

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES SPECIAL CALLED MEETING  
DECEMBER 21, 2022, AT 11:00 A.M. ET  
VIA LIVE VIDEO TELECONFERENCE**

At the special called meeting of the County Employees Retirement System Board of Trustees held on December 21, 2022, 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, Rebecca Adkins, Erin Surratt, Victoria Hale, Leigh Ann Davis, Connie Davis, D'Juan Surratt, Steve Willer, Joe Gilbert, Jared Crawford, Brian Caldwell, Shaun Case, Ashley Gabbard, Katie Park, and Sherry Rankin. Others present included Danny White with GRS, Eric Branco with Johnson Bowman Branco, LLP, and David Lindberg, Craig Morton, and Chris Tessman with Wilshire Advisors, LLC.

Ms. Pendergrass called the meeting to order.

Ms. Hale read the Opening Statement.

Ms. Rankin took Roll Call.

There being no *Public Comment* submitted, Ms. Pendergrass introduced agenda item *Resolution to Honor Ed Davis* and advised that this item would be discussed at a future meeting of the CERS Board of Trustees.

Ms. Pendergrass introduced agenda item *Investment Objectives (Video, Part 1 00:10:11 to 01:20:51)*. Dr. Hackbart presented the Investment Policy Statement (IPS) & Procurement Policy. He stated that the CERS Investment Committee met on December 15, 2022, and approved several changes/additions to the IPS and Procurement Policy. Dr. Hackbart reviewed the amendments to the IPS with the CERS Board of Trustees. Dr. Hackbart made a motion to ratify the actions taken by the Investment Committee and to approve the amendments to the Investment Policy Statement as presented. Mr. Powell seconded the motion and the motion passed unanimously.

Next, Dr. Hackbart reviewed the amendments to the Procurement Policy with the CERS Board of Trustees. Dr. Hackbart made a motion to ratify the actions taken by the Investment Committee and to approve the amendments to the Procurement Policy as presented. The motion was seconded by Dr. Milkman and passed unanimously.

Ms. Pendergrass stated that the remainder of the meeting would be a joint discussion between the CERS Investment Committee and the CERS Actuarial Committee regarding investment strategies and their effect on assumptions. Mr. David Lindberg with Wilshire briefly presented the Economic and Market Update. Mr. Danny White with GRS presented a Sensitivity Analysis for Discount Rate, Inflation Rate, and Payroll Growth for Nonhazardous Members. He also reviewed an analysis of Contribution Rates over the next 30 years for CERS Nonhazardous and Hazardous Retirement Funds. Mr. White presented a What-If Analysis requested by Ms. Pendergrass. The analysis evaluated the effect of maintaining the FY23 Contribution Rate for an additional five years and then reducing the rate by a maximum of 0.50% of pay each year thereafter for the CERS Nonhazardous plan and the effect of maintaining the FY23 Contribution Rate for an additional five years and then reducing the rate by a maximum of 1.00% of pay each year thereafter for the CERS Hazardous plan. The CERS Board of Trustees discussed the cause and effect of increasing contribution rates.

Ms. Pendergrass announced that the meeting would recess for a 30-minute break.

Ms. Pendergrass introduced agenda item *Actuarial Assumptions (Video, Part 1 00:09:40 to 00:14:29 and Part 2 00:07:06 to 00:25:10)* Ms. Pendergrass directed the Trustees to pg. 69 of the meeting materials and concluded the discussion regarding the Public Pension Funds discount rate. She also mentioned that a discussion of a COLA would take place in the future. Ms. Pendergrass opened the floor for any additional questions or comments for the investment and actuarial consultants present. Mr. Cheatham asked when Wilshire would provide updated Capital Market Assumptions. Ms. Pendergrass advised that those assumptions were provided on pg. 87 of the meeting materials. Mr. Craig Morton with Wilshire reviewed the Capital Market Assumptions as of September 30, 2022, and advised that new assumptions would be available in January 2023. The Expected Risk was 12.59%, said Mr. Morton. He also reviewed the Equilibrium Assumptions with the CERS Board of Trustees, including nominal and real returns. Ms. Pendergrass advised

that a meeting/training would be scheduled in late January 2023 to test data using a different performance model. She also mentioned that a follow-up to this meeting would be scheduled in early February of 2023.

\*\*\*Mr. Foster exited the meeting\*\*\*

Dr. Hackbart commented that data from local governments nationally would be helpful to identify what percentage have built-in COLAs and the percentage of those who do not. Additionally, how those who have built-in COLAs fund them. Ms. Pendergrass directed Mr. Ed Owens to utilize the National Association of State Retirement Administrators (NASRA), the National Institute on Retirement Security (NIRS), and the National Conference on Public Employee Retirement Systems (NCPERS) to gather the requested data. Mr. Danny White with GRS advised that NASRA had published an issue brief on COLAs. Mr. Cheatham asked if any systems offer a benefit selection which would be a lower benefit with an inflation hedge. Mr. White stated that about ten years ago, the Kansas Public Employees Retirement System (KPERs) discussed this idea, however, it was problematic with the IRS. Despite not having a COLA, most CERS members do pay into Social Security which does provide inflation protection, said Mr. White. He reported that almost all CERS positions pay into Social Security. Ms. Pendergrass stated that research would need to be conducted regarding these demographics.

\*\*\*Mr. Cheatham exited the meeting\*\*\*

Ms. Pendergrass stated that there would be no *Closed Session* needed and opened the floor for a motion to adjourn. Mr. O'Mara made a motion and seconded by Mr. Fulkerson to adjourn the meeting. The motion passed unanimously.

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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 21, 2022, were approved on March 9, 2023.

  
Chair of the Board of Trustees

I have reviewed the Minutes of the December 21, 2022, Board of Trustees Meeting for content, form, and legality.

  
Executive Director  
Office of Legal Services