

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
FINANCE COMMITTEE MEETING
NOVEMBER 24, 2025, AT 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Finance Committee held on November 24, 2025, 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, Ryan Barrow, Erin Surratt, Michael Lamb, Victoria Hale, Nathan Goodrich, Steve Willer, D'Juan Surratt, Shaun Case, Sandy Hardin, and Sherry Rankin. Others in attendance included Eric Branco with Johnson Bowman Branco, LLP, and Roger Alfaro and Lealand Miller with Eide Bailly.

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 ***Approval of Minutes – August 18, 2025*** (*Video 00:06:09 to 00:06:41*). Mr. Fulkerson made the motion to approve the minutes from the meeting held on August 18, 2025, as presented. Dr. Carver seconded the motion. The motion passed unanimously.
6. Mr. O'Mara introduced agenda item ***External Audit – CERS ACFR*** (*Video 00:06:41 to 00:30:34*). Mr. Lamb introduced auditors Lealand Miller and Roger Alfaro of Eide Bailly. Mr. Miller expressed appreciation to staff for their cooperation during this first-year audit and provided a brief overview of Eide Bailly, emphasizing the firm's expertise in government and public pension plans. He explained that the audit team consisted of

partners, managers, and specialists in actuarial and IT controls to ensure a thorough review and the application of best practices. Mr. Miller reported that the draft financial statements for CERS as of June 30, 2025, are expected to receive a clean, unmodified opinion, with only minor, non-substantive changes. He further confirmed that no issues came to their attention and that the final statements are anticipated to be issued shortly.

Mr. Alfaro reported on the draft audit communication, noting it was conducted under U.S. generally accepted and government auditing standards. He emphasized that management, with oversight from the committee and board, is responsible for the financial statements, while the audit provides reasonable but not absolute assurance. The review considered internal controls and laws but does not guarantee compliance or effectiveness. No material misstatements or adjustments were identified, though minor past investment differences were deemed immaterial. Key risk areas addressed included management override, contributions and receivables, benefit payments, alternative investments, and pension liabilities. Mr. Alfaro confirmed there were no disagreements with management, praised their cooperation, and reaffirmed the auditors' independence.

Mr. Fulkerson inquired about the notation "Boise, Idaho" on the last page of the audit draft. Mr. Miller explained that auditing standards require the city of the signing partner or the office where the majority of the audit team is based to be listed. While the report is addressed to CERS in Kentucky, the Boise reference reflects the firm's office involvement. He noted that Mr. Alfaro is from a California office, with other team members also from California, and the team was assembled to best serve Kentucky with the appropriate expertise.

Mr. Cheatham asked whether the Board Book contained the complete audit documents compared to what the Audit Committee reviewed. Mr. Lamb confirmed that the current version is complete, with only minor commentary or spelling changes expected before approval, and no additional schedules, charts, or letters to be added.

Dr. Carver inquired about areas requiring special attention in the future, and Mr. Miller responded that no significant concerns were identified, reiterating that while certain risk

areas are always monitored across public pension plans, the audit found processes and controls to be sound, with continued diligence and adherence to internal controls recommended.

Dr. Carver made the motion to accept the CERS external audit for FY Ended June 30, 2025, as presented and to forward it to the CERS Board for approval. Mr. Fulkerson seconded the motion. The motion passed unanimously.

7. Mr. O'Mara introduced agenda item ***GFOA FY Ended June 30, 2024, ACFR Letter Comments.*** (*Video 00:30:34 to 00:35:10*) Mr. Lamb noted that the 2024 CERS ACFR was submitted as a standalone report to the GFOA and received the Award for Excellence in Financial Reporting, along with several comments for improvement in the 2025 ACFR. Four areas were addressed: formatting of the basic financial statements and notes, clarification in the table of contents to properly depict the five essential ACFR sections and their subsections, correction of note disclosures to identify CERS as a cost-sharing multiple-employer plan, and adjustments to the table of contents to properly distinguish required supplementary information from other supplementary information. Management concurred with all recommendations, implementing formatting consistency, clearer section segregation with color coding, updated pension note disclosures, and corrected RSI references. A letter outlining these responses will accompany the approved ACFR when submitted to the GFOA for next year's award consideration.

Mr. Fulkerson made the motion to approve the GFOA FY Ended June 30, 2024, ACFR letter comments as presented. Mr. Webb seconded the motion. During discussion, Mr. O'Mara shared feedback from the Audit Committee, noting that a former reviewer considered some of the GFOA's remarks to be minor rather than substantive. He emphasized that the report was well received in its first year as a standalone submission and expressed appreciation for the quality of comments provided. Mr. O'Mara also commended Mr. Lamb and his staff for their professionalism and strong work. Following the discussion, the motion passed unanimously.

8. Mr. O'Mara introduced agenda item ***Quarterly Financial Reports*** (*Video 00:35:10 to 00:50:22*). Mr. Lamb presented the Quarterly Financial Reports to the Committee, reviewing several key documents, including the Fiscal Year End Financial Spreadsheet, Administrative Expense to Budget, Contribution Report, Outstanding Invoice Report, and the Penalty Waiver Report. Mr. Cheatham inquired about the insurance premium. Mr. Lamb explained that insurance is a one-time annual premium of \$12,000, paid in July, which he had mistakenly budgeted at \$7,500 based on an older figure. He clarified that the \$7,500 amount was from two years ago and that the increase was overlooked in the budgeting process. Mr. Lamb noted that premiums generally rise each year based on the annual inventory of property owned by KPPA, such as computers and laptops, and confirmed that the current premium covers the entire year's risk. Lastly, Mr. Lamb reviewed the JP Morgan Chase Hard Interest Earned chart that detailed the tracking of JP Morgan fees and interest. Under the new contract with JP Morgan through the Commonwealth, no fees are being charged, and only hard dollar interest has been earned on all JP Morgan Chase accounts. The interest earned has been allocated accordingly to the systems.

9. Mr. O'Mara introduced agenda item ***Hazardous Duty Requests*** (*Video 00:50:22 to 00:53:18*). Mr. Surratt presented 17 positions for hazardous duty coverage, including police, fire, and one paramedic role. He reported that KPPA staff reviewed the position questionnaires and job descriptions, confirming they meet statutory guidelines for hazardous duty. He requested committee approval for the positions to be forwarded to the CERS Board for final approval.

Mr. Fulkerson made the motion to approve the hazardous duty coverage requests as presented. Dr. Carver seconded the motion. During discussion, Dr. Carver noted that some requests dated back to 2019 and asked Mr. Surratt for clarification. Mr. Surratt explained that the agency involved had been reporting individuals in hazardous duty positions that were not formally approved, and staff are now working with the agency to obtain proper Board approval. Once approved, records will be corrected accordingly. Mr. Cheatham referenced a recent news report regarding a pay issue in Henderson

involving reimbursement of approximately \$250,000 to hazardous duty employees and asked whether contributions are being reviewed to ensure accuracy. Mr. Surratt responded that he was not aware of the situation but would investigate further. Following discussion, the motion passed unanimously.

10. Mr. O'Mara introduced agenda item ***Other Financial Updates*** (*Video 00:53:18 to 00:57:04*). Mr. Willer reported that first-quarter investment expenses totaled \$941,000, representing 8% of the annual budget and running below expectations. Consulting services were in line with the budget (21% spent), legal and auditing services were minimal (2%), and contractual services reached 11% due to timing issues. The largest line item, BNY custodial fees, was paid in October at \$800,000, and a \$60,000 fee for international tax accounting services was also recently paid. At the total pension level, investment fees and expenses declined \$4.4 million (10%) compared to the prior year, driven largely by reduced specialty credit performance and miscellaneous expenses. While fees for most asset classes rose modestly with market values, staff continues to monitor manager fees to ensure systems remain in the lowest quartile. Overall investment management fees average 30 basis points annually across the portfolio, with CERS pensions at 29.6 basis points. Core fixed income has the lowest fee rate (6.4 basis points), while the real return portfolio is the highest (79 basis points).
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 November 24, 2025, were approved on February 16, 2026.

Chair of the CERS Finance Committee

I have reviewed the Minutes of the November 24, 2025, CERS Finance Committee Meeting for content, form, and legality.

Executive Director
Office of Legal Services