

**MINUTES OF MEETING**  
**COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES**  
**FINANCE COMMITTEE AUGUST 23, 2022 AT 2:00 P.M.**  
**VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Board of Trustees Finance Committee held on August 23, 2022 the following members were present: William O'Mara, JT Fulkerson and George Cheatham. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Steve Willer, Jared Crawford, Elizabeth Smith, Connie Davis, D'Juan Surratt, Ann Case, Ashley Gabbard, Phillip Cook, Katie Park, and Sherry Rankin. Others present included CERS CEO Ed Owens, III, KRS CEO John Chilton, and CERS Trustee Betty Pendergrass.

Mr. O'Mara called the meeting to order.

Mr. Board read the Legal Public Statement.

Ms. Rankin called roll.

Ms. Rankin stated that one *Public Comment* submitted and read the comment from Patricia aloud to the Committee:

We are in dire need of a Cost of Living Adjustment (COLA). The last increase we saw was back in July 2011. Some of us, like myself, started my career at the age of 21 as a Louisville Police Dept. Officer and served this community with over 21 years of service. We did not pay into Social Security during any of that time. We were not allowed to do so and therefore I do not receive a Social Security check due to the lack of having enough quarters. After turning 65, I was forced to take the State's Medicare Insurance and now paying for Medicare which has to come out of my police pension check money. Each year that increases which takes more money with no more money coming in to offset that. I am sure there are many more other than myself that could use this COLA sooner rather than later. I contacted my State Representative, Kevin Bratcher, and he informed me and I quote "If you are in the CERS System it is not the legislature that would fund a COLA, it is the CERS Board's decision--please contact them on the issue." According to the

KPPA page regarding COLA'S I quote, "Cost of Living Adjustments (COLAs) The last retirement benefit raise, or Cost of Living Adjustment (COLA), provided to KPPA retirees took effect in July 2011. Although the COLA paid to retirees of the Kentucky Public Pensions Authority comes from trust fund dollars and not the General Fund, the Kentucky General Assembly (and not the KPPA Board of Trustees or the Governor) actually holds the authority to grant COLAs under Kentucky Revised Statute 61.691. So which is it? Representative Kevin Bratcher states it is not the Kentucky Legislature that would fund COLA but the KPPA on their website says it is the legislature "that holds the authority." I am confused or is this what's called passing the buck? I would really like to know.

A response to the submitted public comments was made by Mr. Michael Board, Executive Director of the Office of Legal Services on behalf of the CERS Finance Committee:

Thank you for your comment regarding cost of living adjustments (COLA). It is an issue that has received a lot of attention over the past several months. The CERS Finance Committee recognizes the significant length of time since a COLA was granted to members of CERS. The decision of when to grant members of CERS a COLA does rest solely with the General Assembly. You mentioned that our website references KRS 61.691 and states the General Assembly must pre-fund any COLA if the underlying system is not 100% funded. This statement is true for the KERS and SPRS retirement plan documents. Chapter 78 of the Kentucky Revised Statutes which governs the retirement plan documents for CERS states at KRS 78.5518 that a COLA can only be paid to beneficiaries if: (1) the plan is 100% funded; or (2) the General Assembly directs payment of employer contributions to fully pre-fund the increase described by this subsection in the year the increase is provided. Your representative was correct in that any COLA for members of CERS would be paid for by the CERS trust. However, only upon direction by the General Assembly to pre-fund the increase. Consequently, the COLA decision for CERS members remains a function under General Assembly control.

Mr. O'Mara introduced agenda item *Approval of Minutes – June 2, 2022*. A motion was made by Mr. Cheatham and seconded by Mr. Fulkerson to approve the minutes as presented. The motion passed unanimously.

Mr. O'Mara introduced agenda item *Fiscal Year Financial Reports*. Ms. Adkins reviewed the

Combining Statement of Fiduciary Net Position of the Pension Funds. She stated that the total return for CERS Nonhazardous and CERS Hazardous was down a total of 7.4% and that footnotes are included for additional detail. Ms. Adkins also reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds. CERS Nonhazardous was down 7.5% and CERS Hazardous was down 7.09% for the entire fiscal year. Member and employer contributions, as well as deductions had increased, said Ms. Adkins. Mr. Eager commented on the decrease of 7.4% in the CERS plans. He advised that the loss was due to a negative cash flow in CERS Nonhazardous and from investment returns. Mr. Eager stated that the average pension fund was down was 10.6% according to the Wilshire Trust Universe Comparison; therefore, a negative return of 5.0% to 6.1% may be considered satisfactory. Next, Ms. Adkins presented the Combining Statement of Fiduciary Net Position of the Insurance Funds for FY 22. She reported that assets were down 4.5%. The Combining Statement of Changes in Fiduciary Net Position for Insurance Funds was also reviewed with the Committee. CERS Nonhazardous was down 3.76% and CERS Hazardous was down 5.79%. Next, Ms. Adkins reviewed the CERS Pension Funds Contribution Report and stated that CERS Nonhazardous was cash flow negative and CERS Hazardous was cash flow positive. The Insurance Fund Contribution Report for CERS illustrated a positive cash flow across plans. Ms. Adkins reviewed the budget-to-actual analysis for the FY 21-22 KPPA Administrative Budget with the Committee and reported that about 15.5% of the budget remained at the end of the fiscal year. Adoption Assistance, Ice Miller (legal), Auditing, Medical Reviewers, Natural Gas, Printing, Conferences, Office Supplies, and Miscellaneous were over budget. Ms. Adkins reviewed the Plan Specific Expenses and Hybrid Percentages for FY 2022. Ms. Adkins advised that Board Separation Expenses for FY 21 and FY 22 would be included in FY 2023. Mr. Cheatham requested clarification regarding the over budget Miscellaneous line item. He reiterated that the line item was over budget due to bank fees not being offset by interest revenue. Mr. Cheatham asked why KPPA is not accounting for both the bank fees and interest revenue. Ms. Adkins advised that these will both be accounted for effective of July 1, 2023. Additionally, Ms. Adkins stated that she is working with JP Morgan Chase (JPM) to change the current methodology. Mr. Cheatham asked if these accounts with JPM are operating or trust accounts. Ms. Adkins stated that all accounts with JPM are trust accounts as they belong to the trust, however, KPPA also holds administrative accounts. Ms. Connie Davis explained that there are ten accounts, one for each of the pension and insurance plans and a clearing account and an excess benefit account with JPM. Mr. Cheatham wished to know why there are so many fees on those accounts. Ms. Adkins stated that the fees had not changed, however, the interest changed. Ms. Adkins agreed with Mr. Cheatham that it would

be beneficial to account for the fees and interest separately. Mr. Cheatham requested that they be added as separate line items on the report in the future. Additionally, he requested a breakdown of the legal expenses by firm and case. Mr. Board stated that the Legal Update provided during Closed Session portion of the CERS Board of Trustee meetings includes a total amount spent by case. He added that he can provide expenses by firm and year. Mr. Cheatham also wished to obtain data on the reimbursement of legal expenses and how KPPA accounts for the reimbursements, if any. Mr. Board stated that these matters can be discussed in the future. Ms. Adkins added that the hourly cost and maximum number of hours are set in legal services contracts and that the agency requires monthly billing to monitor and control these legal expenses. Ms. Pendergrass requested that this matter be included as the first item up for discussion in Closed Session for the September meeting of the CERS Board of Trustees. Lastly, Ms. Adkins reviewed the CERS Outstanding Invoices by Type and Employers and Penalty Waiver Report with the Committee. She reported that 11 waivers were created and 38 were paid for the period April 1, 2022 to June 30, 2022.

Mr. O'Mara introduced agenda item *Hazardous Duty Requests*. Mr. D'Juan Surratt stated that there were 17 positions requesting hazardous duty coverage. All of which are police, fire, or paramedic positions. He advised that the listed Okolona Fire District positions request that the effective dates for the hazardous duty coverage be retroactive to July 2003. Mr. Surratt stated that these positions were previously approved for hazardous duty coverage after September 1, 2008. Additionally, the Clay County Board of Education has requested that the Law Enforcement Officer and Law Enforcement Supervisor positions to be approved as hazardous based on the School Resource Officer positions per KRS 158.441. Mr. Surratt stated that KPPA has reviewed these requests and determined that the 17 positions meet the statutory guidelines for hazardous duty coverage. Mr. Surratt requested that the CERS Finance Committee approve these positions for hazardous duty classification. A motion was made by Mr. Fulkerson and seconded by Mr. Cheatham to approve the hazardous duty requests as presented. The motion passed unanimously.

Mr. O'Mara introduced the agenda item *Overview of ACFR/SAFR Timeline*. Ms. Adkins stated that the KPPA Director of Accounting, Ms. Connie Davis, was spearheading the Annual Comprehensive Financial Report (ACFR) and Summary Annual Financial Report (SAFR). Ms. Davis reviewed the drafted ACFR/SAFR Timeline. She stated that the timeline is used among Staff and auditors to ensure that deadlines are met. Ms. Adkins added that the Trustees will see the first draft of the Actuary Valuation at the upcoming CERS and KRS Board of Trustees meetings,

as this must be ready for the Public Pension Oversight Board (PPOB) by November 15, 2022. The finalized valuation and audit will be presented in early December to the CERS, KRS, and KPPA Boards. Ms. Pendergrass advised that the CERS Board of Trustees had approved their 2023 meeting calendar; therefore, the March 15, 2023 CERS Board of Trustees meeting listed on the drafted timeline was acceptable. Ms. Pendergrass requested that the auditors be reminded that any meeting material would be due by March 8, 2023. Mr. O'Mara concluded the discussion by stating that the timeline is appreciated by the Committee.

Mr. O'Mara introduced the agenda item *Other Financial Updates*. Ms. Adkins reviewed the Trust Budget with the Committee. She advised that the presented Trust Budget had been approved by the KPPA Board of Trustees at their June meeting. Additionally, Ms. Adkins stated that a detailed Trust Budget had never been presented before. The CERS and KRS Investment Committees will also review the budget, said Ms. Adkins. The Trust Budget is separated into three categories: consulting services, legal services, and contractual services. Mr. Steve Willer added that detail of the services provided within each line item would be included in the near future. Mr. O'Mara stated that this is the start of more robust reporting of the trust expenses to the Board of Trustees.

Mr. O'Mara opened the floor for a motion to adjourn the meeting. A motion was made by Mr. Cheatham and seconded by Mr. Fulkerson to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the CERS Finance Committee meeting held August 23, 2022 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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## CERTIFICATION

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

  
Recording Secretary

I, William O'Mara, the Chair of the County Employees Retirement System Finance Committee, do certify that the Minutes of Meeting held on August 23, 2022 were approved on November 30, 2022.

  
Chair of the CERS Finance Committee

I have reviewed the Minutes of the August 23, 2022 CERS Finance Committee Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services