

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
DECEMBER 4, 2023, 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 4, 2023, the following members were present: Betty Pendergrass (Chair), 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, Rebecca Adkins, Erin Surratt, Michael Lamb, Connie Davis, Michael Board, Leigh Ann Davis, Victoria Hale, Carrie Bass, Steve Willer, Anthony Chiu, D'Juan Surratt, Ashley Gabbard, Katie Park, Phillip Cook, and Sherry Rankin. Others present included Craig Morton and Chris Tessman with Wilshire, Danny White and Janie Shaw with GRS, Adam Gordon and Linda Hinton with the Auditor of Public Accounts, and Eric Branco with Johnson Bowman Branco, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Branco read the Opening Statement.

Ms. Rankin called Roll.

There being no ***Public Comment*** received, Ms. Pendergrass introduced agenda item ***Approval of Minutes – November 8, 2023*** (Video 00:05:48 to 00:07:33). Mr. Powell made a motion to approve the minutes as presented and was seconded by Dr. Hackbart and Mr. O'Mara. The motion passed unanimously.

Mr. O'Mara wished to amend the order of the agenda to discuss item ***KPPA Audit Committee Report*** (#8) prior to items ***Actuarial*** (#6) and ***Finance Committee Report*** (#7). Mr. O'Mara made a motion to amend the agenda and was seconded by Mr. Foster. The motion passed unanimously.

Ms. Pendergrass introduced agenda item ***KPPA Audit Committee Report*** (Video 00:07:34 to 00:19:36). Mr. O'Mara stated that Mr. Adam Gordon with the Office of Public Accounts presented the draft 2023 Annual Comprehensive Financial Report (ACFR) at the most recent meeting of the

KPPA Audit Committee. Mr. Gordon briefly reviewed the draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023, with the CERS Board of Trustees.

Ms. Pendergrass introduced agenda item *Actuarial* (Video 00:19:37 to 00:32:36). Ms. Pendergrass reminded the CERS Board of Trustees that the 2023 draft Actuarial Valuation Results were presented in November of 2023; however, there was an adjustment made to the financial statements for CERS. The CERS Board of Trustees accepted the 2023 Draft Actuarial Valuation Results with the understanding that some figures would change.

Ms. Shaw and Mr. White with GRS highlighted the adjustments made to the 2023 Draft Actuarial Valuation Results.

Mr. Powell made a motion to adopt the 2023 employer contribution rates for CERS Nonhazardous (19.71%) and CERS Hazardous (38.61%). Mr. Cheatham seconded the motion. Ms. Pendergrass advised that these rates would be effective July 1, 2024. A vote was taken, and the motion passed unanimously.

Ms. Pendergrass advised that the KRS Board of Trustees had not yet approved a recommendation regarding an actuarial rate for annuity conversions and service purchase calculations. She stated that additional information was requested by the KRS Board of Trustees. Ms. Shaw presented the additional analysis conducted by GRS; Estimated Financial Cost of Proposed Administrative Factor Assumptions (Meeting Material, p. 41).

After considerable discussion of various rates that could be utilized, the CERS Actuarial Committee unanimously voted to recommend an assumed rate of 5.875% as a single rate to be utilized by all plans administered by KPPA to the CERS Board of Trustees, said Ms. Pendergrass.

Ms. Pendergrass requested a motion for an actuarial rate recommendation to the KRS Board of Trustees. Mr. Foster made a motion to adopt a compromised single rate of 5.875%. Mr. Fulkerson seconded the motion. Ms. Pendergrass opposed; however, the motion was adopted.

Ms. Pendergrass introduced agenda item *Finance Committee Report* (Video 00:32:37 to 00:57:29). Mr. O'Mara stated that the CERS Finance Committee met on November 16, 2023. He advised that two (2) items approved by the Committee required ratification by the CERS Board of

Trustees. Mr. D’Juan Surratt presented these items. The CERS Finance Committee considered forty-four (44) requests for Hazardous Duty designation for positions in member organizations, said Mr. Surratt. The Committee voted unanimously to approve each request.

Mr. O’Mara made a motion to approve the Hazardous Duty Requests as presented. The motion was seconded by Mr. Cheatham and passed unanimously.

Additionally, two (2) new agencies elected to participate with the County Employees Retirement System (CERS) under Nonhazardous coverage. Copies of minutes, resolution to participate and agency budgets were submitted. Contracts for Health Insurance were also received from these agencies, said Mr. Surratt.

Mr. O’Mara made a motion to accept the recommendation to add Hyden Leslie County Water District and Springfield Washington County 911 Dispatch. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. Lamb presented the Quarterly Financial Reports to the CERS Finance Committee, said Mr. O’Mara. Mr. Lamb briefly reviewed these reports with the CERS Board of Trustees.

He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of September 30, 2023. Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the three-month period ending September 30, 2023. The CERS Pension Funds Contribution Report was also presented. Mr. Lamb went on to present the Combining Statement of Fiduciary Net Position of Insurance Funds as of September 30, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the three-month period ending September 30, 2023, with the CERS Board of Trustees. Next, he reviewed the CERS Insurance Funds Contribution Report for the three-month period ending September 30, 2023. The CERS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented to the Trustees.

The newly created FY 2023-2024 KPPA Administrative Budget – Budget-to-Actual Summary Analysis for the three-month period ending September 30, 2023, was highlighted by Mr. Lamb. The CERS Board of Trustees requested that the full Budget-to-Actual Analysis be provided directly after the Summary in all future meeting materials.

Lastly, the Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024. He advised that additional information requested by the CERS Board of Trustees regarding JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned was forthcoming.

Ms. Pendergrass introduced agenda item *Investment Committee Report* (Video 00:57:30 to 01:10:29). Dr. Hackbart stated that the CERS Investment Committee met on November 28, 2023. The Committee reviewed informational items only; therefore, no items required ratification by the CERS Board of Trustees, said Dr. Hackbart. He noted that robust discussions took place regarding the two primary options presented by Wilshire and the Investment Office for a new asset allocation. Mr. Steve Willer provided a summary of the asset allocation discussion and presented the first quarter results for FY 2024. Mr. Willer announced that a special called CERS Investment Committee meeting would likely be scheduled for January of 2024 to further discuss asset allocation.

Ms. Pendergrass introduced agenda item *Administrative* (Video 01:10:30 to 01:19:54). Ms. Pendergrass presented the proposed 2024 Recurring Meeting Schedule and noted several revisions. Mr. Powell made a motion to approve the 2024 Recurring Meeting Schedule for CERS. The motion was seconded by Mr. Cheatham and passed unanimously.

Mr. Owens, III, briefly presented his written CEO Report to the CERS Board of Trustees which included a summary of recent CERS Committee meetings and Trustee Education opportunities. Ms. Pendergrass advised that she and Mr. Willer are working to schedule a two-hour Trustee Education Session about Investments.

Mr. Eager provided the CERS Board of Trustees with a written KPPA Update. Mr. Cheatham requested additional information regarding the lease of space for the KPPA Office of Investments. Mr. Eager added that KPPA has legislative support to lease the space in Louisville. Mr. Cheatham asked why the location of the space would be in Louisville as opposed to Lexington. Mr. Eager stated that most of the Investment staff reside in Louisville and the location aids in recruitment. Additionally, the Louisville Muhammad Ali International Airport provides easy travel for investment managers and consultants.

Ms. Pendergrass introduced agenda item ***Closed Session*** (Video 01:19:55 to 01:21:02). 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.

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 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****

Closed Session (Video - Part 2 - 00:01:09 to 00:02:17).

Coming back into open session, Mr. Powell made a motion to approve enforcement action if required or necessary on the information discussed in the closed session. Mr. O'Mara seconded the motion and the motion passed unanimously.

Ms. Pendergrass opened the floor for adjournment. Dr. Hackbart made a motion and was seconded by Mr. Powell 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 December 4, 2023, 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 4, 2023, were approved on January 17, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the December 4, 2023, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services