

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 11, 2024, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the County Employees Retirement System Board of Trustees held on March 11, 2024, 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, Erin Surratt, Connie Pettyjohn, Michael Lamb, Connie Davis, Michael Board, Leigh Ann Davis, Victoria Hale, Carrie Bass, Jessica Beaubien, Steve Willer, Anthony Chiu, Joe Gilbert, Brian Caldwell, D'Juan Surratt, Kristen Coffey, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included David Lindberg and Chris Tessman with Wilshire, Adam Gordon with the Auditor of Public Accounts, Tracey Garrison, Larry Loew, and Carla Whaley with Humana, and Eric Branco with Johnson Bowman Branco, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Branco read the Opening Statement.

Ms. Rankin called Roll.

Ms. Rankin advised that one **Public Comment** (Video 00:08:03 to 00:12:50) was received and read the comment aloud.

Submitted by Mark Doran

The unfunded liabilities basically arose for many reasons. Whether is was not paying actuarial rates, planning for COLA's or investment oversight, the system was not properly managed. The employees / retirees fulfilled their funding responsibilities. Attempts have now been made to address the unfunded liability, which is necessary. The problem is, inflation is being ignored by both the State Legislature and our KPPA representatives, especially the CERS board. It's not realistic to expect retirees to maintain a stagnated 2011 level pension benefit. The CERS Board has been decreasing participating entity contributions recently instead of taking any approach to

plan for a COLA. From a CERS contributing participant standpoint, I understand pensions are already expensive to fund. I also understand that people are the most important asset and deserve to be treated better than we have been. My former employer hasn't frozen the taxes I pay at 2011 levels. They can fund a retiree COLA instead of a pet project or two. Don't just read this and move on...we need you to speak to this topic and help now. I've been told KPPA and CERS don't feel as though it's their duty to actively promote any increase. It most definitely is...you are there to responsibly and fully represent your members. We have sacrificed and it's time we receive some inflation relief. Please don't move to the next order of business until you speak about this.

Ms. Pendergrass took a moment to respond to the comment submitted by Mr. Doran.

Ms. Pendergrass introduced agenda item ***Approval of Minutes – December 4, 2023, January 17, 2024, and February 6, 2024*** (Video 00:12:51 to 00:13:59). Mr. Fulkerson made a motion to approve all minutes as presented and was seconded by Mr. O'Mara. The motion passed unanimously.

Ms. Pendergrass introduced agenda item ***Personnel Committee Report*** (Video 00:13:60 to 00:16:59). Mr. Fulkerson stated that the CERS Personnel Committee held a special called meeting on January 9, 2024. At the meeting, the Committee discussed the 2024 CEO Performance Plan, the Personnel Committee Strategic Plan Objectives, CERS Board of Trustees Election Policy, and Trustee Education. The 2024 CEO Performance Plan and the Personnel Committee Strategic Plan Objectives were both approved by the Committee and require ratification by the CERS Board of Trustees, said Mr. Fulkerson.

Mr. Fulkerson made a motion to approve the 2024 CEO Performance Plan and the Personnel Committee Strategic Plan Objectives. The motion was seconded by Dr. Milkman and passed unanimously.

Ms. Pendergrass introduced agenda item ***Finance Committee Report*** (Video 00:16:60 to 00:42:42). Mr. Adam Gordon with the Auditor of Public Accounts (APA) provided a summary of the Proportionate Share Audit for FY 2023. End of field work for the audit will be at the next meeting of the Authority on March 21, 2024. Mr. Gordon advised that the full report will be released once approved by the Authority. He stated that there were no findings or issues; therefore, the APA anticipates issuing a modified/clean opinion.

Next, Mr. Lamb reviewed the Quarterly Financial Reports with the CERS Board of Trustees. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2023. Mr. Lamb briefly reviewed the Combining Statement of Changes in Fiduciary Net Position of the Pension Funds for the six-month period ending December 31, 2023. The CERS Pension Funds Contribution Report was also presented.

Mr. Lamb went on to present the Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31, 2023, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2023, with the CERS Board of Trustees. Next, he reviewed the CERS Insurance Funds Contribution Report for the six-month period ending December 31, 2023. The CERS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were also presented to the Trustees.

The FY 2023-2024 KPPA Administrative Budget – Budget-to-Actual Summary Analysis for the six-month period ending December 31, 2023, was highlighted by Mr. Lamb. Lastly, the Mr. Lamb briefly reviewed the separation/plan-specific expenses and the JP Morgan Chase Credit Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024.

Mr. D’Juan Surratt presented Hazardous Duty Requests. The CERS Finance Committee considered Hazardous Duty designation requests for nine (9) police, fire, and EMT positions in member organizations, said Mr. Surratt. The Committee voted unanimously to approve each request. Mr. O’Mara made a motion to approve the Hazardous Duty Requests as presented. The motion was seconded by Dr. Carver and passed unanimously.

Mr. Willer briefly presented the Investment Trust Budget to the CERS Board of Trustees.

Next, Mr. Owens provided a Strategic Planning Update.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Plan Committee Report (Video 00:42:43 to 00:50:54)*. Mr. Powell stated that the Joint Retiree Health Plan Committee met on February 15, 2024. Informational items were reviewed, said Mr. Powell. The Committee reviewed an informational presentation from Humana regarding the 2023 Member Satisfaction Results, the Inflation Reduction Act, CMS Call Notices, and 2024 Stars Outreach. Ms. Pettyjohn provided a summary of the information presented. Open Enrollment (October 1, 2023 to December 31, 2023)

statistics were also presented.

Ms. Pendergrass introduced agenda item *Investment Committee Report (Video 00:50:55 to 03:11:53)*. Dr. Hackbart stated that the CERS Investment Committee held a special called meeting on January 24, 2024, and a regular meeting on February 28, 2024. The Committee approved Saba Capital Management as a Real Return Investment Manager for a \$175 million investment, subject to successful contract negotiations. The Investment Committee also reviewed an Asset Allocation Analysis and approved the Lower Risk A Asset Allocation option as presented by Wilshire and the KPPA Office of Investments, reported Dr. Hackbart.

Mr. Willer reviewed pension portfolio performance data for the quarter ending December 31, 2023, and fiscal year to date investment highlights. The Investment Administrative Budget for the six-month period ending December 31, 2023, was also presented.

Next, the KPPA Office of Investments presented a Real Return/Saba Capital Executive Summary. Mr. Willer stated that the CERS Investment Committee approved CERS to invest up to \$175 million in Saba Capital closed-end fund strategy as part of the real return allocation pending successful contract negotiations on January 24, 2024. He advised that the investment would be proportionately shared among the CERS pension and insurance portfolios.

Mr. Chiu and Mr. Willer thoroughly reviewed the real return investment process with the CERS Board of Trustees. When fully funded, this investment would represent an additional ~1.0-1.1% of plan assets (depending on fluctuations in market value). It is anticipated this investment would be funded by existing cash or the unwinding of proxy positions based on the specific needs of each plan, said Mr. Chiu and Mr. Willer.

Dr. Hackbart made a motion on behalf of the CERS Investment Committee to approve CERS' investment into Saba Capital as presented. Mr. Fulkerson seconded the motion. A roll call vote was taken; one (1) aye and eight (8) nays. The motion failed.

Next, Ms. Pendergrass briefly presented investment historical data.

Dr. Hackbart reported that the last study of the asset allocation took place in 2020, said Dr. Hackbart. Therefore, the KPPA Office of Investments and Wilshire have been working to

reanalyze the asset allocation. An Asset Allocation Analysis was presented by Mr. Lindberg and Mr. Tessman with Wilshire.

Mr. O'Mara made a motion to direct staff to not make any tactical movements to move the current target until after the April meeting of the CERS Board of Trustees. The motion was seconded by Dr. Hackbart. Mr. Fulkerson opposed, however, the motion passed.

****Mr. Foster exited****

Ms. Pendergrass introduced agenda item *Administrative*. Due to time constraints, Ms. Pendergrass advised that the CERS Bylaws, CERS Board Election Policy, Administrative Regulation 105 KAR 1:120, and Metro Government Request would be postponed to the April 2024 CERS Annual Board of Trustees meeting.

Ms. Pendergrass withdrew her request to reschedule the April 2024 Annual Board Meeting.

Ms. Pendergrass introduced agenda item *Closed Session*. Dr. Milkman made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). The motion was seconded by Mr. Powell and passed unanimously.

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.

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

Closed Session (Video - Part 2 - 00:00:19 to 00:00:48).

Coming back into open session, Ms. Pendergrass stated that no action would be taken as a result of the closed session discussions.

Ms. Pendergrass opened the floor for adjournment. Dr. Milkman made a motion and was seconded

by Mr. Powell 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 March 11, 2024, 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 March 11, 2024, were approved on April 8, 2024.


Chair of the Board of Trustees

I have reviewed the Minutes of the March 11, 2024, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services