

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES ANNUAL MEETING
APRIL 20, 2022 AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the annual meeting of the County Employees Retirement System Board of Trustees held on April 20, 2022 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. Staff members present was CERS CEO Ed Owens, III, KRS CEO John Chilton, David Eager, Rebecca Adkins, Erin Surratt, Michael Board, Steven Herbert, Vicki Hale, Connie Davis, Kristen Coffey, D'Juan Surratt, Jared Crawford, Shauna Miller, Ashley Gabbard, Phillip Cook and Sherry Rankin. Others present included Ben Johnson, Joseph Bowman and Eric Branco with Johnson Bowman and Branco.

Ms. Pendergrass called the meeting to order and read the Legal Opening Statement.

Ms. Rankin took Roll Call. There were no public comments received.

Ms. Pendergrass introduced agenda item *Approval of Minutes – March 16, 2022 and March 31, 2022*. Mr. Fulkerson made a motion and was seconded by Mr. O'Mara to approve both sets of the minutes as presented. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Elections*. Ms. Pendergrass stated that elections are held annually for Chair and Vice-Chair of the Board. She opened the floor for nominations for Chair of the County Employees Retirement System. Mr. Fulkerson made a nomination for Ms. Pendergrass to serve as Chair and was seconded by Dr. Carver. Being no further nominations and no further discussion, a vote was taken and passed unanimously. Ms. Pendergrass expressed her appreciation for the vote of confidence.

Ms. Pendergrass opened the floor for nominations for Vice-Chair of the County Employees Retirement System and began by nominating Jerry Powell to fulfill this position and was seconded by Mr. Fulkerson. Being no further nominations, a vote was taken and passed unanimously.

Ms. Pendergrass stated that in regards to Committee Assignments, she would prefer that all members stay in their current roles as assigned, but welcomed contact from any member who may want to shift their focus to a different committee.

Ms. Pendergrass introduced Mr. O'Mara to speak about a potential new Board Committee. Mr. O'Mara stated that based on information contained in Board Smart and best practice, he thinks the Board should consider the creation of a new committee or work group for personnel. He explained that this committee or work group could be in place to address the Annual Evaluation of the CEO, for any future search committee needs, and any issues that may be related to any conflicts of interest that may arise. Mr. O'Mara stated that by having this committee or group created now may prevent future stress and undue pressure that could arise regarding personnel issues. Mr. Powell made a motion was seconded by Dr. Carver to form a Personnel Committee. Ms. Pendergrass suggested the creation of an Ad Hoc Personnel Committee until the CERS Bylaws can be amended to allow for a standing Personnel Committee. After discussion, Mr. Powell amended his motion and was seconded by Dr. Carver to create an Ad Hoc Personnel Committee pending approval of an amendment to the CERS Bylaws to make a standing Personnel Committee. The motion passed unanimously. Ms. Pendergrass stated that prior discussions with Mr. Cheatham and Mr. Fulkerson regarding serving on this committee were successful, and they have agreed to serve on this committee. She stated she will be speaking with another Trustee and will keep the Board apprised of the progress of this committee in the near future.

Ms. Pendergrass introduced agenda item *CERS Strategic Plan*. Ms. Pendergrass opened the floor for any questions by the Committee Chairs regarding the work needed on the strategic plan or if any of the Trustees had suggestions for the improvement of this plan. She stated that Mr. Fulkerson and Dr. Carver have assisted with revisions to this plan and asked the Committee Chairs to review the goals for their respective committees for further review and revision. Mr. Powell voiced his concerns pertaining to the Retiree Health Plan Committee portion of the strategic plan due to the current RFP process. He indicated that due to this process, the information needed for the Retiree Health Plan Committee's portion of the plan will not be available until later in the year. Ms. Pendergrass stated that this plan is structured over a five (5) year period, so the goals and objectives can be broad until such time those can be reviewed and refined. She indicated that as Committee Chair, each committee can set the goals and objectives to be as generic or detailed as they feel necessary to meet the needs of their committee.

Ms. Pendergrass introduced agenda item *Joint Audit Committee Report*. Ms. Coffey stated that the Joint Audit Committee met at a special called meeting on April 7, 2022. At this meeting the Plan Liquidity Audit was presented and discussed, and will be brought back to the committee for further discussion at the May meeting. Ms. Coffey provided the background information behind the need for additions to the Annual Audit Plan. She stated that seven (7) audits have been added to the prior approved audit plan. The Joint Audit Committee approved the additions to the audit plan as presented and recommended submitting the plan to KPPA for review. She stated the Internal Audit is requesting the CERS Board of Trustee to ratify the actions taken by the Joint Audit Committee and recommend that the KPPA representatives on the CERS Board take these items to KPPA for consideration. Mr. Fulkerson made a motion and was seconded by Dr. Milkman to approve the additions to the internal audit plan. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Administrative Cost Allocation Methodology*. Mr. O'Mara began by stating that KPPA organized a work group comprised of members from the CERS and KRS Boards, along with KPPA Staff, to review the current Administrative Cost Allocations and discuss the various methodologies that could be utilized when determining how the administrative expenses should be shared by the different plans. He discussed the various methodologies reviewed which included allocating the expenses based on Membership of the plans, which is the method currently used, a 50/50 split between the KRS and CERS Systems, a split by Assets Under Management by the plans, and finally a hybrid of these methodologies. After reviewing all of the categories and considering all of the methods, the work group decided that the hybrid approach was the best choice. Mr. O'Mara provided a high-level overview of the allocation by the various categories and stated that this method would be in effect as of July 1, 2021, which makes it applicable to the current Fiscal Year 2022. This would also be the same methodology used for Fiscal Year 2023, with a yearly review looking prospectively for future years based on historical numbers and trends. Mr. O'Mara explained that now this methodology will be adopted and used by KPPA, the Board will need to decide how to further divide these expenses over the CERS plans. Mr. O'Mara recommended that the Board consider splitting the percentage attributed to CERS to the plans by membership. He explained that since a weighted calculation was used initially, it would be appropriate to further calculate the percentages to the C plans by membership. Mr. O'Mara made a motion and was seconded by Mr. Cheatham to allocate the CERS systems' administrative expenses to the individual funds based on their proportional share of membership. The motion passed unanimously.

Mr. O'Mara stated that since the work group has agreed to the current methodology presented here, the focus has now shifted to plan specific expenses that will be attributed to CERS due to the separation. He indicated that the work is ongoing and the group will be making a recommendation to the KPPA Board once a decision has been made regarding these expenses. The recommendation will also be presented to this Board in a future meeting.

Ms. Pendergrass introduced agenda item *Administrative*. Ms. Pendergrass introduced Ms. Shauna Miller, Division Director of the Office of Benefits – Division of Member Services who provided a high-level overview of the Division of Member Services. She reviewed the roles and responsibilities of the department, current statistics of the services provided to members, current retirement trends, the enhancements to the member self-service features, and future projects and goals of the department. This presentation was for information purposes only.

Ms. Pendergrass introduced Mr. Powell to lead the discussions on the topic of COLAs. Mr. Powell stated that a few public comments have been received recently and the Board wanted to provide information in more detail regarding this topic. Mr. Powell reviewed an actuary presentation from GRS which was requested by the legislators in the November of 2021 regarding the Impact of COLAs to the CERS plans. He stated that pursuant to KRS Statutes, the only provisions for a COLA include a 1.5% COLA can be granted if the funded ratio is greater than 100% or if the General Assembly fully prefunds the increase. None of the CERS plans meet the required funded ratio to be able to provide a COLA at this time. He stated that KPPA nor the CERS or KRS Boards do not have the authority to provide a COLA as that authority lies with the legislature. Ms. Pendergrass indicated that several legislators reviewed the possibility of a COLA during the 2022 Legislative Session, which is why the presentation was requested and prepared by the actuaries.

Ms. Pendergrass introduced Mr. Eager to bring an update on KPPA. Mr. Eager stated that it was a very active 2022 Legislative Session which resulted in a large number of actuarial analysis requests. There were several bills that will have an effect on the Systems. A major issue arose with the KPPA Housekeeping Bill that was vetoed by the Governor. With help from the CEOs and Board Chairs, we met with some of the legislators and sent communications to all of the legislators which led to the override of the Governor's veto. He discussed the work performed by the Budget Work Group, the New Trustee Orientation, the progress and status of the new positions for the Investment Department, the potential for a new CFO position, the 8% pay increase for employees, presentation at the PPOB, KPPA employee service awards, and attendees in Closed Sessions.

Ms. Pendergrass congratulated Mr. Milkman on his recent Senate confirmation and welcomed him to the Board of Trustees.

Ms. Pendergrass introduced Ed Owens, III to provide a CEO Report. Mr. Owens reported that he recently spoke to the Central Kentucky Association of Government Accountants about enterprise risk management as it applies to their work for the Commonwealth of Kentucky. He stated that he is continuing to work with the KPPA Internal Audit staff on a risk management project.

Ms. Pendergrass introduced agenda item *Closed Session*. Dr. Milkman made a motion and was seconded by Mr. Fulkerson to go into closed session for the purpose of litigation. The motion passed unanimously. Mr. Fulkerson and Mr. David Eager left prior to the closed session due to personal conflict of interest.

Ms. Pendergrass 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 close session to consider litigation, pursuant to KRS 61.810(1) (c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege".

Ms. Pendergrass stated that the Board will be taking no action as the result of the closed session discussions and opened the floor for adjournment. Dr. Milkman made a motion and seconded by Mr. Fulkerson to adjourn the meeting. The motion passed unanimously.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held April 20, 2022 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 April 20, 2022 were approved on June 14, 2022.


Chair of the Board of Trustees

I have reviewed the Minutes of the April 20, 2022 Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services