of the contract shall be disseminated except as authorized by law and with the written consent of CERS Board.

7. **Information Requests and Disclosures:** In the event that a subpoena or other legal process is served upon Contractor for records containing confidential information, the Contractor shall promptly notify the CERS Board and cooperate with CERS Board in any lawful effort to protect the confidential information, at CERS Board's expense. Contractor shall promptly report an unauthorized disclosure of confidential information to the CERS Board.

8. **Assignment and Amendments:** This contract may not be assigned by Contractor without the written consent of the CERS Board. Modifications, amendments, or additions to this contract shall only be effective when made in writing and signed by both parties.

9. **Entire Agreement:** This personal service contract contains the entire agreement between the parties. There are no other understandings, representations, or inducements being relied upon by either party except those expressly set forth in this personal service contract or other writing which shall be signed by the parties and attached hereto. The parties further acknowledge that they have read and understand this personal service contract and have received a copy of the same.

10. **Severability:** The provisions of this contract shall be severable, and the unenforceability of one or more provisions shall not affect the enforceability of any of the other provisions. Additionally, if any provision of the contract, for any reason, is declared to be unenforceable, the parties shall substitute an enforceable provision that, to the maximum extent possible, preserves the original intention and economic positions of the parties.

11. **Controlling Law:** All questions as to the execution, validity, interpretation, construction, and performance of this contract shall be construed in accordance with the laws of the Commonwealth of Kentucky. Contractor consents to the jurisdiction of the Franklin Circuit Court located in Franklin County, Kentucky.

\_\_\_\_\_  
AUTHORIZED AGENT,  
CERS BOARD

\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
AUTHORIZED AGENT,  
JOHNSON BOWMAN BRANCO, LLP

4/11/2023  
\_\_\_\_\_  
DATE

**JOHNSON BOWMAN BRANCO, LLP**

**FEE SCHEDULE**

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<b>DESCRIPTION OF SERVICE</b>	<b>AMOUNT</b>
Attorney Fees.....	\$175.00/hour
Paralegal Fees.....	\$50.00/hour
Postage.....	Current Postal Rates
Copying.....	15¢/page
Mileage (outside of Franklin County).....	Federal Rate
Advanced Expenses.....	Actual Cost

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## **COUNTY EMPLOYEES RETIREMENT SYSTEM**

### **Board Meeting Public Participation Policy**

**The County Employees Retirement System (CERS) Board has adopted the following policies regarding public participation at meetings of the CERS Board and Committees:**

1. Public comments must be made in writing. Written public comments may be read at meetings of the CERS Board or Committees. The CERS Board or Committee may, at its discretion, respond to written public comments read at a meeting.
2. The CERS Board or Committee may, at its discretion, limit the amount of time devoted to public comments at any meeting.
3. The CERS Board or Committee may, at its discretion, allow the submitters of public comments to read their comment as it was submitted to the Board or Committee in writing. Submitters of public comments shall not be allowed to deviate from their written public comment.
4. If one or more public comments that comply with this policy are received for a CERS Board or Committee meeting, then a public comment agenda item shall be listed on the agenda for the relevant CERS Board or Committee meeting.
5. Public comments are subject to the following rules:
  - a. Public comments shall be submitted via email or on the KPPA website.
  - b. Public comments shall be limited to five hundred (500) or fewer words.
  - c. Public comments shall be submitted at least twenty-four (24) hours prior to the date and time listed in the Notice of Scheduled Meeting for the CERS Board or Committee for which the public comment is submitted.
  - d. Public comments shall not be abusive, profane, or vulgar. Comments submitted with abusive, profane, or vulgar language will not be read at any CERS Board or Committee meeting.
  - e. Public comments which are clearly made with the intent to disrupt or delay a meeting of the CERS Board or Committee will not be read.
  - f. Public comments shall not pertain to confidential member accounts. Comments pertaining to confidential member accounts shall not be read at the CERS Board or Committee meeting and will be forwarded to the appropriate CERS division for follow-up.

### **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 Board Meeting Public Participation Policy was made effective by the Board of the County Employees Retirement System on the \_\_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Chair  
County Employees Retirement System

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chief Executive Officer  
County Employees Retirement System

\_\_\_\_\_  
Date



## MEMORANDUM

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

**From:** Michael Foster, Chair  
Actuary Committee

**Date:** April 19, 2023

**Subject:** Summary of Actuary Committee Special Meeting

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The County Employees Retirement System held a special Actuary Committee meeting on April 12, 2023.

1. The following items were approved by the Actuary Committee and are being forwarded to the County Employees Retirement System Board of Trustees for ratification.
  - a. There were no actions taken by the Actuary Committee that need ratification from the Board of Trustees.

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

2. The following items were also discussed during the Actuary Committee meeting:
  - a. The Committee focused the entire meeting on whether to recommend an assumed rate increase to the CERS Board for the NON-HAZ Pension Fund and the HAZ Pension Fund.
  - b. The Committee Chair indicated to committee members that everything they would hear during the meeting had already been presented to the members. The presentations were designed to determine whether the positive trends discussed in prior meetings had in fact continued.
  - c. The Committee heard from our Investment Consultant, Wilshire, as they presented their forward-looking return assumptions. In sum, Wilshire spoke to the near-term volatility that exists in the markets. However, they indicated their 10-year return outlook for the CERS Pension Funds was 7.5%. Their 30-year return outlook was 7.9%.

- a. Wilshire indicated their projections represented a beta number and did not include any incremental gains that could be gained from Investment Manager or Investment Office staff outperformance.
- b. Wilshire indicated that CERS was due for another asset/liability study. They pointed out that the CERS portfolio was well positioned on the Efficient Frontier and that the portfolio should be able to gain at least 6.50% return without taking on anymore risk in the portfolio.
- d. The Committee also heard from GRS, the actuary for KPPA. GRS indicated they were in the final stages of formulating their actuarial assumptions and the changes they are contemplating in their assumptions would all benefit the Trust as a higher mortality rate and higher rates of employee termination benefit the Trust.
  - a. GRS agreed with Wilshire that the CERS Pension Funds could comfortably return 6.50%.
  - b. GRS indicated that they have evaluated the forward-looking return assumptions of 10-12 Investment Consultants, and they found Wilshire's projections to be squarely in the middle of those consultants.
- e. There was considerable discussion amongst committee members as to whether the near-term volatility of the markets indicated that the system would be better off without an increase in the assumed rate of return.
  - a. The committee discussed whether the long-term return assumptions were based on faulty numbers going back to the dot-com bubble of 2000. The committee discussed that in the 90's the system was over 100 percent funded and changes that were made (decreasing the contribution rates and increasing benefits simultaneously) caused the system to become significantly underfunded.
- f. In the end, the Chair of the committee asked whether there was a motion to raise either the NON-HAZ Pension or HAZ Pension Funds from 6.25% to 6.50%. There was no motion made thereby causing the matter to be passed.
- g. There was some discussion that the Chair of the CERS Board could bring back the issue before the entire Board irrespective of the measure not receiving a favorable hearing at the committee level.