

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES ANNUAL MEETING
APRIL 8, 2024, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the County Employees Retirement System Board of Trustees held on April 8, 2024, the following members were present: Betty Pendergrass, Dr. Patricia Carver, George Cheatham, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, William O'Mara, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, David Eager, Erin Surratt, Michael Lamb, Elizabeth Smith, Ann Case, Michael Board, Leigh Ann Davis, Victoria Hale, Nathan Goodrich, Carrie Slayton, Jillian Hall, Jessica Beaubien, Steve Willer, Anthony Chiu, Brian Caldwell, D' Juan Surratt, Kristen Coffey, Ashley Gabbard, Katie Park, Phillip Cook, and Sherry Rankin. Others present included David Lindberg and Chris Tessman with Wilshire, and Eric Branco with Johnson Branco & Brennan, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Branco read the Opening Statement.

Ms. Rankin called Roll.

Ms. Rankin advised that one **Public Comment** (Video 00:08:50 to 00:10:11) was received and read the comment aloud.

Submitted by Melvin Louis Schafer

With the election for 2025 board member Betty Pendergrass and Jerry Powell, hum have served two terms very well I might add and if chose to run will be their third term. With the passage of HB 484 separation of the systems. Will they be starting a new three terms because of the separation and new law? Also, how will the election determine if six possible individuals or more are selected by the board on the ballet and three of the top vote getters are nonhazardous and the hazardous finish fourth or lower after the vote are counted. How will this work? Separate election? or will it end in possible lawsuits? Are the appointed board members being subject to the three terms? Respectively submitted. Melvin Schafer, retiree

Ms. Pendergrass introduced agenda item *Approval of Minutes – March 11, 2024* (Video 00:10:12 to 00:10:51). Mr. Powell made a motion to approve the March 11, 2024, minutes as presented. The motion was seconded by Dr. Carver and passed unanimously.

Ms. Pendergrass introduced agenda item *Administrative* (Video 00:10:52 to 01:45:38).

Ms. Pendergrass presented proposed revisions to the CERS Bylaws. Ms. Pendergrass advised that the section establishing a CERS Legislative Committee had been removed. Mr. Foster asked why the Committee would not be formed; Mr. Cheatham elaborated. The CERS Board of Trustees evaluated and discussed the value of a legislative committee. Mr. Foster recommended that the section establishing a CERS Legislative Committee remain.

After considerable discussion, Mr. Powell made a motion to dissolve the CERS Legislative Committee. Mr. O'Mara seconded the motion. Mr. Foster and Ms. Pendergrass opposed; however, the motion passed.

Mr. Powell made a motion to approve the revised CERS Bylaw as presented. The motion was seconded by Mr. Fulkerson. Mr. Foster and Ms. Pendergrass opposed; however, the motion passed.

Next, Pendergrass took a moment to answer the primary questions asked in the submitted public comment relating to the CERS Board Election Policy.

Ms. Coffey reviewed suggested amendments to the CERS Board Election Policy.

The next election will take place in early 2025, said Ms. Coffey. Applications are due July 1, 2024. There was extensive discussion surrounding write-in candidates and sufficient identifying information for these candidates.

Mr. Powell made a motion to direct staff to add language to CERS Election Policy (Section 15) requiring a middle name, if known, for write-in candidates and that they file a Declaration of Intent no later than January 31st. Mr. Cheatham seconded the motion and the motion passed unanimously.

Mr. Powell made a motion to approve the CERS Board Election Policy as amended. The motion was seconded by Dr. Hackbart and passed unanimously.

Ms. Beaubien provided an overview of Administrative Regulation 105 KAR 1:120 and the amendments made to the regulation.

Kentucky Revised Statutes 78.782(9)(d) authorizes the Board to promulgate and amend administrative regulations “not inconsistent with the provisions of KRS 78.510 to 78.852” that are “necessary or proper in order to carry out the provisions of KRS 78.510 to 78.852.” 105 KAR 1:120, Participation of County Employees Retirement System Employers, is consistent with and necessary to carry out these provisions of the Kentucky Revised Statutes.

Ms. Beaubien stated that the administrative regulation establishes the procedures and requirements for employer participation in the County Employees Retirement System (CERS).

This amendment:

- Updates the language throughout the regulation to be consistent with the language used in all Kentucky Public Pensions Authority, County Employees Retirement System, and Kentucky Retirement Systems regulations, and the definitions found in 105 KAR 1:001.
- Details have been added about existing requirements for prospective employers, inactive employers, and employers who are splitting, separating, forming a new entity, or merging.
- Incorporates by reference several required forms.

Mr. Cheatham made a motion to approve Administrative Regulation 105 KAR 1:120 as presented and to authorize staff to file the materials with the Regulations Complier. The motion was seconded by Mr. Foster and passed unanimously.

****Ms. Pendergrass was placed in the meeting waiting room****

Mr. Cheatham introduced Metro Government Request. Mr. Board and Mr. Surratt provided background on the issue. Louisville/Jefferson County Metro Government (Metro) was undergoing a change in their payroll system which was unable to accurately send the required reports to KPPA, said Mr. Board. Late reporting penalties were incurred; however, two months of late reporting penalties were waived by the KPPA Division of Employer Reporting, Compliance and Education (ERCE). Additionally, ERCE worked in cooperation with the agency to bring them current in their reporting.

Metro has requested a waiver of late reporting penalties for reporting months November 2022-July 2023. Mr. Surratt informed Metro that no additional penalties would be waived, however, the agency requested that the request be presented to the CERS Board of Trustees for a decision.

Mr. Powell made a motion to create a committee or work group to follow up on the issue with Mr. Board, Mr. Owens, a representative of the KPPA Division of Internal Audit, and a representative of the KPPA Division of Accounting to further review and ensure all policies were followed. They are to have additional discussion with Metro Government and report back to the CERS Board of Trustees, prior to a decision. The motion was seconded by Dr. Hackbart and passed unanimously.

****Ms. Pendergrass reentered the meeting****

**** 10-minute recess****

Ms. Pendergrass introduced agenda item *Officer Elections (Video 01:57:33 to 02:05:29)*. Mr. Cheatham requested nominations for CERS Chair.

Mr. Powell nominated Mr. George Cheatham for the role of CERS Chair. Mr. Foster seconded the nomination.

Dr. Hackbart nominated Ms. Betty Pendergrass for the role of CERS Chair. The nomination was seconded by Dr. Carver.

Mr. O'Mara made a motion to cease nominations. The motion was seconded by Mr. Powell and passed unanimously.

A roll call vote was taken; three (3) votes for Mr. Cheatham, three (3) votes for Ms. Pendergrass. Mr. Cheatham and Ms. Pendergrass abstained from the vote. The vote resulted in a tie; however, Ms. Pendergrass declined her nomination to allow Mr. Cheatham to become the CERS Chair. Mr. Cheatham thanked Ms. Pendergrass for her service to the CERS Board of Trustees over the last three years. Mr. Powell commended Ms. Pendergrass for her labor and dedication to CERS.

Dr. Hackbart made a motion to thank Ms. Pendergrass for her dedication and service to CERS as Chair over the last three years. Mr. Fulkerson seconded the motion and the motion passed

unanimously.

Next, Mr. Cheatham requested nominations for CERS Vice-Chair. Mr. Powell nominated Mr. Michael Foster for the role of CERS Vice-Chair. Mr. O'Mara seconded the nomination.

Dr. Hackbart made a motion to close nominations and approve Mr. Foster as the Vice-Chair. The motion was seconded by Mr. Powell and passed unanimously.

Mr. Cheatham introduced agenda item *PPW Board of Directors Election (Video 02:05:30 to 02:14:23)*. Mr. Powell provided a thorough synopsis of Perimeter Park West (PPW) and the PPW Board of Directors Election.

Mr. O'Mara nominated Mr. Jerry Powell for the CERS Representative for the upcoming PPW Board of Directors ballot and election. The nomination was seconded by Ms. Pendergrass.

Dr. Hackbart made a motion to cease nominations and was seconded by Mr. Fulkerson. Mr. Powell abstained; however, the motion passed to submit the name of Jerry Powell as the CERS Representative for the upcoming PPW Board of Directors' ballot and election.

Mr. Powell made a motion to authorize Steve Willer, as CIO, to vote the PPW shares, as proxy for CERS, as authorized in the CERS Investment Policy Statement (IPS) and as set forth in the CERS Proxy Voting Policy. Ms. Pendergrass seconded the motion and the motion passed unanimously.

Mr. Cheatham introduced agenda item *Johnson Branco & Brennan Contract (Video 02:14:24 to 02:16:25)*. Mr. Branco advised that a new partner had been admitted to the firm of Johnson Bowman Branco, LLC. He presented a draft personal service contract with a duration of July 1, 2024, through June 30, 2025. Mr. Branco stated that no material changes have been made from the previous contract.

Mr. Fulkerson made a motion to approve the contract with Johnson Branco & Brennan as presented. The motion was seconded by Mr. Foster and passed unanimously.

Mr. Cheatham introduced agenda item *ACFR Recommendation (Video 02:16:26 to 02:23:20)*. Mr. Lamb presented a detailed memorandum outlining his research regarding the presentation of

the Annual Comprehensive Financial Report (ACFR). Beginning with fiscal year ended June 30, 2024, he recommended that KPPA contract with an outside certified public accountant to perform two separate financial statement audits and have KPPA publish two separate ACFRs:

- One ACFR for the County Employees Retirement System, and their related pension and insurance trust plans and;
- One ACFR for the Kentucky Retirement Systems, inclusive of the Kentucky Employees Retirement System (KERS) and the State Police Retirement System (SPRS), and their related pension and insurance trust plans.

Mr. O'Mara made a motion to endorse the recommendation to publish two separate ACFRs as presented by the KPPA Division of Accounting. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Cheatham introduced agenda item *Investments (Video 02:23:21 to 03:07:36)*. Dr. Hackbart provided a brief update on the recent discussions and decisions made regarding asset allocation. Mr. Willer and Mr. Chiu presented the CERS Asset Allocation Recommendation Executive Summary. Next, he provided an overview of the Specialty Credit asset class, as well as detailed current and historical information on CERS Specialty Credit holdings.

Dr. Hackbart and Mr. Cheatham stated that further reflection on the asset allocation was needed.

After considerable discussion, Mr. Fulkerson made a motion to send the revisions to the CERS Asset Allocation to the CERS Investment Committee for further review. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Cheatham introduced agenda item *CERS Strategic Plan (Video 03:07:37 to 03:10:07)*. Ms. Pendergrass provided a brief update and overview of the 2024-2028 CERS Strategic Plan.

Mr. Cheatham introduced agenda item *Staff Reports (Video 03:10:08 to 03:13:26)*.

Mr. Owens presented a written CEO Update. He advised that all Trustees with an education year ending March 31st had completed their required 2023-2024 training hours.

Mr. Eager provided the CERS Board of Trustees with a written update as well. He announced that

the KPPA Housekeeping Bill (HB 99) had been passed and signed by the Governor. He briefly highlighted historical retirement trends.

Mr. Cheatham introduced agenda item *Closed Session (Video 03:13:27 to 03:15:06)*. Mr. Powell made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). The motion was seconded by Dr. Carver and passed unanimously.

Mr. Board 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.

****Mr. Fulkerson exited the meeting prior to the start of Closed Session****

****Only Trustees, KPPA Office of Legal Services staff members, and Ms. Rankin were permitted to attend the Closed Session****

Closed Session (Video - Part 2 - 00:00:44 to 00:01:33).

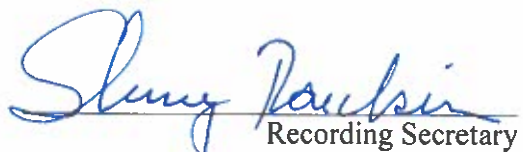
Coming back into open session, Mr. Cheatham requested a motion to come out of Closed Session. Mr. Powell made a motion to return to open session and was seconded by Dr. Carver. The motion passed unanimously. Mr. Cheatham stated that no action was taken as a result of the closed session discussions.

Mr. Cheatham opened the floor for adjournment. Ms. Pendergrass made a motion and was 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 April 8, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

CERTIFICATION

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


Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on April 8, 2024, were approved on May 28, 2024.


Chair of the Board of Trustees

I have reviewed the Minutes of the April 8, 2024, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services