

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
December 1, 2021 AT 2:00 P.M. ET  
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Board of Trustees held on December 1, 2021 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 was Ed Owens, III, CERS CEO, John Chilton, KRS CEO, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Connie Davis, Ashley Gabbard, Vicki Hale, Kristen Coffey, D'Juan Surratt, Ann Case, Jared Crawford, Joe Gilbert, Steve Willer, Connie Pettyjohn, Sherry Rankin, Shaun Case, Phillip Cook, and Glenna Frasher. Others present included Eric Branco with Johnson Bowman and Branco; Danny White and Janie Shaw with GRS Consulting; David Lindberg, Chris Tessman and Craig Morton with Wilshire; Larry Loew and Tracey Garrison with Humana; and Ryan Graham with Blue and Company.

Ms. Pendergrass called the meeting to order and read the Legal Opening Statement.

Ms. Rankin took Roll Call. There was no public comment received.

Ms. Pendergrass introduced agenda item *Approval of Minutes – November 10, 2021*. Mr. Powell made a motion and Dr. Milkman seconded to approve the minutes as presented. The motion carried unanimously.

Ms. Pendergrass introduced agenda item *Annual Actuarial Valuation*. Ms. Pendergrass stated that since this report was reviewed in the last meeting, a detailed discussion was not necessary for this meeting. However, the floor was opened for questions by the Trustees. There being no questions, Ms. Pendergrass proceeded with seeking approval of the contribution rates for the employers for the next fiscal year, taking effect July 1, 2022 and going through June 30, 2023. Ms. Pendergrass indicated that the recommended actuarial employer contribution rates are as follows: CERS Non-Hazardous rate would be 26.79%, which includes 23.40% for the Pension Fund and 3.39% for the Insurance Fund; and CERS Hazardous rate would be 49.59%, which includes 42.81% for the

Pension Fund and 6.78% for the Insurance Fund. Mr. Foster made a motion and Mr. Powell seconded to approve the annual actuarial valuation and adopt the employer contribution rates as presented. The motion carried unanimously.

Ms. Pendergrass introduced agenda item *CERS Investments*. Dr. Hackbart introduced David Lindberg, Craig Morton and Chris Tessman with Wilshire to review the Quarterly Investment Report ending September 30, 2021. Mr. Lindberg reviewed the Asset Class Performance concentrating on the 2021 YTD performance percentages, graphs including economic growth, consumer activity, inflation and employment. Mr. Lindberg discussed the US Equity Market and NON-US Equity Market performances for the quarter and over the last 10 years. Ms. Pendergrass suggested using a 5 year time line for the Inflation and Employment graphs to get a better perspective of how COVID has affected these areas. Dr. Hackbart reminded the Trustees that Wilshire is our investment consultant that provides asset allocation advice but does not make the investment decisions as set forth in the Investment Policy. Mr. Morton then reviewed the graphs of the Asset Allocation Compliance, Total Fund Attribution, Plan Sponsor Peer Group Analysis comparing the CERS Plan to All Public Plans, and a breakdown of the Asset Allocation and Performance by the CERS plans for the period ending September 30, 2021.

Ms. Pendergrass noted that Trustee JT Fulkerson had joined the meeting and wanted his attendance and participation noted in the record. Ms. Pendergrass responded to a question from Mr. Cheatham and Dr. Hackbart regarding the historical data on the actuarial figures for yearly comparison, and referred to the Annual Financial Report where a 10 year table on the Net Pension Liability and a 10 year table on the Changes in Net Pension Liability, and the same tables for the insurance fund can be found.

Ms. Pendergrass introduced agenda item *CERS Finance/KPPA Ad Hoc Working Group*. Mr. O'Mara reported that the KPPA Ad Hoc Working Group had received more information that had been requested, but paused meeting until after the Annual Financial Report is finalized and released. He stated that a meeting has been set for the first week in January for further discussions and indicated he will report back to the Board on that issue. Mr. O'Mara then referred to the KPPA Administrative Budget Request and expressed his thankfulness to Rebecca Adkins, who organized a meeting with Vonda and Elizabeth in the Accounting Department to provide an overview of Biennial Budget processes. Mr. O'Mara gave a broad overview of the Administrative Budget

Request, hitting on the highlights of portions of the requested biennial budget items. Ms. Adkins reminded the Trustees that the expenditures are paid from the Fund monies and do not come from the State's (Ky) General Fund. KPPA Staff develop the proposed budgets with conservative estimates, therefore, only 70% to 80% of the budgeted amounts are expected to be spent. Dr. Hackbart asked for clarification regarding any changes that are made to the Governor's budget, for example the projected 1% raise for all state employees and the June 30<sup>th</sup> payroll, would result in changes being made to our budget request. Mr. O'Mara indicated that is correct.

Ms. Pendergrass introduced agenda item *Joint Audit Committee*. Ms. Pendergrass began with the External Audit Report, indicating that key sections of the report are included in the material for this meeting and a more detailed discussion was held at the Joint Audit Committee Meeting held yesterday, November 30, 2021. Ms. Pendergrass indicated that the end result was that the Joint Audit Committee has recommended the Board accept the Draft results, pending a few edits and formatting issues to be resolved, including the draft Financial Section of the Annual Report. Ms. Pendergrass explained that the CERS and KRS Board are essentially authorizing the issuance of this report, not approving the content of the Report, in an effort to maintain the independence of our external auditors. Mr. Fulkerson made a motion and Mr. Cheatham seconded to authorize issuance of the annual financial statements and auditors reports. The motion passed unanimously.

Ms. Pendergrass introduced Ms. Coffey to present the Internal Audit Report. Ms. Coffey indicated that Internal Audit released one final report recently regarding the Employer Penalty Invoice Waiver Process. Ms. Coffey noted that this process changed in December 2019 and for this audit 100% of the invoices that were waived were reviewed. There were two findings noted from this audit and those were regarding the support for the waivers is kept in the Outlook email account of the Division Director of Accounting, which is not accessible by all staff involved in the waiver process and that the Employer Penalty Invoice Waiver Policy and related procedures need to be updated.

In an unrelated matter, it was noted that the approved minutes for several of the Audit Committee meetings were not posted on the KPPA website. This was communicated to the KPPA Executive Management.

Ms. Pendergrass highlighted a graph included in Ms. Coffey's report that shows a significant

decrease in the number of invoices created per year and asked for Mr. Surratt to provide some insight on the steps taken that have reduced the number of invoices created per year. Mr. Surratt stated that the reduction in the number of created invoices is a result of a combination of factors, including the Quality Assurance and Employer Outreach team who provide

education and training to the employer reporting officials, working with Communication staff to upload training materials to the KPPA website, provide newsletters to keep employers and the reporting officials informed, and updates in internal processes that have provided more assistance to the reporting officials. All of these factors combined have caused the reduction in the number of invoices being issued. Ms. Pendergrass commended Mr. Surratt and his team for their great efforts as the results are noticeable and wanted those efforts to be highlighted. Ms. Pendergrass suggested that the Trustees review the details contained in the audit, as it explains the procedures involved throughout the invoice process and could be useful information for the Trustees to know.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Care*. Mr. Powell reported that the Joint Retiree Health Plan Committee met on November 9, 2021 and reviewed an informational presentation from Humana regarding 2020 Plan Compass Reports, the KPPA Medicare Eligible Pharmacy Review for 2022, the 2023 Star Ratings, 2021 Customer Service Snap Short and the 2022 Go365 Updates. Ms. Pettyjohn gave a report on this year's open enrollment focusing on the volume of calls and emails received during the process. Mr. Powell announced that at this meeting Mr. Larry Totten was elected as vice-chair of the committee.

Ms. Pendergrass introduced agenda item *CERS Administration*. Ms. Pendergrass stated that she requested that Mr. Owens review the calendar and ByLaws to explore options that would lessen the burden and stress put upon the KPPA staff who provide critical support to the Boards and Committees. Mr. Owens created a draft of the 2022 Board and Committee Meetings calendar as a starting point. Ms. Pendergrass indicated that she talked with Mr. Keith Percy prior to the CERS meeting regarding the changes made here to the calendar. Ms. Pendergrass explained that the CERS Board requires two readings of any amendments to the Bylaws. The January 2022 meeting will be a special called meeting for the purpose of a second reading of the Amendments to the ByLaws, with the first reading being conducted at today's meeting. Ms. Pendergrass made suggestions regarding the placement of the January 2022 meetings, where the KRS Board meeting would be held on January 11, 2022, leave the CERS Board on January 19, 2022 and move the

KPPA Board meeting to January 27, 2022. This creates a stair-step approach to allow staff the additional time it needs to properly prepare material for the meetings. Ms. Pendergrass suggested in February 2022, to move the Joint Audit Committee Meeting from February 3, 2022 to February 22, 2022; move the CERS Finance Committee Meeting from February 25, 2022 to February 24, 2022; in March 2022, move the CERS Actuarial Committee Meeting from March 18, 2022 to

March 16, 2022; in April 2022, move the KRS Annual Meeting from April 13, 2022 to April 12, 2022 and move the KPPA Annual Meeting from April 27, 2022 to April 28, 2022; in May 2022, move the May 5, 2022 Joint Audit Committee Meeting to May 9, 2022; in September 2022, move the KPPA Board meeting from September 30, 2022 to September 29, 2022; in October and November 2022, switch the October 24, 2022 CERS Actuarial Committee Meeting and the November 2, 2022 Joint Retiree Plan Committee Meeting; add a KRS Board Meeting in the morning and the CERS Board Meeting in the afternoon on November 8, 2022; add a KPPA Board Meeting on November 14, 2022; move the November 3, 2022 Joint Audit Committee Meeting to November 28, 2022; move the CERS Finance Committee meeting from November 17, 2022 to November 30, 2022. All suggestions to revise either KRS or KPPA meetings must be approved by the respective Boards. Ms. Pendergrass asked Mr. Wager to relay these suggestions to Mr. Peercy for those Boards to review.

Ms. Pendergrass reviewed the proposed changes to the CERS ByLaws pertaining to the meeting dates, which may need further revision since changes were made to the proposed calendar. Discussions were held regarding the wording of the Regular Meeting section of the CERS Bylaws. A decision was made that the wording in section e. Regular Meetings shall be "Regular quarterly meetings shall be determined by the Board no later than by the December meeting of each year for the following calendar year."

Ms. Pendergrass reviewed the proposed changes to the section g. Notice of Meetings pertaining to the posting of the notice and agenda of the meetings. Currently, the deadline to post a notice and agenda is set for at least 10 days before the scheduled meeting. The proposed change would reduce the 10 day requirement to a 7 day requirement.

Ms. Pendergrass reviewed the proposed changes to the Actuarial Committee section regarding the scheduled meetings. It was agreed that the proposed language change to "the regular meetings

shall be held in the first quarter and the fourth quarter of the calendar year” was acceptable.

Ms. Pendergrass reviewed the proposed changes to the Finance Committee section regarding the scheduled meetings. Ms. Pendergrass suggested a change be made that the Board adoption of the calendar in the first paragraph earlier and then link all of the other committees to that calendar, allowing the chair of each committee to set the time of day, and the Board set the month and day of the meetings. Mr. Cheatham made a motion and Mr. Fulkerson seconded to accept the amended ByLaws as discussed. Ms. Pendergrass stated that this will be the first reading of the amendments to the ByLaws. The motion passed unanimously.

Mr. Owens announced some new additions to the future agendas will include a KPPA update from Mr. Eager and a CERS CEO Update. Ms. Pendergrass stated that another new addition will be presentations given by the various KPPA Divisions to provide updates and information about that division. At the March 2022 meeting, Ms. Surratt’s Division of Member Services will have a presentation regarding the types of services they provide and duties of the staff.

Mr. Owens indicated that in regard to Trustee Education, an additional Investment Education Session with Steven Herbert will occur on December 10, 2021. Another Trustee Educational Session regarding Open Records and Open Meetings to be conducted by Joseph Bowman and Eric Branco with Johnson Bowman Branco will be scheduled in the near future.

Ms. Pendergrass expressed a desire to have a Legislative Ad Hoc Working Group to assist Mr. Owens in reviewing legislation coming from the General Assembly during session which runs from January through mid-April of 2022. This group would review and assist in evaluating how particular pieces of legislation might affect CERS members and employers. Mr. Foster and Ms. Pendergrass volunteered to serve on this Ad Hoc working group.

Ms. Pendergrass introduced agenda item *Closed Session*. Mr. Milkman made a motion and Mr. Foster seconded to go into 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 close 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 and Mr. Eager left the meeting prior to the beginning of the Closed Session due to a conflict of interest.

After the Board returned from Closed Session, Ms. Pendergrass stated that there was no action taken on the discussions from closed session.

Dr. Milkman made a motion and Mr. Powell seconded 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 November 10, 2021 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, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on November 10, 2021 were approved on December 1, 2021.

  
Chair of the Board of Trustees

I have reviewed the Minutes of the November 10, 2021 Board of Trustees Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services