

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
FINANCE COMMITTEE MEETING
MAY 19, 2025, AT 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the regular meeting of the County Employees Retirement System Finance Committee held on May 19, 2025, the following members were present: William O'Mara (Chair), George Cheatham, Dr. Carver, and Steve Webb. Staff members present were CERS CEO Ed Owens III, Erin Surratt, Mike Lamb, Michael Board, Victoria Hale, D'Juan Surratt, Connie Davis, Steve Willer, Shaun Case, Sandy Hardin, and Sherry Rankin. Others in attendance included Eric Branco with Johnson Bowman Branco 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 was no ***Public Comment***.
5. Mr. O'Mara introduced agenda item ***Introduction of New Committee Members*** (Video 00:06:15 to 00:06:36). Mr. O'Mara took a moment to introduce and welcome the Finance Committee's newest member, Mr. Steve Webb. He expressed his anticipation for Mr. Webb's contributions, particularly given his financial background, and formally welcomed him to the committee. Mr. Webb thanked Mr. O'Mara and the committee, stating that he was happy to be a part of the group.
6. Mr. O'Mara introduced agenda item ***Approval of Minutes – February 17, 2025*** (Video 00:06:36 to 00:07:19). A motion was made by Mr. Cheatham to approve the February 17, 2025, minutes as presented. Dr. Carver seconded the motion. The motion passed unanimously.

7. Mr. O'Mara introduced agenda item ***Quarterly Financial Reports*** (Video 00:07:19 to 00:23:26). Mr. Lamb presented the Quarterly Financial Reports to the Committee, reviewing several key documents, including the Quarterly Financial Spreadsheet, Administrative Expense to Budget, Contribution Report, Outstanding Invoice Report, and the Penalty Waiver Report. He addressed questions from the committee members, providing clarity and detailed insights.

Of note, Mr. Cheatham inquired about the factors contributing to the 5.71% increase in the employee contribution rate, specifically whether the rise was due to an increased number of beneficiaries or payroll income growth. Mr. Lamb responded that, while he did not have the specific numbers on hand, he typically analyzes how the percentage is distributed between payroll and headcount. He confirmed that he would break down the data and provide that analysis via email, ensuring others are copied on the information.

8. Mr. O'Mara introduced agenda item ***Administrative Budget*** (Video 00:23:26 to 00:34:44). Mr. Lamb reviewed the Administrative Budget through March 31, 2025, noting that overall spending remains on track and is expected to stay under budget for the fiscal year. He highlighted a potential overage in employer-paid health insurance but assured that other personnel and operational expenses would offset it. Additionally, he discussed legal expenses and clarified adjustments needed for proper tracking.

Mr. Lamb then presented the hybrid percentage and CERS allocation for fiscal year 2026, noting that the KPPA Board had approved the allocation percentages, setting CERS at 64.35% and KRS at 35.65%, effective July 1. Historically, individual systems, including CERS and KRS, have allocated these percentages among their pension plans based on headcount. He provided a breakdown of headcounts and corresponding percentage allocations and sought formal approval for the percentage breakdown within the CERS plans for fiscal year 2026.

Mr. Cheatham made a motion to approve the CERS Allocation of the CERS percentage as presented. Mr. Webb seconded the motion. The motion passed unanimously.

Mr. Lamb presented the preliminary draft of the Fiscal Year 2026 Administrative Budget, noting that this year's process did not include a budget task force for feedback. He explained that KPPA will approve the Administrative Budget at the end of June, and he intends to review the allocations for the CERS and KERS systems in the coming weeks. The total allocated budget is \$49,969,700, as determined by the KERS biennial budget. He outlined how KPPA traditionally distributes this amount among categories, with personnel, legal, and information technology being the largest components. Personnel expenses may see a slight increase, while IT is expected to remain close to its \$4.2 million allocation.

Mr. Lamb also discussed an unallocated reserve, which he expects to be around \$1 million after final budget adjustments. This reserve is typically not spent unless unexpected needs arise, in which case KPPA Board approval would be required. He invited committee members to review the figures and provide any feedback.

Mr. O'Mara provided context regarding the budget process, noting that since KPPA operates under a two-year budget, the financial allocations were already set in prior years. He explained that, historically, a work group was formed to determine how funds should be distributed, but since the budget was established last year for the two-year period, the need for such a group was reduced this year. Mr. Lamb acknowledged this point and mentioned that with the upcoming KRS budget due in October, it may be beneficial to reconvene a task force to assist in developing the next biennium budget for KPPA. He suggested this idea for further discussion, emphasizing its potential value in preparing the upcoming financial plan.

Mr. Cheatham inquired about the budgeting for E-MARS usage, noting that the allocated amount was \$50,000 but the actual expenses appeared likely to exceed that amount. Mr. Lamb explained that E-MARS charges are based on the number of users, including the procurement and accounting teams, rather than transaction volume. He acknowledged that the billing rate this year was higher than anticipated, and the organization had not been informed of the increase at the beginning of the fiscal year, resulting in a budget

overage. Mr. Cheatham noted that similar concerns had been raised elsewhere regarding increased rates, suggesting a broader statewide adjustment. Mr. Webb then sought clarification on the billing method, asking whether the fees were based on user count rather than transactions. Mr. Lamb confirmed that the charges are determined by the number of users, with minimal transaction volume compared to other state agencies.

9. Mr. O'Mara introduced agenda item ***Hazardous Duty Requests*** (Video 00:34:44 to 00:36:08). Mr. D'Juan Surratt presented fifteen (15) positions, all of which are police, fire, or paramedic positions, all requesting Hazardous Duty coverage. He noted that KPPA has reviewed the positions and determined they meet the statutory guidelines for Hazardous Duty coverage.

Dr. Carver made a motion to approve the hazardous duty coverage requests as presented. Mr. Webb seconded the motion. The motion passed unanimously.

10. Mr. O'Mara introduced agenda item ***Other Financial Updates*** (Video 01:22:04 to 01:27:48). Mr. Willer reviewed the Investment Trust Budget along with the Pension and Insurance Investment Fees and Expenses for the quarter ending March 31, 2025. Overall, despite some timing adjustments and expense variations, the financial reports aligned with budget expectations, and certain reductions were anticipated for fiscal 2026.
11. 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.

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 February 17, 2025, were approved on May 19, 2025.

Chair of the CERS Finance Committee

I have reviewed the Minutes of the May 19, 2025, CERS Finance Committee Meeting for content, form, and legality.

Executive Director
Office of Legal Services