

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
JUNE 10, 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 June 10, 2024, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, William O'Mara, Betty Pendergrass, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Michael Lamb, Steve Willer, Leigh Ann Davis, Connie Pettyjohn, D'Juan Surratt, Brian Caldwell, Anthony Chiu, Joe Gilbert, Phillip Cook, and Sherry Rankin. Others present included Eric Branco with Johnson Branco & Brennan, LLP, Ryan Graham with Blue & Co., David Lindberg, Craig Morton, and Chris Tessman with Wilshire.

Mr. Cheatham called the meeting to order.

Mr. Branco read the Opening Statement.

Ms. Rankin called Roll.

There being no *Public Comment* submitted, Mr. Cheatham introduced agenda item *Approval of Minutes – May 28, 2024 (Video 00:08:33 to 00:09:16)*. Dr. Carver made a motion to approve the May 28, 2024, minutes as presented. The motion was seconded by Ms. Pendergrass and passed unanimously.

Mr. Cheatham introduced agenda item *Chairman's Corner (Video 00:09:17 to 00:11:25)*. Mr. Cheatham reminded the Trustee's of the upcoming Trustee Education Session that is scheduled for July 17, 2024. Wilshire will be presenting this session on Board Governance. He mentioned that other topics of interest are being planned for upcoming educational sessions. Mr. Cheatham stated that he has attended recent meetings with constituent groups and urges those who wish to schedule a meeting to continue to reach out.

Mr. Cheatham introduced agenda item *FYE 6/30/24 – CERS ACFR – Planning Letter* (Video 00:11:26 to 00:16:27). Mr. Michael Lamb introduced Mr. Ryan Graham with Blue & Co. who is the director in charge of the Audit of the Annual Comprehensive Financial Report (ACFR) for the CERS system. Mr. Graham reviewed the planning letter for the upcoming Audit which he expects to begin in August 2024 and concluding with an issued report in November 2024.

Mr. Cheatham introduced agenda item *Administrative Budget – Hybrid Percentage and CERS Allocation* (Video 00:16:28 to 00:18:50). Mr. Michael Lamb presented a memo detailing the KPPA Ad Hoc Budget Committee's determination of the Fiscal Year 2025 hybrid percentage as follows: CERS 64.16% and KRS 35.84%. The CERS Board is being charged with determining and approving the Fiscal Year 2025 allocation between the CERS Hazardous and CERS Nonhazardous plans. Mr. Lamb indicated that historically this was based on membership and provided the following percentages using that application: CERS Nonhazardous 59.00% and CERS Hazardous 5.16%. Ms. Pendergrass made a motion to approve the Fiscal Year 2025 allocation of the CERS Hybrid Percentage between the CERS Non-Hazardous and the CERS Hazardous funds, based on membership, as presented. The motion was seconded by Mr. O'Mara and passed unanimously.

Mr. Cheatham introduced agenda item *Bylaw Changes – Second Reading* (Video 00:18:51 to 00:19:50). Mr. Cheatham stated that this is a second reading of the amended Bylaws wherein the language was changed to allow additional Board members to participate in the various Committees. Mr. Fulkerson made a motion to approve the amendments to the Bylaws as presented. The motion was seconded by Dr. Hackbart and passed unanimously.

Mr. Cheatham introduced agenda item *Investments* (Video 00:19:51 to 00:54:50). First Dr. Hackbart presented the details surrounding the Committee's recommendation of the Lower Risk A, with the modification of an increase of three (3%) percent in the Core Fixed Income asset class and a decrease of three (3%) percent in the Specialty Credit asset class. Mr. Steve Willer, along with Mr. Craig Morton and Mr. David Lindberg with Wilshire, provided additional information regarding the proposed recommendation. Dr. Hackbart made a motion to ratify the recommendation of the Investment Committee to amend the asset allocation as presented. The motion was seconded by Mr. O'Mara and passed unanimously.

Then, Steve Willer presented the information around the Investment Committee's approval of a change to the benchmark for internally managed large cap public equity from the S&P 500 to the Russell 500. Mr. Fulkerson made a motion to ratify the recommendation of the Investment Committee to change the benchmark index from the US large cap passively managed internal portfolio from the S&P 500 to the Russell 500 Index as presented. The motion was seconded by Mr. Powell and passed unanimously.

Mr. Cheatham introduced agenda item **Finance** (*Video 00:54:51 to 01:02:51*). First Mr. O'Mara asked Mr. D'Juan Surratt to present the Hazardous Duty Requests. Mr. Surratt stated that the Committee approved the nine (9) requests for hazardous duty coverage that KPPA staff received, reviewed, and determined that they met statutory guidelines for hazardous coverage. Mr. Powell made a motion to ratify the recommendation of the Finance Committee to approve the Hazardous Duty Requests as presented. The motion was seconded by Mr. O'Mara and passed unanimously.

Then, Mr. Lamb presented highlights from the Quarterly Financial Update. Finally, Mr. O'Mara reviewed the Fiscal Year 2025 KPPA Budget Planning Process. He stated that he, along with Mr. Prewitt Lane, representing the Kentucky Retirement Systems, and the KPPA accounting and management staff, have been going through a detailed review of the entire budget process including the determination of the hybrid percentages, as well as all aspects of the KPPA budget. He indicated that the KPPA Ad Hoc Budget Committee will be meeting again to approve a final budget to present to the KPPA Board later in the month.

Mr. Cheatham asked Mr. Willer to review the Investment Budget update per request of Ms. Pendergrass (*Video 01:02:52 to 01:07:45*). Mr. Willer reviewed the Investment Administrative Budget and the Investment Fees and Expenses for the nine (9) months period ending March 31, 2024.

Mr. Cheatham introduced agenda item **Staff Reports** (*Video 01:07:46 to 01:11:49*). First Ed Owens highlighted the recent employer meeting that was included in his CEO Report. Then, Mr. Eager stated that KPPA staff continues to monitor actions of pension systems in other states for ways to continue enhancement to our internal processes. He highlighted the KPPA attendance at various conferences that was included in his KPPA Update.

Mr. Cheatham introduced agenda item *Closed Session (Video 01:11:50 to 01:12:43)*. Mr. Powell made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). The motion was seconded by Mr. Foster 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.

****Mr. Fulkerson exited the meeting prior to the start of Closed Session****

Closed Session (Video - Part 2 - 00:00:31 to 00:03:59).

Coming back into open session, Mr. Cheatham requested a motion to come out of Closed Session. Dr. Hackbart made a motion to return to open session and was seconded by Mr. O'Mara. The motion passed unanimously. Mr. Cheatham stated that no action was taken as a result of the closed session discussions.

Mr. O'Mara requested the floor to recognize Mr. David Eager as this is his last attendance at a CERS Board meeting. Mr. O'Mara commended him for his tenure and leadership as well as delaying his retirement to assist in the transition of his replacement. Mr. Cheatham, Dr. Hackbart and Mr. Powell also added their accolades for Mr. Eager.

Mr. Cheatham opened the floor for adjournment. Mr. Powell made a motion and was 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 June 10, 2024, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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 June 10, 2024, were approved on September 9, 2024.


Chair of the Board of Trustees

I have reviewed the Minutes of the June 10, 2024, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services