

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
SEPTEMBER 8, 2025, 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 September 8, 2025, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, Tommy McGraw, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Rebecca Adkins, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Nathan Goodrich, Leigh Ann Davis, D'Juan Surratt, Kristen Coffey, Steve Willer, Anthony Chiu, Brian Caldwell, Joe Gilbert, Connie Pettyjohn, Shaun Case, Sherry Rankin, and Sandy Hardin. Others present included Eric Branco with Johnson, Branco & Brennan, LLC; David Lindberg, Chris Tessman, Craig Morton, John Patterson, and Marc Friedberg with Wilshire; Larry Loew and Carrie Lovell with Humana; Lealan Miller and Roger Alfaro with Eide Bailly; and Paul Harness and Andrew Hagerman of Stoll Keenon Ogden.

1. Mr. Cheatham called the meeting to order.
2. Mr. Branco read the *Opening Statement*.
3. Ms. Rankin took *Roll Call*.

Mr. Cheatham introduced the agenda item *Public Comment*. Ms. Rankin indicated that no public comment was submitted.

4. Mr. Cheatham introduced agenda item *Approval of Minutes – June 9, 2025, and June 13, 2025 (Video 00:02:49 to 00:04:10)*. Mr. Fulkerson made a motion to approve the minutes of June 9, 2025. Dr. Hackbart seconded the motion. The motion passed unanimously.

Mr. Fulkerson made a motion to approve the minutes of June 13, 2025. Mr. O'Mara seconded the motion. The motion passed unanimously.

5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** (Video 00:04:10 to 00:07:30). Mr. Cheatham began by thanking everyone for making time to attend the regularly scheduled meeting. He provided a brief update on his recent activities over the past few months. He noted that work has been ongoing to develop a legislative agenda for the upcoming session. The approach has been to avoid proposing major changes. However, many of the items to be discussed later in the meeting have been vetted through committee discussions and consultations with legislators, employers, and beneficiaries.

Over the past few months, Mr. Cheatham participated in meetings with legislators and employer partners, including the Kentucky League of Cities (KLC), Kentucky Association of Counties (KACo), and the Kentucky School Boards Association. He expressed appreciation for their input and support and reported that these stakeholders are pleased with Mr. Willer's performance, in terms of investment outcomes, and the progress made since the organizational separation began.

Additionally, Mr. Cheatham was invited to present to the Kentucky Municipal Utilities Association, where Trustee Mr. Fulkerson was in attendance. The presentation was well received and sparked valuable discussion, particularly around strategies to improve the system in terms of employee recruitment. Mr. Cheatham looks forward to continuing those conversations in the coming months.

Lastly, he shared that regular meetings with committee chairs have recently been initiated. These meetings are intended to ensure that each committee remains focused on its priorities and that the organization moves forward in a unified direction. He believes the benefits of this coordination will be evident in the adjustments and proposals presented during today's meeting.

6. Mr. Cheatham introduced agenda item ***CERS ACFR – External Audit Planning Letter*** (Video 00:07:30 to 00:19:30). Mr. Cheatham turned the floor over to Mr. Lamb, who introduced Mr. Lealan Miller and Mr. Roger Alfaro from Eide Bailly. Mr. Miller provided an overview of the audit process, noting that their team is conducting the audit in accordance with Generally Accepted Auditing Standards in the United States and Government Auditing Standards. He explained that the audit is based on sampling rather than a full review, and their goal is to issue an opinion on the financial statements—either unmodified (clean) or modified—based on the results of their testing. At this time, no issues are anticipated.

Mr. Miller also noted that any findings related to violations of laws or regulations, unusual transactions, or other concerns will be communicated to the Board, both in writing and during the final audit presentation. He emphasized that the audit follows a risk-based approach and outlined several areas identified as significant risks: management override of controls, improper revenue recognition of contributions, net pension liability valuation, valuation of alternative investments, and calculation of initial benefit payments.

Mr. Alfaro provided an update on the audit team's progress, sharing that they have conducted interviews with staff across various departments—including member services, retiree payroll, healthcare, investments, contributions, accounting, and IT—to understand key business processes and internal controls. Walkthroughs of these processes have been completed to validate procedures and gather supporting documentation. The team has begun sample selection and investment confirmations. They are reviewing trial balance activity to determine further audit procedures. Mr. Alfaro expressed appreciation for staff support during this first-year audit, noting the volume of information being processed.

Mr. Cheatham asked whether Eide Bailly sends letters or questionnaires to Board members as part of their process. Mr. Miller clarified that while they do not send letters to everyone, they conduct interviews on a rotational basis to assess understanding of accounting and internal controls. These interviews are also part of their annual fraud assessment, which includes discussions with management and a Board representative. Mr. Miller confirmed that the fraud

interview has already been completed for this year, and no additional outreach to Trustees is expected.

7. Mr. Cheatham introduced agenda item ***Joint Retiree Health Plan Committee*** (Video 00:19:30 to 00:50:11). Ms. Pettyjohn noted the Joint Retiree Health Plan (RHP) Committee met on September 2, 2025, to discuss and make recommendations regarding the non-Medicare and Medicare-eligible health plans for retirees of the systems operated by KPPA for the 2026 plan year.

The RHP Committee presented several recommendations regarding the Kentucky Employees' Health Plan (KEHP) for non-Medicare-eligible retirees for the 2026 plan year. The Committee recommended the Board adopt the KEHP LivingWell PPO plan as the designated contribution plan. For retirees with at least 240 months of service and a participation date prior to July 1, 2003, the Trust would pay 100% of the single-level monthly contribution. Hazardous duty rates would align with the LivingWell PPO Couple, Parent Plus, and Family plan rates.

The Committee also recommended maintaining the current Tobacco Use Fee structure for 2026: \$40 for single-level coverage and \$80 for couple, family, or parent plus coverage. This fee applies to retirees, spouses, and dependents who are tobacco users. Additionally, the Committee supported continued access to Consumer-Directed Health Plans with embedded Health Reimbursement Arrangements (HRAs).

Regarding the LivingWell Promise incentive, the Committee recommended that retirees or plan holders who fail to complete the LivingWell Promise in 2026 would not receive the \$40 discount in 2027. The fee and discount amounts would remain unchanged for 2026.

For default enrollment procedures, the Committee recommended that the LivingWell HDHP plan be designated as the default plan for 2026. Retirees, beneficiaries, and dependents who do not submit a health insurance application during mandatory open enrollment would be automatically re-enrolled in their 2025 plan at the same coverage level. New retirees who fail to submit an enrollment form would also be defaulted into the LivingWell HDHP plan.

The Committee further recommended that eligible retirees be allowed to select Cross-Reference plans when their spouse is an active employee. Per KRS 78.5536(4)(a)3, the employer's contribution for the working member or spouse will be applied toward the premium, with the Insurance Trust Fund covering the balance up to the monthly maximum contribution established in the first recommendation.

For retirees affected by the Medicare Secondary Payer Act due to reemployment with a participating employer, the Committee recommended applying the same contribution plan and rate as outlined in the initial recommendation for non-Medicare-eligible retirees.

Following the presentation on the Non-Medicare-Eligible Retirees Plan (KEHP), the following motions were voted on:

- Dr. Carver made a motion to approve the health insurance components as recommended. That is to set the KEHP LivingWell PPO plan option as the contribution plan, set the contribution rate (at the single level) as the 100% contribution the Trust will pay for a retiree with a service credit of 240 months of service or greater and a participation date prior to July 1, 2003, and to tie hazardous rates to the rates for the LivingWell PPO Couple, Parent Plus and Family plans, maintain Tobacco Use Fees, access to Consumer-Directed Health Plans, and adoption of the LivingWell Promise Incentive, as presented. Mr. McGraw seconded the motion. The motion passed unanimously.
- Dr. Carver made a motion to approve the LivingWell HDHP plan as the Default Plan for 2026 as recommended and that members who do not complete an application during open enrollment be defaulted into the same coverage as 2025. Dr. Hackbart seconded the motion. The motion passed unanimously.

- Dr. Carver made a motion to allow the Cross-Reference Option for Retirees during the 2026 Open Enrollment, as recommended. Mr. Webb seconded the motion. The motion passed unanimously.
- Dr. Carver made a motion to set the premium for the KEHP Medicare Secondary Payer (MSP) Plan, as recommended. Mr. McGraw seconded the motion. The motion passed unanimously.

The RHP Committee presented recommendations for the 2026 Medicare-Eligible retiree health plans, based on input from Humana and GRS. The Committee recommended setting the monthly contribution rate for the Medicare Advantage (MA) Premium Plan at \$199.94. This amount represents the full contribution the Trust will pay for retirees with at least 240 months of service and a participation date prior to July 1, 2003. The same contribution rate is recommended for hazardous duty spouses and eligible dependents enrolled in the KPPA Premium Plan.

Additional premium rates were approved by the Committee, including \$51.10 for the KPPA Essential Plan and \$194.23 for the Medical Only Plan. For retirees enrolled in the Medicare Advantage Mirror Plans, the Committee recommended the Mirror Premium Plan be set at \$399.38, with a total cost of \$404.67 when including the \$5.29 dental administrative fee. The Mirror Essential Plan is recommended at \$259.27, with a total cost of \$264.56 including the dental fee. Mr. Loew pointed out a discrepancy in the presented cost for the Essential Plan. While the Board presentation listed the premium as \$51.10, the Committee had previously voted to set the cost at \$55.10. Following this clarification, it was agreed that the premium should be corrected and updated to reflect the approved amount of \$55.10.

Mr. Cheatham inquired about the pharmacy benefits associated with the Medicare Advantage plans. Ms. Pettyjohn explained that the Premium and Essential plans offer two distinct pharmacy benefit structures. The Medicare Advantage Essential Plan follows the standard Medicare drug benefit, which includes a \$435 deductible. After meeting the deductible, members are responsible for 25% of their prescription costs out of pocket until they reach the \$2,100 maximum for the plan year.

In contrast, the Medicare Advantage Premium Plan utilizes a copay structure, with members paying \$10, \$30, or \$55 for prescriptions, depending on the drug tier. This plan also maintains the same \$2,100 annual out-of-pocket cap for 2026.

Ms. Pettyjohn further stated that the Committee also addressed administrative exceptions for retirees required to enroll in Mirror Plans, and the Committee recommended continuing to pay administrative fees in 2026. Additionally, the Committee recommended that individuals without Medicare Part B be allowed to enroll in the Medicare Advantage Mirror Plans and would be responsible for any costs exceeding the Trust's contribution. Once Medicare Part B has been obtained, KPPA will transition the individual to their selected Medicare Advantage Plan.

For default enrollment, the Committee recommended that the KPPA Medical Only Plan be designated as the default plan for Medicare-eligible retirees and their dependents in 2026.

Ms. Pettyjohn informed the Board that during the RHP Committee meeting, Erin Surratt provided an update regarding representation on the Kentucky Group Health Insurance Board (KGHIB), noting that Connie Pettyjohn is in discussions with the Department of Employee Insurance regarding the position and will continue serving as proxy until further notice.

Ms. Surratt also informed the Committee that, due to a scheduling conflict with the KPPA Impact Forum, the Committee agreed to cancel the October 23, 2025, Joint RHP Committee meeting, as the agenda was informational, and no decisions were expected.

Following the presentation on the Medicare-Eligible Retirees Plan for 2026, the following motions were voted on:

- Dr. Carver made a motion to adopt the Joint Health Plan Committee's recommendation to approve the Medicare Advantage Plan including approving the premium/contribution rate of \$199.94 to be set as the Monthly Contribution Rate

amount for 2026, as the 100% contribution the Trust will pay for a retiree with a service credit of 240 months of service or greater and a participation date prior to July 1, 2003, setting the contribution rate for the KPPA Premium Plan as the 100% contribution the Trust will pay for a hazardous duty spouse and/or an eligible dependent and approving the premium for the Medicare Advantage Premium and Essential Plan for 2026, as recommended. Mr. McGraw seconded the motion. The motion passed unanimously.

- Dr. Carver made a motion to approve the Medical Only and Medicare Advantage Mirror Plans, including approving the premiums and allowing enrollment for No Part B and certain exceptions and paying for administrative fees, as recommended. Mr. McGraw seconded the motion. The motion passed unanimously.
- Dr. Carver made a motion to select the KPPA Medical Only Plan as the Default Plan, as recommended. Mr. McGraw seconded the motion. The motion passed unanimously.

8. Mr. Cheatham introduced agenda item ***Finance Committee*** (*Video 00:50:11 to 01:03:33*). Mr. O'Mara reported on the CERS Finance Committee's regular meeting held on August 18, 2025, where the committee unanimously approved 11 requests for hazardous duty position classifications submitted by member organizations. After hearing the presentation from KPPA staff indicating that staff had reviewed each request and determined that they met the statutory guidelines for hazardous coverage, the Finance Committee voted unanimously to approve each request.

Mr. O'Mara made a motion to approve the Hazardous Duty Requests as presented. Mr. Foster seconded the motion. The motion passed unanimously.

Mr. Lamb showed the Board members the Government Finance Officers Association (GFOA) Award of Excellence, which was awarded to the County Employees Retirement System (CERS) for their Annual Comprehensive Financial Report (ACFR) issued for the Fiscal Year ending June 30, 2024. He noted that while the Kentucky Public Pensions Authority (KPPA)

and the Kentucky Retirement Systems (KRS) have jointly received this recognition for the past 25 years, this marks the first time CERS has earned the award independently.

Mr. Lamb then reviewed key financial highlights for CERS as of June 30, 2025, including a total fiduciary net position of \$20.159 billion—an increase of \$1.7 billion or 9.13% from the prior year. Pension plans rose by \$1.3 billion to \$14.5 billion, and insurance plans increased by \$397 million to \$5.7 billion. Investments at fair value grew by 7.92%, with core fixed income showing the largest gain at 37.86%. He discussed the \$1.687 billion increase in fiduciary net position for the fiscal year, noting that the \$45 million difference from the prior year was primarily due to reduced employer contributions and increased benefits, partially offset by higher investment income. Mr. Lamb also reviewed contribution trends, highlighting a decrease in employer rates and contributions, offset by increases in payroll and headcount. Despite lower employer rates, both pension plans showed positive net contributions, while the insurance plans reflected negative net contributions and cash flow due to zero employer contributions and the absence of a Humana gain share payment in FY2025.

Mr. Lamb provided an update on the CERS past due invoices, noting that the report now focuses solely on invoices past due as of June 30, 2025. While the total past due amount at that time of the Finance Committee meeting was \$2.3 million, two of the top ten employers have since paid \$450,000, and four others are currently being addressed through the Legal Department. After accounting for these, approximately \$75,000 remains under review by the ERCE team. Mr. Lamb and Mr. Owens met with ERCE this past quarter and plan to continue quarterly reviews. He highlighted progress made over the past year, with past due invoices decreasing from 1,623 totaling \$3.6 million in June 2024 to 597 totaling \$2.2 million in June 2025. Additionally, 23 penalty invoices were waived or canceled for \$23,000, 14 new penalty invoices were issued, and 23 invoices were paid during the quarter.

Mr. Lamb also reviewed the Administrative Budget for the Fiscal Year ended June 30, 2025. KPPA spent nearly \$35 million, coming in \$1.8 million under budget despite salary adjustments in IT-related positions during the fourth quarter. Although \$110,000 was received from the Budget Office to offset those increases, it was not needed. Several line items came

in below budget, including salary, wages, and overtime (\$987,000); employer-paid retirement (\$701,000); and FICA and employer sick leave (\$162,000). These savings were partially offset by employer-paid health insurance, which exceeded budget by \$225,000 due to a rate miscalculation. Legal administrative expenses were \$744,000 below budget, other personnel categories were \$1.2 million under, and overall operational expenses were \$830,000 below budget. Mr. Cheatham and Mr. O'Mara both commended Mr. Lamb and his team for their efforts in managing outstanding invoices and for receiving the GFOA Award of Excellence.

9. Mr. Cheatham introduced agenda item ***Investment Committee*** (*Video 01:03:31 to 01:32:56*). Dr. Hackbart reported that the CERS Investment Committee met on August 27, 2025, and discussed three key items: a staff investment recommendation, investment performance for Fiscal Year 2025, and potential amendments to the Investment Policy Statement (IPS). The highlight of the meeting was the strong investment performance for the fiscal year, with the CERS pension portfolio earning a return of 11.65% and the insurance portfolio earning 11.27%, both slightly below the prior year's combined return of approximately 11.7%. Dr. Hackbart commended staff for their continued strong performance and valuable contributions.

Dr. Hackbart noted the Committee reviewed and unanimously approved a staff recommendation to invest \$100 million in Strategic Value Partners' Strategic Value Special Situations Fund VI, a \$6.5 billion distressed debt fund focused on North America and Europe. Mr. Willer and Mr. Chiu provided background and rationale for the investment, noting that while the broader private equity market remains challenged, this fund offers a differentiated strategy with a proven manager. The investment, pending legal negotiations, will be allocated across all CERS plans and is expected to represent approximately 0.5% of total plan assets (depending on fluctuations in market value), funded from existing cash reserves.

Mr. Fulkerson made a motion to approve an investment of up to \$100 million of the Private Equity allocation into the Strategic Value Situation Fund VI, subject to successful contract negotiations, as recommended by the Investment Committee. Mr. O'Mara seconded the motion. The motion passed unanimously.

Regarding Fiscal Year 2025 investment performance, Mr. Willer highlighted strong returns for both the CERS pension and insurance portfolios, with consistent positive alpha generated across asset classes despite market volatility. He reviewed Wilshire's Plan Sponsor Peer Group Analysis, noting that CERS portfolios ranked in the top decile for risk-adjusted performance over 1-, 3, and 5-year periods, with Sharpe ratios in the top 5% of peer plans. Asset allocation compliance was reviewed, and a reporting enhancement—breaking down capital calls and distributions by asset class—was introduced in response to a prior committee request.

Post-fiscal year performance showed modest gains in July, with portfolios up between 49 and 53 basis points. August saw stronger market activity, with public equities rising nearly 2.5% and other asset classes also performing positively. Early indicators suggest portfolio gains of 150–200 basis points for the month. September began with mixed economic signals, including stagnant hiring and declining yields, prompting market expectations of a Fed rate cut. Despite signs of a slowdown, the broader economy remains resilient, and the investment outlook is cautiously constructive. Mr. Willer emphasized the potential for significant market shifts driven by economic data and policy responses, advising a measured approach to risk.

Mr. Willer shared that Wilshire had extensive discussions during the Investment Committee about market and economic outlooks. Mr. Lindberg agreed, emphasizing that Mr. Willer summarized it well and highlighted the strong performance of the funds.

Dr. Hackbart noted the Committee also discussed a proposed amendment to the CERS Investment Policy Statement (IPS). The amendment was designed to allow the Investment Office to obtain a sign-off from two of three Trustees/Officers to allow for a continuation/extension of existing contracts. Due to lack of clarity, the Committee voted to table the proposed amendment pending further refinement.

10. Mr. Cheatham introduced agenda item ***CERS Employer Reporting Historical Perspective*** (*Video 01:32:56 to 01:44:08*). Mr. Owens provided background on recent referrals from the

Auditor of Public Accounts (APA), beginning with a May letter regarding discrepancies between pension contributions and payroll records from the Barren County Fiscal Court, followed by a similar referral involving Clay County. In response, Mr. Owens collaborated with Mr. Barrow, Mr. Surratt, and Ms. Adkins to investigate the issues, ultimately gaining a clear understanding of the historical context. Seeking a broader view, he asked Chief Auditor Ms. Coffey to review APA audits of all the KPPA audits since the 2021 separation of KRS and CERS, focusing on retirement contribution and payroll inconsistencies across the 360 county-based employers. After providing a brief history of her role since 2018, Ms. Coffey noted she reached out to the APA to understand their audit methods and emphasized that KPPA is taking the matter seriously. She also clarified the role of the internal audit team in handling tip line reports, noting that while she used to manage them directly, investigations are now led by the Legal team. Mr. Owens concluded by stressing the importance of a systematic response to APA referrals and employer audits, highlighting the Board's commitment to transparency and financial integrity, and expressing gratitude to Auditor Ball for bringing these issues to light.

11. Mr. Cheatham introduced agenda item *Ad Hoc Employer Reporting Review Committee (Video 01:44:08 to 01:48:00)*. Mr. Barrow expressed full support for the initiative and noted that Ms. Adkins and Mr. Surratt were also supportive of the committee. Mr. Cheatham emphasized that many Board members had engaged in conversations about employer contribution issues over the past month and that a structured response was necessary to ensure fairness across all employers. He stressed the importance of collecting all contributions due to the system, as discrepancies impact beneficiaries and contribution rates. To address this, the committee would work closely with KPPA staff to develop a systematic and equitable plan.

Mr. Fulkerson made a motion to ratify the creation of the Ad Hoc Employer Reporting Review Committee as presented. Mr. McGraw seconded the motion. The motion passed unanimously.

Mr. Cheatham then nominated Steven Webb as Chair, along with Dr. Patricia Carver, J.T. Fulkerson, Tommy McGraw, and himself, all of whom agreed to serve. Mr. Owens was tasked with coordinating the committee's meeting schedule with Mr. Webb.

12. Mr. Cheatham introduced agenda item ***CERS Legislative Objectives*** (*Video 01:48:00 to 02:07:38*). Mr. Cheatham explained that several items on the legislative agenda are aimed at addressing existing challenges or preventing future issues. He noted that preliminary meetings with committee heads took place in early August, resulting in some adjustments to the agenda. These proposals have been reviewed with both employers and legislators to gauge support.

Mr. Owens then provided a brief overview of the four key items under consideration:

- a. **Creation of a CFO Office** – Establishing a formal office for the Chief Financial Officer to allow relevant divisions to be organized under that role.
- b. **Creation of a Chief Auditor Office** – Similarly, establishing an office for the Chief Auditor to house applicable divisions, which Mr. Owens described as a risk mitigation strategy.
- c. **Establishment of the CERS Insurance Trust** – This trust would enable CERS to title its insurance assets in its own name, similar to how pension assets are currently being titled. Legislative action is required to authorize this structure.
- d. **Allocation of Sports Betting Revenue** – The General Assembly previously passed legislation directing sports betting revenue toward pension plans, but the distribution mechanism remains unclear. With approximately \$80 million raised so far, Mr. Owens emphasized the importance of ensuring that counties and cities receive a fair portion—ideally at least one-quarter—during the upcoming biennium budget allocation.

Following the brief overview, Mr. Fulkerson made a motion to approve the legislative objectives for the upcoming 2026 legislative session, as presented. Mr. Webb seconded the motion. During discussion, Mr. O'Mara moved to amend the motion to allow voting on each item separately. Dr. Carver seconded the amendment. The amended motion passed, with Mr. Fulkerson opposed.

- Mr. Fulkerson made a motion to resubmit RS25 HB71 to establish the Office of Financial Management within the Kentucky Public Pensions Authority. Mr. Webb seconded the motion. The motion passed unanimously.
- Mr. Fulkerson made a motion to amend KRS 61.505 to establish the Office of the Chief Auditor within the Kentucky Public Pensions Authority (KPPA), and to amend KRS 12.020 to conform. Dr. Carver seconded the motion.

During discussion, Mr. O'Mara requested clarification regarding the executive management team and the reporting structure of divisions under the proposed office. Mr. Owens responded that the Office of the Chief Auditor would continue to report to the KPPA Board and clarified that inclusion in the executive management team does not imply involvement in business decision-making. He emphasized that the designation reflects the importance of risk oversight and the need for a robust infrastructure to support employer audits. Mr. O'Mara expressed concern that integrating the Office of the Chief Auditor into the executive management team could compromise its independence and suggested that the proposal may be premature, given that the newly formed committee has not yet made recommendations. Mr. Owens acknowledged the concern but cited repeated audit findings in Barren and Clay Counties as evidence of the urgency to act. Mr. O'Mara concluded that such matters may be better addressed by the Ad Hoc Committee prior to legislative action.

Following the discussion, the motion passed, with Mr. O'Mara opposed.

- The next item presented for consideration and vote was the proposed creation of the CERS Insurance Trust. Mr. O'Mara raised concerns regarding the lack of detailed information accompanying the proposal. Specifically, he noted that no cost estimates or implementation timeline had been provided. He inquired about the anticipated duration of the process and raised questions regarding the nature and extent of the associated expenses. Additionally, he inquired whether the work would be handled by

outside counsel or internally, emphasizing that such background information was essential to informed decision-making and had not yet been made available.

In response, Mr. Cheatham acknowledged the validity of Mr. O'Mara's concerns and offered context. He explained that within the past six months, new investments had begun to be titled under the CERS name. He noted that whether the Trust would apply prospectively or retroactively to existing assets remained open for discussion. However, he stressed that a formal mechanism must first be established before such decisions could be addressed. Mr. Cheatham also remarked on the legislative process, stating that while it is often difficult to secure approval in the first session, initial conversations with legislators had yielded minimal resistance. He confirmed that costs would likely be incurred, particularly if retroactive changes were pursued but characterized those as management-level details contingent upon the creation of the Trust itself.

Mr. O'Mara then sought clarification on the language of the proposed resolution, asking whether it would include the term "may" or "shall." He expressed concern that a "shall" designation would obligate the Board to proceed regardless of unresolved questions, whereas "may" would preserve discretion. Mr. Cheatham responded that he was comfortable with using "may," as it would provide the necessary flexibility. He added that Mr. Barrow might have additional information regarding IRS correspondence relevant to the matter but reiterated his support for language that allowed the Board to act at its discretion.

Following the discussion, Mr. Fulkerson made a motion for the creation of the CERS Insurance Trust so that insurance assets belonging to CERS may be so titled accordingly. Mr. McGraw seconded the motion. The motion passed unanimously.

- Lastly, Mr. Webb made a motion that the Board formally support efforts to ensure that revenue generated under RS23 HB 551 — the legislation establishing Kentucky Sports Betting and designating proceeds for the Kentucky permanent pension fund — be

equitably allocated to include the County Employees Retirement System (CERS). The motion reflects the Board's position that CERS's 286,000+ members are entitled to a fair and proportional share of these funds. Mr. Fulkerson seconded the motion. The motion passed unanimously.

13. Mr. Cheatham introduced agenda item ***CEO Quarterly Update*** (Video 02:07:38 to 02:08:19). Mr. Owens indicated he would take questions directly to save time. Mr. Cheatham encouraged members to review Mr. Owens' report, noting its comprehensive nature and the valuable behind-the-scenes insights it provides, especially for those not involved in certain committees.
14. Mr. Cheatham introduced agenda item ***KPPA Report*** (Video 02:08:19 to 02:13:08). Mr. Barrow briefly addressed the group, noting he would forgo a detailed update in the interest of time but highlighted several key items. He praised the success of the KPPA Leadership Academy and the intern program, which benefited from state-supported initiatives. He emphasized the importance of the Strategic Plan, acknowledging Ms. Adkins' significant contributions, and flagged the six mandates as a potential future initiative. Mr. Barrow also commended the budget work group's progress and expressed enthusiasm for the upcoming Impact Forum. He extended appreciation to staff members for their efforts, specifically recognizing Mike Lamb and the ERCE team for their work on financial reporting, including the separation of two ACFRs and the receipt of the GFOA Certificate of Achievement. He also acknowledged Crystal Hughes and shared a personal story about a handwritten letter from a member, underscoring the compassionate work of KPPA staff during difficult times.

Mr. Cheatham then took a moment to formally recognize Ms. Adkins' retirement, thanking her for her years of dedicated service to KPPA/KRS and noting her valuable insight, energy, and presence. Mr. Barrow echoed the sentiment, expressing personal gratitude and announcing a forthcoming reception in her honor. Ms. Adkins responded with heartfelt appreciation, reflecting on her 31-year tenure and expressing pride in the organization and its staff.

15. Mr. Cheatham introduced agenda item ***Closed Session*** (Video 02:13:08 to 02:14:11). Mr. Fulkerson made the motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). Dr. Hackbart seconded the motion. The motion passed unanimously.

Mr. Branco 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). Closed session is necessary because of the necessity of protecting the confidentiality of the CERS's litigation strategy and preserving any available attorney-client privilege.

Closed Session (Video - Part 2 - 00:00:13 to 00:02:13).

Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. Dr. Carver made a motion to return to open session. Mr. Fulkerson seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken within closed session discussions.

Mr. Cheatham requested a motion to approve the litigation strategy as presented and outlined by counsel during the closed session. Mr. Foster moved to approve the strategy. Mr. McGraw seconded the motion. The motion was approved unanimously.

16. There being no further business, Mr. Cheatham requested a motion to ***adjourn***. Mr. O'Mara made a motion to adjourn. Mr. Webb seconded the motion. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held September 8, 2025, 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, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on September 8, 2025, were approved on November 3, 2025.

Chair of the Board of Trustees

I have reviewed the Minutes of the September 8, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services