

MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM BOARD OF TRUSTEES
FINANCE COMMITTEE November 3, 2021 AT 2:00 P.M.
VIA LIVE VIDEO TELECONFERENCE

At the meeting of the County Employees Retirement System Board of Trustees Finance Committee held on November 3, 2021 the following members were present: JT Fulkerson and George Cheatham. Other Board members present: Betty Pendergrass, Merl Hackbart and Jerry Powell. Staff members present were David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Victoria Hale, Steven Herbert, Jared Crawford, Elizabeth Smith, Ann Case, Connie Davis, D’Juan Surratt, Chris Johnson, Ashley Gabbard, Glenna Frasher, Shaun Case, Phillip Cook, and Sherry Rankin. Others in attendance were Joseph Bowman with Johnson Bowman Branco, and Allen Norvell and Ryan Graham with Blue and Company.

Mr. Fulkerson called the meeting to order and Mr. Board read the Legal Opening Statement.

Ms. Rankin called the roll.

Since there was no public comment submitted, Mr. Fulkerson introduced agenda item *Approval of Minutes – September 1, 2021*. Mr. Cheatham made a motion and Mr. Fulkerson seconded to approve the minutes as presented. The motion carried unanimously.

Mr. Fulkerson introduced agenda item *Update on External Audit*. Ms. Adkins introduced the new layout for the Financial Statements that include the four trusts (CERS, KERS, SPRS, and Insurance) and provides KPPA Totals for the current and previous years. This change was recommended by Blue and Company to better comply with GASB 67 standards and will be the layout utilized in the Audit Report. Because this committee reviews the Financial Statements, the KPPA Staff wanted to provide this preview of the new changes to the committee members. Since the Joint Audit Committee would be recommending any changes, the presentation to this committee was for informational purposes only. There being no questions by the committee members, Ms. Adkins introduced Alan Norvell and Ryan Graham with Blue and Company to provide an update on the External Audit. Mr. Norvell thanked the KPPA staff for their assistance

in providing the necessary information and the additional work that was involved in Blue and Company's first year of conducting this audit. Mr. Graham gave an update on the status of the audit. He indicated that the vast majority of the detail testing has been completed, a few more open items are needed before we can provide a draft copy of the audit, but the project is progressing in ordinary course. Mr. Cheatham asked about the expected date of completion of the audit. Ms. Adkins responded that the Joint Audit Committee will present the final version of the External Audit at their special called meeting on November 30, 2021.

Mr. Fulkerson introduced agenda item *Quarterly Financial Reports*. Ms. Adkins reviewed the Combining Statement of Fiduciary Net Position for the Pension Funds and the Combining Statement of Changes in Fiduciary Net Position for Pension Funds, Combining Statement of Fiduciary Net Position for the Insurance Funds, Combining Statement of Changes in Fiduciary Net Position for Insurance Funds, KPPA Administrative Expenses – Budget to Actual Analysis for CERS system, Contribution Reports for both Pension Funds and Insurance Funds, Outstanding Invoice Report and Penalty Waiver Report. These reports were provided for informational purposes only. Mr. Cheatham asked for clarification on the whether the figures for the Absolute Return and Real Return were combined. Ms. Adkins affirmed that statement. Mr. Cheatham commented that these figures would indicate a reduction and asked for further explanation. Ms. Case stated that the Absolute Returns are being phased out and are just awaiting receipt of those funds, but she will review it closer and will get a more definite answer. Ms. Adkins stated that the Ad Hoc Committee regarding the allocation of administrative expenses met and are exchanging information and will finalize how these expenses are to be allocated to the systems. Mr. Cheatham questioned what could be possible reasons for the decline in the contributions and was it due to unfilled positions. Ms. Adkins stated that member contributions is more than just contributions based on payroll, as it also includes service purchases and a decline in those can certainly reflect in the overall figures in the contribution line on these reports.

Mr. Fulkerson introduced agenda item *Hazardous Duty Requests*. Mr. D'Juan Surratt provided details on agencies requesting hazardous duty coverage for the following positions:

<u>Agency</u>	<u>Position</u>	<u>Effective Date</u>
Shelby County Fiscal Court	Captain/Advanced Emergency Medical Technician	12/1/2021
Shelby County Fiscal Court	Sergeant/Advanced Emergency Medical Technician	12/1/2021
Shelby County Fiscal Court	Advanced Emergency Medical Technician	12/1/2021
Adair County Fiscal Court	Emergency Management Director	09/1/2021
City of Taylor Mill	Assistant Fire Chief	09/1/2021
City of Murray	Assistant Fire Chief	11/1/2021

Mr. Surratt stated that Kentucky Public Pensions Authority has reviewed these requests and determined that they meet the statutory guidelines for Hazardous Duty coverage. Mr. Surratt requested approval from this Committee of these positions receiving hazardous classification. Mr. Cheatham made a motion and Mr. Fulkerson seconded to approve the hazardous duty requests as presented. The motion passed unanimously.

Mr. Fulkerson introduced the agenda item *Cybersecurity Awareness Training*. Mr. Chris Johnson, Information Security Officer at Kentucky Public Pensions Authority, reviewed the KnowB4 training program that KPPA currently utilizes for quarterly training and phishing campaigns. Mr. Johnson presented the “Social Engineering the Executive” cybersecurity training session. Having used the training programs outside of the perimeter of this Board, Mr. Cheatham gave his approval of the KnowB4 training programs. Mr. Cheatham questioned if the company had been approached to inquire if it would be possible to make these programs available to our members and beneficiaries. Mr. Johnson stated that considering the amount of employers and the families of our staff and members, it would be a very useful program and that he would need to reach out to find out more about providing the program our members and employers.

Mr. Fulkerson introduced the agenda item *Other Financial Updates*. Ms. Adkins reviewed the submission process of the Biennial Budget Request for Fiscal Years 2023 and 2024. She stated that the Office of the State Budget Director uses a program and there are portions of the budget that KPPA provides the information and portions that the program completes without input from KPPA. As an example, Ms. Adkins stated that unlike in previous years when the June 30th payroll would be held over to July 1st, State will reverse that in this budget and not defer the June

30th payroll. Ms. Adkins indicated that these are estimates that are given to be included in the Governor's Budget Bill that will be introduced during the Legislative Session and it can be adjusted.

Mr. Cheatham made a motion and Mr. Fulkerson seconded to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the CERS Finance Committee meeting held November 3, 2021 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, William O'Mara, the Chair of the County Employees Retirement System Finance Committee, do certify that the Minutes of Meeting held on November 3, 2021 were approved on February 24, 2022.


Chair of the CERS Finance Committee

I have reviewed the Minutes of the November 3, 2021 CERS Finance Committee Meeting for content, form, and legality.


Executive Director
Office of Legal Services