

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
DECEMBER 5, 2022 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 5, 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, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Leigh Ann Davis, Kristen Coffey, Connie Davis, Elizabeth Smith, D'Juan Surratt, Jared Crawford, Steve Willer, Ann Case, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Janie Shaw with GRS, Chris Tessman, David Lindberg, and Craig Morton with Wilshire Advisors LLC., Allen Norvell and Ryan Graham with Blue & Co., and Eric Branco with Johnson Bowman Branco, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin took Roll Call.

There being no *Public Comment* received, Ms. Pendergrass introduced agenda item *Approval of Minutes – November 9, 2022 (Video 00:08:05 to 00:8:36)*. Mr. Powell made a motion to the minutes as presented and was seconded by Dr. Hackbart. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Finance Committee Report (Video 00:08:37 to 00:23:54)*. Mr. O'Mara stated that the CERS Finance Committee met on November 30, 2022 and approved the presented Hazardous Duty Requests and New Agency Participation in CERS Non-Hazardous. Mr. O'Mara made a motion to ratify the actions taken by the Finance Committee to approve the Hazardous Duty Requests and authorized CERS participation of the City of London Tourism agency as presented. Mr. Powell seconded the motion and the motion passed unanimously. Mr. O'Mara advised that the quarterly financial reports were also reviewed at the

meeting. Ms. Connie Davis, Director of Accounting, presented the quarterly financial reports to the CERS Board of Trustees.

Ms. Pendergrass introduced agenda item *Joint Audit Committee Report* (Video 00:23:55 to 00:32:45). Mr. O'Mara stated that the Joint Audit Committee met on November 28, 2022 and accepted the draft results of the fiscal year ended June 30, 2022 audit, including the Draft Financial Section of the Annual Report. Mr. Ryan Graham with Blue & Co. presented a brief overview of the Draft Financial Section of the Annual Report. Mr. O'Mara made a motion to ratify the actions taken by the Joint Audit Committee and accept the FY 2022 Annual Comprehensive Financial Report and the FY 2022 Annual External Audit Report. Dr. Milkman seconded the motion and the motion passed unanimously. The Joint Audit Committee also approved the purchase of the Security assessment as presented and recommended authorizing KPPA staff to complete the procurement process. Mr. O'Mara made a motion to ratify the actions taken by the Joint Audit Committee and approve the Purchase of Infrastructure and Application Security Assessment. Dr. Carver seconded the motion and the motion passed unanimously. Mr. O'Mara reported that several other informational items were also discussed during the Joint Audit Committee meeting such as an update on invalid addresses and an update on the inability of JP Morgan Chase to serve as a fiduciary.

Mr. Board advised the CERS Board of Trustees of an error within the Board Materials (Summary of Finance Committee Quarterly Meeting, p. 11) which stated, "The Finance Committee requests the County Employees Retirement System Board of Trustees ratify the actions taken by the *Investment* Committee". Mr. Board clarified that the Finance Committee requested that the CERS Board of Trustees ratify the actions taken by the Finance Committee. To ensure accuracy, Mr. O'Mara amended his motion. Mr. O'Mara made a motion to ratify the actions taken by the Finance Committee to approve the Hazardous Duty Requests and authorized CERS participation of the City of London Tourism agency as presented. Dr. Milkman seconded the motion and the motion passed unanimously.

Ms. Pendergrass introduced agenda item *Employer Contribution Rates* (Video 00:32:46 to 00:34:37). Ms. Pendergrass stated that approval of the Employer Contribution Rates presented for the fiscal year beginning July 1, 2023 was required and entertained a motion. Mr. Foster made a motion to adopt the Employer Contribution Rates as presented beginning July 1, 2023. The motion was seconded by Mr. Cheatham and passed unanimously.

Ms. Pendergrass introduced agenda item *Investment Committee Report* (Video 00:34:38 to 01:15:51). Dr. Hackbart reported that the CERS Investment Committee had discussed a request by the Kentucky State Attorney General and State Treasurer which sought clarification regarding ESG and proxy voting. Dr. Hackbart directed the CERS Board of Trustees to the drafted response letter (Board Material, p. 162). CERS CEO Ed Owens, III stated that a joint letter from CERS and KRS was discussed; however, the KRS Board of Trustees decided to draft their own response letter. Dr. Hackbart made a motion to approve the ESG/Proxy response letter to be sent to the AG and Treasurer as presented. The motion was seconded by Mr. Fulkerson. Mr. Powell opposed the inclusion of the proxy voting section of the drafted letter; however, the motion was adopted. Mr. Steve Willer, KPPA Chief Investment Officer, presented an Investment Office quarterly update. Dr. Hackbart stated that he and Mr. Willer are also working to review and make various amendments to the Investment Policy Statement. These amendments will be presented at a future meeting, said Dr. Hackbart. Next, Mr. Willer presented the Investment Administrative Budget. He stated that this budget will continue to be presented to the CERS Investment Committee on a quarterly basis.

Ms. Pendergrass introduced agenda item *Administrative* (Video 01:15:52 to Video 01:41:43). Ms. Pendergrass stated that the CERS Personnel Committee is working to present a recommendation regarding a Personnel Manual which requires that the CERS Personnel Committee adopt a performance plan for the CEO by January 31, 2023. A date of January 10, 2023 was proposed to schedule a regular CERS Personnel Committee meeting. Ms. Pendergrass also proposed a June 6, 2023 regular meeting of the CERS Personnel Committee to conduct a mid-year evaluation for the CERS CEO. Mr. Fulkerson made a motion to approve the modifications to the 2023 CERS Board Calendar. Dr. Carver seconded the motion and the motion passed unanimously.

Ms. Pendergrass reminded Trustees that she would be scheduling a Special Called Meeting – Training Session to discuss performance metrics and measurements for pension funds on January 26th or January 30th, 2023. Additionally, Wilshire and the KPPA Office of Investments would conduct a Special Called Meeting – Investment Training Session in mid-January, said Ms. Pendergrass. She added that these meetings would provide an opportunity for the KPPA Division of Enterprise and Technology Services to complete required Microsoft 365 updates on Trustee equipment; therefore, Ms. Pendergrass urged Trustees to attend one of these trainings in-person.

Mr. Board presented and described the CERS CEO Retirement Benefit and advised that the presented resolution required adoption by the CERS Board of Trustees to set-up and finalize the plan. Mr. Fulkerson made a motion to adopt the resolution and approve the CERS CEO Retirement Benefit as described by Mr. Board. Mr. Cheatham seconded the motion and the motion passed unanimously. Further, Mr. Board asked that the CERS Board of Trustees approve the presented amendments to the CERS CEO Contract in Section 4. Compensation, B. Benefits. Mr. Powell made a motion to amend the CERS CEO Contract. Mr. Fulkerson seconded the motion and the motion passed unanimously.

Next, Ms. Pendergrass introduced the CEO Update. Mr. Owens did not have any items he wished to report. Mr. Eager presented a KPPA Update. He stated that there continues to be work done on the Housekeeping Bill, sponsored by Representative Tipton. A draft of the Bill is to be reviewed with Representative Tipton on December 8th, said Mr. Eager. The final draft will be presented to the Public Pension Oversight Board (PPOB) on December 19, 2022. Lastly, the newly hired Chief Financial Officer (CFO) begins work on January 9, 2023. Additionally, the new Senior Investment Analyst is scheduled to begin on December 16, 2022, said Mr. Eager. The Office of Investments seeking to fill several positions: Private Equity Portfolio Manager, Real Estate and Real Return Portfolio Manager, and Junior Analyst. Mr. Eager reported that the Summary Annual Financial Report (SAFR) is due to the printer on December 15th and the Annual Report will also be completed soon. Lastly, biweekly CEO and Staff Meetings continue and have been beneficial, said Mr. Eager.

Ms. Pendergrass introduced agenda item *Closed Session (Video 01:41:44 to 01:42:41)*. Dr. Carver made a motion and was seconded by Mr. Foster to enter 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 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.

Coming back into open session, Ms. Pendergrass stated that the Board will be taking no action as the result of the closed session discussions and opened the floor for adjournment. Mr. Powell

made a motion and seconded by Mr. O'Mara 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 5, 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, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on December 5, 2022, were approved on March 9, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the December 5, 2022, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services