

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
JUNE 14, 2023, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the County Employees Retirement System Board of Trustees held on June 14, 2023, the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, David Eager, Rebecca Adkins, Erin Surratt, Lori Casey, Connie Pettyjohn, Michael Lamb, Connie Davis, Michael Board, Victoria Hale, D'Juan Surratt, Steve Willer, Anthony Chiu, Jared Crawford, Madeline Perry, Matthew Daugherty, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Craig Morton and Chris Tessman with Wilshire, Tracey Garrison and Carla Whaley with Humana, and Eric Branco with Johnson Bowman Branco, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Branco read the Legal Opening Statement.

Ms. Rankin called Roll.

There being no *Public Comment* received, Ms. Pendergrass introduced agenda item *Approval of Minutes – April 6, 2023, April 19, 2023, and May 9, 2023 (Video 00:08:50 to 00:09:34)*. Mr. O'Mara made a motion to approve all minutes as presented and was seconded by Dr. Hackbart. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Personnel Committee Report (Video 00:09:35 to 00:26:12)*. Mr. Fulkerson stated that the CERS Personnel Committee met on January 10, 2023, and June 5, 2023. The CERS Personnel Manual and the Renewal of the CERS CEO Contract were approved by the Committee, said Mr. Fulkerson. The CERS CEO Mid-Year Evaluation was also reviewed and discussed. The CERS Personnel Committee requested that the CERS Board ratify the actions of the CERS Personnel Committee.

Dr. Milkman requested that a bachelor's degree in economics be included to CERS Personnel Manual Section 3.03 CERS CEO Qualifications, Education and Experience (1). Mr. O'Mara requested that the following sentence in Section 3.02 CEO Position Description and Summary of Duties (2) be removed from the CERS Personnel Manual: The CERS CEO (or designee) shall present a budget-to-actual expenditure analysis to the CERS Board at each regular quarterly meeting. Mr. Powell made a motion to approve the CERS Personnel Manual as amended. The motion was seconded by Dr. Milkman and the motion passed unanimously.

Ms. Pendergrass advised that the performance goals within the CERS CEO Mid-Year Evaluation were amended; however, ratification by the CERS Board of Trustees was not required.

Mr. Fulkerson stated that there was extensive discussion among the members of the CERS Personnel Committee regarding the renewal of the CEO contract. Mr. O'Mara requested further detail regarding the justification for the recommended salary increase for the CERS CEO. Mr. Cheatham provided insight on the reasoning for the salary recommendation.

Mr. Branco advised of additional amendments needed to the CERS CEO contract.

A motion was made by Mr. Fulkerson and seconded by Dr. Milkman to approve the renewal of the CEO contract and salary as presented. The motion passed unanimously.

Ms. Pendergrass requested that agenda item *Finance Committee Report (Video 00:26:13 to 00:43:47)*. Mr. O'Mara stated that the CERS Finance Committee met on May 30, 2023. The Committee reviewed and approved Hazardous Duty Requests and a New Agency Participation in CERS Non-Hazardous. The CERS Finance Committee requested that the CERS Board of Trustees ratify the actions of the Committee. Mr. O'Mara made a motion to ratify the actions of the Finance Committee in approving the Hazardous duty requests and the participation of Greenup County Public Library as presented. Dr. Milkman seconded the motion and the motion passed unanimously.

Mr. Lamb also presented the quarterly financial reports, said Mr. O'Mara. Mr. Lamb briefly reviewed these reports with the CERS Board of Trustees. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of March 31, 2023. Next, Mr. Lamb reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the nine-

month period ending March 31, 2023, Combining Statement of Fiduciary Net Position of Insurance Funds as of March 31, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the nine-month period ending March 31, 2023. Mr. Lamb went on to present the CERS Pension and Insurance Funds Contribution Reports for the nine-month period ending March 31, 2023. Lastly, he presented the FY 2022-2023 KPPA Administrative Budget and Budget-to-Actual Analysis for the nine-month period ending March 31, 2023. The JP Morgan Chase Earnings and Fees and Hard Interest Earned for the non-month period ending March 31, 2023, were also reviewed. Lastly, the CERS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were reviewed.

****Dr. Carver entered the meeting****

Mr. Lamb went on to present the Hybrid Percentage for FY 2024; CERS 64.34% and KRS 35.66%. These percentages are scheduled to be presented to the KPPA on June 28, 2023, for approval. However, the CERS/KRS Boards of Trustees must determine the allocation among their individual plans. Mr. Lamb presented the recommended allocation of the 64.34% by membership among the plans. Mr. O'Mara made a motion to approve the FY2024 allocation of the CERS hybrid percentage based on membership. Mr. Powell seconded the motion and the motion passed unanimously.

Ms. Pendergrass introduced agenda item *Audit Committee Report (Video 00:43:48 to 00:51:19)*. Mr. O'Mara and Mr. Board provided an update on the Implementation of HB 587. Mr. Board announced that the KPPA Bylaws had been amended to reflect the KPPA Audit Committee and that the remaining dates of the Joint Audit Committee were adopted by the KPPA Audit Committee. Further, Mr. Board advised of several outstanding action items required to fully implement the legislature.

Mr. Daugherty presented an update on Internal Audit Projects. He stated that the Joint Audit Committee had their final meeting on May 25, 2023. The Joint Audit Committee approved the Audit Plan as presented, said Mr. Daugherty. The Joint Audit Committee requested that the CERS Board ratify this action and submit the Audit Plan to the KPPA for approval. A motion to ratify the Joint Audit Committee's approval of the Audit Plan and have it submitted to the KPPA Board for approval was made by Mr. O'Mara. Mr. Cheatham seconded the motion and the motion passed unanimously. Several informational items were also presented to the Joint Audit Committee.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Plan Committee Report* (Video 00:51:20 to 01:01:08). Mr. Powell stated that the Joint CERS & KRS Retiree Health Plan Committee met on May 11, 2023. He announced that the Committee elected Jerry Powell (CERS) as Chair and Dr. Crystal Miller (KRS) as Vice-Chair. All items presented at the meeting were informational, said Mr. Powell. Ms. Tracey Garrison with Humana provided additional information on the Centers for Medicare and Medicaid Services (CMS) Final Notice for 2024 plan year, indicating an average CMS net payment of all payment policies of -1.12%. Ms. Garrison also discussed their exit from the Employer Group Commercial Medical Products. Lastly, Ms. Connie Pettyjohn provided an update on the Medicare Secondary Payer Act Reimbursement process. She reported that 98 retirees of the CERS plans had been reimbursed in the amount of \$421,870.50.

Ms. Pendergrass introduced agenda item *Investment Committee Report* (Video 01:01:09 to 01:19:13). Dr. Hackbart reported that the CERS Investment Committee held a Special Called Meeting on June 9, 2023. Only informational items were discussed, said Dr. Hackbart. Wilshire provided the Committee with a capital market overview that included their forward-looking return forecasts. Mr. Willer presented the quarterly update on portfolio performance, the investment budget year-to-date, and a forecast of the FY 2024 investment budget. Additionally, Mr. Willer provided a Compliance Report update.

Ms. Pendergrass introduced agenda item *Administrative* (Video 01:19:14 to 01:41:17). Ms. Pendergrass presented a proposed CERS Recurring Meeting Schedule for 2024. She also included proposed amendments to the CERS Bylaws. Ms. Pendergrass stated that the final meeting schedule would be presented to the CERS Board of Trustees in September 2023. Ms. Pendergrass reviewed proposed CERS Bylaw amendments with the CERS Board of Trustees and advised that these amendments would be presented further in September 2023 and at another meeting thereafter.

CERS CEO Ed Owens, III presented the CEO Report. He briefly reviewed his written report provided to the Trustees.

Mr. Eager was absent; however, Ms. Adkins presented the written KPPA Update provided by Mr. Eager. Mr. Board announced that Jillian Hall and Andrea Freadreacea with the KPPA Office of Legal Services were recognized by Governor Beshear for their response to those impacted by the tornados in western Kentucky in December 2021. They received a 2023 Governor's Ambassador

Award for Community Service/Volunteerism.

Ms. Pendergrass introduced agenda item *Closed Session (Video 01:41:18 to 01:42:31)*. Mr. Powell made a motion and was seconded by Mr. Cheatham to enter closed session for the purpose of litigation. The motion passed unanimously.

****Mr. Fulkerson exited the meeting prior to the start of Closed Session****

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 closed 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.

****Dr. Hackbart exited the meeting prior to the conclusion of Closed Session****

Coming back into open session, Ms. Pendergrass stated that the Board would be taking no action as the result of the closed session discussions and opened the floor for adjournment. Mr. Powell made a motion and was seconded by Mr. O'Mara 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 June 14, 2023, 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 June 14, 2023, were approved on September 13, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the June 14, 2023, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services