

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
DECEMBER 2, 2024, 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 December 2, 2024, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, Betty Pendergrass, and Jerry Powell. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Board, Victoria Hale, Nathan Goodrich, Michael Lamb, Steve Willer, Leigh Ann Davis, D'Juan Surratt, Brian Caldwell, Anthony Chiu, Joe Gilbert, Connie Davis, Kristen Coffey, Phillip Cook, Ashley Gabbard, Sandy Hardin, and Sherry Rankin. Others present included Eric Branco with Johnson Branco & Brennan LLP, David Lindberg and Craig Morton with Wilshire, Danny White and Janie Shaw with GRS, and Ryan Graham with Blue & Company.

1. Mr. Cheatham called the meeting to order.
2. Mr. Branco read the *Opening Statement*.
3. Ms. Rankin took *Roll Call*.

Mr. Cheatham introduced the agenda item *Public Comment* (Video 00:07:18 to 00:10:44).

Ms. Rankin indicated there was one public comment and read as follows:

Andrew Parrish:

*Good morning, I hope you all are doing well, and I appreciate your commitment to the Commonwealth and the ones you serve. I would like to briefly introduce myself. My name is A. J. Parrish, and I currently serve as the night shift sergeant for the Paducah Police Department and am under the Tier 3 system as I joined the force in May of 2014. I am submitting this comment to you all because I want to bring to light an issue with retention*

*among law enforcement that you are likely all too familiar with. While this issue is affecting agencies nationwide, I want to focus on our issues specifically here in Kentucky. Currently, the Commonwealth offers three Tiers for retirement, but I will focus on the one that is currently in effect as of January 1, 2014, which is Tier 3. Essentially, peace officers are no longer under a pension style retirement but rather a 401K. Unlike the other retirement Tiers prior to 2014, under Tier 3, the participant has the option to leave law enforcement and take their 401K balance with them. Specifically, they are vested after 60 months (or 5 years) of employment. What this means is that instead of staying in law enforcement for 25 years, officers can now leave law enforcement at 5 years of service and go work in the private sector with their 401K. This is causing a massive strain on law enforcement agencies across the Commonwealth to retain seasoned, veteran officers. Instead, agencies are now forced to cycle through hiring young officers, send them to the academy to get trained and then hope that they will stay faithful to law enforcement for 25 years. While this seems grim, I do have a solution to this issue. In January, House Bill 143 was introduced which would afford Tier 3 participants the option of going to Tier 2. This would greatly benefit the safety and security of the communities within our Commonwealth by retaining law enforcement professionals for 25 years to reach full retirement under the pension system. I humbly request you take some time to fully research this issue and support the efforts to afford us the opportunity to go from a Tier 3 retirement system to Tier 2. I would be happy to discuss this issue further and can be reached via e-mail or phone at xxx-xxx-xxxx. Again, thank you for your time and support in this matter.*

Mr. Cheatham acknowledged that the comments have been heard and fully understands the challenges faced by our first responders. Mr. Owens III will respond accordingly.

4. Mr. Cheatham introduced agenda item ***Approval of Minutes –October 10, 2024; October 16, 2024; and November 4, 2024*** (Video 00:10:44 to 00:13:06).

Mr. Fulkerson made a motion to approve the October 10, 2024, minutes as presented. The motion was seconded by Mr. Foster and passed unanimously.

Dr. Hackbart made a motion to approve the October 16, 2024, minutes as presented. The motion was seconded by Dr. Carter and passed unanimously.

Mr. O'Mara made a motion to approve the November 4, 2024, minutes as presented. The motion was seconded by Dr. Hackbart and passed unanimously.

5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** (Video 00:13:06 to 00:13:44). Mr. Cheatham highlighted key projects the CERS Board has been working on including the first independent SAFR (Summary Annual Finance Report) valuations, the recommended Investment Policy Statement (IPS), and the Strategic Plan. Mr. Cheatham expressed satisfaction with the progress on several outstanding legal issues.
  
6. Mr. Cheatham introduced agenda item ***Actuarial Committee Report*** (Video 00:13:44 to 00:26:54). Mr. Foster noted that the Actuarial Committee met on November 4, 2024, where GRS presented the draft results of the CERS 2024 Actuarial Valuation. On the same day, a regular Board of Trustees meeting was held, during which GRS presented the same draft to the CERS Board for approval. Mr. Foster introduced Mr. Danny White and Ms. Janie Shaw from GRS. Mr. White presented the highlights of the 2024 Valuation Results, noting that the required employer contribution for CERS Non-hazardous will decrease by a little over 1%, while the contribution for CERS Hazardous will decrease by 2.88%. In response to Mr. Cheatham's request for clarification, Mr. White provided a detailed explanation, emphasizing that the reduction in contribution rates was due to an increase in payroll for both non-hazardous and hazardous categories. He explained how the increase in payroll positively impacted the valuation results, leading to the decreased contribution rates. In summary, Mr. White noted it was a positive year for the CERS plans. Mr. Cheatham emphasized for the record the goal of being fully funded by the end of the actuarial period in 2049. Mr. White confirmed this timeline, explaining that the 2019 unfunded base was set with a 30-year funding period, ending in 2049. He noted that while it is too early to discuss specific actions, adjustments to the funding strategy are likely over time to avoid a steep drop in contribution rates. Mr. White assured that the current

funding amortization policy, as written in the statute, will be followed until further modifications are made.

Dr. Hackbart inquired about blending strategies to avoid the cliff effect and adjusting more quickly if investment returns follow anticipated patterns. Mr. White explained that they worked with the legislative research group on a similar issue with a bigger focus on the KRS non-hazardous system. He noted that new gains or losses each year will cause subtle changes, but the overall premise remains. Mr. White emphasized the importance of increasing the funded ratio and stated that the current funding strategy is effective.

Mr. Cheatham asked Mr. White to clarify the contribution of Tier 3 members to the unfunded liability. Mr. White explained that assets are pooled across Tiers 1, 2, and 3, unlike the separation between non-hazardous and hazardous assets. He noted that over half of the total liability for CERS non-hazardous is attributable to retirees. While nearly half of the active members are now earning Tier 3 benefits, they represent only about 10% of the total liability due to their younger age and not yet earning their full liability. Mr. Cheatham asked if the remaining Tier 1 and Tier 2 active members account for the other 40%, to which Mr. White confirmed, stating these are estimates.

A motion was made by Mr. Foster and seconded by Mr. Powell to adopt the employer contribution rates for FY 2025-2026 as presented. The motion passed unanimously.

7. Mr. Cheatham introduced agenda item ***KPPA Audit Committee Report*** (Video 00:26:54 to 00:48:09). Mr. O'Mara indicated that the draft June 30, 2024, External Audit Report would be presented first by Mr. Ryan Graham from Blue & Co. Mr. Lamb then introduced Mr. Graham from Blue & Co. Mr. Graham presented the CERS draft FYE June 30, 2024, External Audit Report which included the financial section of the annual report and GASB 67 and 74, report on internal control, and auditor communications with those charged with governance.

Mr. Lamb then reviewed the draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024, with the CERS Board of Trustees. Mr. Lamb and Mr. O'Mara expressed their gratitude to all involved.

Mr. O'Mara made the motion to accept the auditor's report and approve the financial statements as presented, and Ms. Pendergrass seconded the motion. The motion passed unanimously.

Next, Mr. O'Mara introduced Mr. Lamb to present the Fiscal Year 2023 Government Finance Officers Association's (GFOA) ACFR) NTD (ACFR is defined above). Mr. Lamb noted that upon receiving the Certificate of Achievement for Excellence in Financial Reporting, the GFOA included comments on the submitted 2023 ACFR. Mr. Lamb reviewed these comments alongside management's responses. Mr. Lamb highlighted that this marks the 25th consecutive year of receiving this recognition. He noted plans to apply for two awards: one for the CERS ACFR and one for the KRS ACFR, aiming to continue the tradition. Ms. Pendergrass inquired about the Popular Financial Reporting Award, and Mr. Lamb confirmed they recently received it, noting favorable comments from the group. They plan to apply for this award again after issuing the SAFR in January. Mr. O'Mara extended congratulations to Mr. Lamb and his staff for their continued excellence.

Next, Mr. O'Mara introduced Ms. Coffey to present the Internal Audit Report. Ms. Coffey presented the summary of the November 19, 2024, KPPA Audit Committee Meeting and reviewed the items discussed during the meeting.

8. Mr. Cheatham introduced agenda item *Investment Committee Report* (Video 00:48:09 to 01:07:02). Dr. Hackbart reported that there were two items to present: the Investment Policy Statement and the Quarterly Financial Update. He noted that the CERS Investment Committee has held two meetings. The first was a special-called meeting on November 18, 2024, to discuss the CERS Investment Policy Statement (IPS). The second was the

regular meeting on November 26, 2024, where a variety of topics were discussed, including the financial outlook and the performance report for the first quarter.

At the special-called meeting on November 18, 2024, after thorough discussion, the Investment Committee unanimously approved the proposed IPS, subject to five minor modifications. The recommendation by the CERS Investment Committee was for the CERS Board of Trustees to ratify the actions taken by the Committee as presented. Dr. Hackbart reviewed the discussion with the Trustees, and Mr. Lindberg provided an overview of the IPS development process, emphasizing the goal of enhancing governance while ensuring staff can effectively implement and execute their responsibilities. Mr. Cheatham added that the meeting also led to the decision to create an executive summary of the IPS, which Mr. Branco is working on, to help the general public understand its contents. He further noted that any decisions made by the CERS Investment Committee will require full approval from the CERS Board.

Dr. Hackbart made a motion to ratify the CERS Investment Committee's approval of the amendments to the Investment Policy Statement as presented. Ms. Pendergrass seconded the motion. The motion passed unanimously.

Next, Mr. Willer presented the CERS Investment Office Quarterly Update for the quarter ending September 30, 2024. He noted that there was a robust discussion during the November 25, 2024, CERS Finance Committee Meeting on current market conditions and the outlook going forward. Mr. Willer provided an overview of the performance update for the quarter, highlighting the CERS Economic and Market Update, the CERS Performance and Asset Allocations, the Compliance Report, and the Capital Calls and Distributions. Additionally, Mr. Willer announced the news that Carrie Bass has officially started as the new compliance officer. She has already begun reviewing and overhauling the compliance function and reporting with plans to make enhancements in this area going forward.

9. Mr. Cheatham introduced agenda item *Finance Committee Report (Video 01:07:02 to 01:14:42)*. Mr. O'Mara noted that the CERS Finance Committee met on November 25, 2024. He stated that the Committee is bringing to the Board for ratification the Finance Committee's approval of the Hazardous Duty Requests. Mr. O'Mara indicated a total of nine (9) requests for Hazardous Duty designation for positions in member organizations were considered. After hearing the presentation from KPPA staff, which indicated that each request had been reviewed and determined to meet the statutory guidelines for Hazardous coverage, the CERS Finance Committee voted unanimously to approve each request.

Mr. O'Mara made the motion to ratify the CERS Finance Committee's approval of the Hazardous Duty Requests as presented. Ms. Pendergrass seconded the motion. The motion passed unanimously.

Next, Mr. Lamb presented the Quarterly Financial Reports for the quarter ending September 30, 2024. He highlighted the Combining Statement for Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, the CERS Contribution Report, Outstanding Invoice Report, the Penalty Waiver Report, the Administrative Budget for FY 2024-2025, and the JP Morgan Chase Credit Earnings and Fees for the Fiscal Year Ending June 30, 2025. Mr. Lamb noted an error in the Budget-To-Actual Analysis in the Employee Paid FICA, Retirement, and Health Insurance line items. He assured that the updated Budget-to-Actual Analysis will be corrected going forward, and a new control has been implemented to prevent such errors in the future.

10. Mr. Cheatham introduced agenda item *CERS Election Update/Timeline (Video 01:14:42 to 01:23:37)* Ms. Coffey presented an update on the CERS 2025 timeline. She provided an overview on the completed timeline and noted the addition of a new item, indicating that anyone interested in filing a petition to be put on the ballot could do so, with the deadline set for November 30, 2024. Ms. Coffey noted that, as of the time of this meeting, she had not received any petitions. She then reviewed the remaining items that need to be completed, noting that the term for the new members begins on April 1, 2025, and

individuals are typically sworn in at the first CERS Board meeting that takes place after April 1, 2025.

Next, Mr. Branco reviewed the letter received from the Attorney General regarding our request concerning the constitutional eligibility for election to the CERS Board. The Office identified no constitutional, statutory, or common law incompatibility issue that would arise from any of the named individuals serving as a Trustee while simultaneously holding their positions identified as presented.

Mr. Cheatham asked Ms. Coffey to clarify whether the paperwork each candidate files in order to run addresses their status regarding continued employment or the need to retire. Ms. Coffey explained that one of the first boxes candidates must check on the application, after filling out their name and background information, indicates that if there is a constitutional incompatibility with their current job, they agree to either resign from that position or understand that they cannot serve as a Trustee. She noted this requirement was also discussed with candidates at an informational meeting in August, and it was reiterated in a write-up sent to all candidates, including those who could not attend the meeting.

Mr. Cheatham acknowledged the possibility of conflicting Attorney General opinions circulating and noted that the state statute governing this matter possibly has been amended since those original opinions. He mentioned that Mr. Branco previously indicated the only way to get a definitive clarification would be if the issue ended up in court. Mr. Branco felt the letter from the Attorney General's office was a sufficient response, as the only way to challenge that opinion would be through a court case, which is a difficult scenario to foresee.

11. Mr. Cheatham introduced agenda item *Closed Session* (Video 01:23:37 to 01:24:37). Mr. Foster made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). The motion was seconded by Mr. O'Mara and passed unanimously.



Mr. Cheatham 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.

*Closed Session (Video - Part 2 - 00:00:29 to 00:01:29).*

\*\*\*Mr. Fulkerson exited the meeting prior to the start of closed session.\*\*\*

\*\*\*Ms. Pendergrass exited the meeting during closed session.\*\*\*

Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. Mr. O'Mara made a motion to return to open session, and this 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.


12. There being no further business, Mr. Cheatham requested a motion to *adjourn* the meeting. The motion to adjourn the meeting was made by Mr. Powell and seconded by Dr. Carver. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held December 2, 2024, 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 December 2, 2024, were approved on March 10, 2025.

  
Chair of the Board of Trustees

I have reviewed the Minutes of the December 2, 2024, Board of Trustees Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services