MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
FINANCE COMMITTEE MEETING
MAY 18, 2026, AT 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the meeting of the County Employees Retirement System Finance Committee held on May 18, 2026, the following members were present: William O'Mara (Chair), George Cheatham, Jim Tony Fulkerson, Dr. Patricia Carver, and Steve Webb. Staff members present were CERS CEO Ed Owens III, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Steve Willer, Victoria Hale, Nathan Goodrich, D'Juan Surratt, Connie Davis, Shaun Case, Sherry Rankin, and Mary Hill. Others in attendance included Eric Branco with Johnson, Branco, and Brennan, LLP.

1. Mr. O'Mara called the meeting to ***Order***.

2. Mr. Branco read the ***Legal Public Statement.***

3. Ms. Rankin called ***roll.***

4. Ms. Rankin noted there were no ***Public Comments*** received.

5. Mr. O'Mara introduced agenda item ***Approval of Minutes – February 16, 2026.*** *(Video 00:08:53 to 00:09:23).* Mr. Fulkerson made the motion to approve the minutes from the meeting held on February 16, 2026, as presented. Mr. Cheatham seconded the motion. The motion passed unanimously.

6. Mr. O'Mara introduced agenda item ***FY 2027 Hybrid Percentage Allocation.*** *(Video 00:09:27 to 00:11:35).* Mike Lamb began his presentation by stating that his report is the allocation specific to the CERS portion of the hybrid percentage plan. The total plan previously approved by the KPPA Board in March 2026 allocated 64.38% to CERS and 35.62% to KRS. Mr. Lamb further explained that each system then determines the recommended allocations for their own plans. This has traditionally been decided by

relative membership. Membership in the CERS Nonhazardous plan totaled 263,522 and Hazardous membership totaled 23,873. As a result of these membership numbers, the recommended allocations are 59.17% for Nonhazardous members and 5.21% for Hazardous members. Mr. O'Mara requested a motion to approve the FY 2027 allocation of the CERS hybrid percentage between the CERS Nonhazardous duty member fund and the CERS Hazardous duty member fund as presented. Dr. Carver made a motion to approve, and it was seconded by Mr. Fulkerson. A vote was held and the motion passed unanimously.

7. Mr. O'Mara introduced agenda item ***Quarterly Financial Reports.*** *(Video 00:11:38 to 00:18:33)*. Mr. Lamb provided an update on the CERS Fiduciary Net Position, reporting overall growth and increases. He highlighted some notes on the figures, including those about unrealized gains on real returns and the total investments at fair value. He noted that both the pension and insurance plans are up 11.66% and 8.51%, respectively. Mr. Lamb stated that the overall growth in all plans is driven by overall net investment income being higher. Both administrative costs and contributions increased at the same rate.

   Mr. Lamb continued with an overview of the CERS Contribution Report, stating that both CERS pension plans received $904.5 million in member and employer contributions through the third quarter of FY 2026, an increase of $21.1 million over the same period the previous year. He went on to explain some changes in the employer pay credit due to an increase in both participants and salaries, leading to higher member contributions. Net investment income also increased by 9.34%. Despite these gains, the overall net contributions and cash flow remain in the red before adding the net investment income. Insurance plan contributions and cash flow are also in the negative without net investment income.

   Mr. Lamb continued and discussed Past Due Invoices *(Video 00:18:35 to 00:30:56)*. He noted an increase in the amount past due between the second and third quarters due to a large increase in invoices. He highlighted a few specific entities and how their balances affect the overall past due amount. One large account, the Metcalfe Health Care Center has been actively working with KPPA staff and making regular payments. Additionally, their balance will be paid by the end of FY 2026 as required by their cessation agreement. Mr. Lamb explained that while the past due numbers have trended upward, there have been significant gains made since reports were released in March 2026. He also gave a brief overview of the Penalty Invoice Report for the third quarter.

Mr. Cheatham inquired about some accounts not appearing in the Past Due Invoices report and asked for some clarification on the process of determining past due amounts. Mr. Lamb explained that invoices are typically due thirty (30) days after delivery, even if the past due amounts being invoiced are from years prior. If the invoice is not paid within those thirty (30) days, it is flagged as past due. Mr. Lamb stated that the previous reports were of all open invoices, and he pushed to have a snapshot of the past due invoices that remain continually past due. Regarding the entities Mr. Cheatham asked about, Mr. Lamb explained that while their accounts were found to be unpaid from previous years, the errors were only recently found and invoiced and therefore would not yet show up as past due on the report being shared.

Mr. Cheatham then requested a list of every entity that has a past due balance, rather than simply the top ten (10) accounts. Mr. Lamb stated that a full, comprehensive report is provided to the CEOs on a quarterly basis. Mr. Owens stated that he would be happy to pass those reports on to the rest of the committee. Mr. Webb asked about the possibility of flagging any past due accounts earlier in the process and Mr. Lamb stated that he and Mr. Surratt do go over those numbers on a monthly basis to catch any errors before they get out of hand. He credited Mr. Surratt and his team for being diligent in their ongoing reviews, but admitted that with so many employers, sometimes past due accounts do go unnoticed and they accumulate.

8. Mr. O'Mara introduced agenda item ***Hazardous Duty Requests.*** *(Video 00:31:01 to 00:36:29)*. Mr. Surratt reported there were seventeen (17) positions being requested for hazardous duty, all of which were police or paramedic positions. He noted that a staff review showed these positions met the statutory guidelines for hazardous duty classification. Mr. Surratt highlighted the Anderson County Fiscal Court's request for a

retroactive classification and Dr. Carver asked if there had previously been requests for positions older than five (5) years to be reported retroactively. Mr. Surratt explained that during reviews, his team has found misclassifications that go back several years, but contributions have been made by the employer, and the position simply requires approval by the board. He clarified that if it is discovered that contributions were not being made KPPA does invoice those employers.

Mr. Cheatham asked about members being classified as part-time but averaging more than 100 hours per month and how that related to a discrepancy in contributions. Mr. Surratt explained that his team occasionally finds instances of this during their compliance reviews and when they are found, the employers are invoiced for the past due amounts. He noted that KPPA has planned to begin averaging and billing for this on a yearly basis in order to catch those discrepancies earlier.

Mr. O'Mara requested a motion to approve the hazardous duty coverage requests as presented. Mr. Webb made the motion and Mr. Cheatham seconded. The motion passed unanimously.

9. Mr. O'Mara introduced agenda item ***Draft FY 2027 Administrative Budget.*** *(Video 00:36:31 to 00:53:32)*. Mr. Lamb first presented the quarterly administrative budget to actual report for FY 2026 and highlighted a few line items being closely monitored, including salary/wages and locality premiums, employer paid FICA and retirement, and employer paid health insurance. Most line items are expected to come in under budget at fiscal year-end.

Mr. Lamb continued and presented a draft of the FY 2027 administrative budget. He stated that the Ad Hoc Budget Committee determined the requested biennium budget amount presented to the Kentucky legislature. The passage of House Bill 500 granted KPPA $49.8 million, about $1 million less than was requested. He explained the budget drafting process and that since submitting the draft, he has had discussions with several division directors and adjusted the proposed budget. According to new calculations, the proposed budget is just over $1.5 million higher than what was granted. Mr. Lamb further explained that his calculations included personnel costs, turnover ratio, and the 2% salary increase awarded to all state employees that will go into effect July 1, 2026. Overall, he stated the budget is tight but should be manageable.

Mr. Cheatham raised some questions regarding the difference in the approved budget and the projected actual for FY 2026. Mr. Lamb further explained that the projected actual was simply his best estimate of what will be spent by year-end. He went on to highlight several line items in FY 2027's budget and explained why they are projected to increase. He stated he will have more accurate figures by the regular CERS Board of Trustees meeting in June, as that will be even closer to fiscal year-end.

10. Mr. O'Mara introduced agenda item ***Draft FY 2027 Investment Budget.*** *(Video 00:53:36 to 01:08:11).* Mr. Willer gave an overview of the Investment Budget and noted a projected 28% decrease in legal and auditing services. A modest 2% increase was budgeted for consulting services, and a 16% increase was budgeted for contractual services. Mr. Willer noted that through the first three (3) quarters of the fiscal year, only 42% of the total amount budgeted had been spent, largely driven by the savings from the legal and auditing services line items. He specifically highlighted the variability in expenses for Jayant Ghevaria, the firm that provides the required tax and accounting services for investments in the public equity portfolio in India. He explained that the timing for invoices from the firm is difficult to anticipate, as they go long periods of time without sending invoices, and then send multiple invoices at the same time.

Mr. Cheatham asked about the Solovis contract and noted there had been previous discussions about termination. Mr. Willer stated that Solovis provides several services for the KPPA investment team and that the team is currently performing a full review and anticipates having a recommendation for the Investment Committee and the Board of Trustees in the next year. He noted that it is likely too soon to determine exactly what the recommendation will be, but the team continues to monitor and scale back services as needed to save costs. Regarding Albourne, Mr. Willer explained that they provide private markets consulting, and the investment team is very pleased with the work they have been doing thus far. He stated that in the near future, the investment team will be conducting a full review of the consulting services to determine what is needed from both a general consultant and those that provide specialty consulting services. Mr. Cheatham noted that the review is one that should be discussed with the Investment Committee and Mr. Willer agreed.

11. Mr. Willer then gave a brief overview of the ***Other Financial Updates*** including investment fees and expenses. He noted that the largest increase was in the Real Return asset class due to the investment staff building portfolios toward asset allocation targets. Mr. Willer made sure to note that staff continue to negotiate fee schedules with external managers, targeting rates that consistently fall within the lowest quartile. As a result of these ongoing fee negotiations, staff have saved the systems more than $4 million. Mr. Cheatham gave Mr. Willer and his team recognition for the substantial savings they have negotiated for the systems.

12. There being no further business, Mr. O'Mara declared the meeting ***adjourned***.

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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.

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Recording Secretary

I, William O’Mara, the Chair of the County Employees Retirement System Finance Committee, do certify that the Minutes of Meeting held on May 18, 2026, were approved on August 27, 2026.

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Chair of the CERS Finance Committee

I have reviewed the Minutes of the May 18, 2026, CERS Finance Committee Meeting for content, form, and legality.

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Executive Director
Office of Legal Services