

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 16, 2022 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 16, 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, Ann Case, Connie Davis, Connie Pettyjohn, Kristen Coffey, D'Juan Surratt, Jared Crawford, Shauna Miller, Steve Willer, Ashley Gabbard, Glenna Frasher and Sherry Rankin. Others present included Eric Branco with Johnson Bowman and Branco; Tracey Garrison and Larry Loew with Humana; Danny White and Janie Shaw with GRS Consulting; and David Lindberg, Craig Morton and Chris Tessman with Wilshire.

Ms. Pendergrass called the meeting to order.

Mr. Board read the Legal Opening Statement.

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

Ms. Pendergrass introduced agenda item *Approval of Minutes – January 26, 2022, January 31, 2022 and February 7, 2022*. Mr. Fulkerson made a motion and was seconded by Dr. Milkman to approve all of the minutes as presented. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *CERS Strategic Plan*. Ms. Pendergrass stated that the rough draft of the CERS Strategic Plan presented today is a combination of research conducted on various strategic plans, including the Colorado pension system, as well as input from Dr. Carver and Mr. Fulkerson regarding information from the various CERS committees. Ms. Pendergrass indicated that the goals of the strategic plan would be organized around the committee structure, working with the chairs of those committees to identify the goals. Ms. Pendergrass reviewed the tentative structure of the goals, including the measures and targets, to assist the Board in evaluating

progression toward the goals. Ms. Pendergrass stated that the need for an Ad Hoc working group, to include herself, Dr. Carver and Mr. Fulkerson, to coordinate the collaboration of material from the various CERS Committee Chairs. Dr. Milkman made a motion and was seconded by Dr. Carver to approve the Ad Hoc working group for the CERS Strategic Plan. The motion passed unanimously. Ms. Pendergrass indicated that a template form would be sent to all of the committee chairs to assist in identifying the goals, objectives, measures and targets for their committee. She indicated that Finance and Investment Committees will work with Dr. Carver, and that Actuarial and Joint Retiree Health will work with Mr. Fulkerson. Once all of the information is gathered and the plan is updated, it will be brought at a future meeting for further discussion and consideration.

Ms. Pendergrass introduced agenda item *Actuarial Committee Report*. Dr. Carver stated that the committee met on March 14, 2022 and reviewed the actuarial demographic information from GRS. GRS provided a brief overview of the key economic assumptions including price inflation, investment return and payroll growth. She indicated that the committee reviewed the GRS recommendations and voted to recommend the following assumptions for use in the 2022 Actuarial Valuation to the CERS Board of Trustees for approval: Price inflation, 2.3%; Investment return, 6.25%; and payroll growth, 2.0%. The committee requests the Board's ratification of these recommendations. Mr. White and Ms. Shaw answered questions of the board regarding the recommended assumptions and the components used to determine those assumption rates. Dr. Carver made a motion and was seconded by Mr. Fulkerson to adopt the recommended economic assumptions in the upcoming June 30, 2022 Actuarial Valuations as proposed by GRS. Although Mr. Cheatham and Ms. Pendergrass voted against the motion, it passed with a majority vote.

Ms. Pendergrass introduced agenda item *Finance Committee Report*. Mr. O'Mara stated that the Finance Committee met on February 24, 2022. The committee considered and approved a total of eleven (11) requests for Hazardous Duty designations for positions in 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. Mr. O'Mara made a motion was seconded by Mr. Fulkerson to approve the Hazardous Duty requests. The motion passed unanimously.

Mr. O'Mara indicated that due to the multiple reviews of the Financial Reports at various

committee and Board levels, the material would be referenced and would be available for Trustee questions regarding the content. Mr. O'Mara stated that a brief discussion of the work being done by the Joint Work Group on the administrative cost allocation also took place at the committee meeting. The recommendations from the Work Group will be presented at the KPPA Board meeting on March 24, 2022, at which time it will be determined if more work will be needed by the Work Group.

Ms. Pendergrass introduced agenda item *Investment Committee Report*. Dr. Hackbart stated that the Investment Committee met on February 16, 2022 and approved several Administrative Policies which are being brought today for Board consideration. Dr. Hackbart made a motion and was seconded by Mr. Powell to adopt the amended CERS Administrative Investment Policies as presented. The motion passed unanimously.

Dr. Hackbart indicated that other items of interest that occurred at the committee level was the suggested pooling language that is being introduced to the Investment Policy Statement. This matter was tabled to provide Mr. Herbert with time to have a training session for Trustees concerning the mechanics of pooling. Dr. Hackbart stated the committee also had a presentation by KPPA Investment Operations on how management fees are calculated and reported; KPPA Investment office presented rationale for the redemption of the Putnam Dynamic Asset Allocation; and the Investment Office discussed its plan to bring our reporting into compliance with KRS 61.645 and KRS 78.782.

Dr. Hackbart introduced Mr. Herbert to provide the CERS Quarterly Investment Reports. Mr. Herbert stated that since his reporting was reviewed at the Investment Committee level, he passed reviewing it unless Trustees had questions. He instead suggested that Wilshire give their quarterly investment reports for quarter ending December 2021. David Lindberg and Craig Morton reviewed the Asset Class Performance, Asset Class Assumptions, Economic Growth, Consumer Activity, Business Activity, Inflation and Employment, Risk Monitor, US Equity Market, Non US Equity Market, US Fixed Income, High Yield Bond Market, Real Assets, Asset Allocation Compliance, Total Fund Attribution, Plan Sponsor Peer Group Analysis and Charts, Asset Allocation and Performance Reports. Ms. Pendergrass asked for a brief summary of the impacts that Russian investments in our particular portfolio. Mr. Morton stated that those investments will be concentrated in the Equity portfolio and unfortunately, most managers will have to sit on these

due to the markets being frozen. Mr. Herbert added that the impact was relatively small in comparison and that the Investment staff are keeping a close watch on these markets.

Ms. Pendergrass introduced agenda item *Joint Audit Committee Report*. Ms. Pendergrass reported that due to waiting for a technical correction in House Bill 297, the Employer Proportionate Share Audits will be delayed. She stated that Ms. Coffey has provided several internal audit reports for informational purposes only.

Ms. Pendergrass introduced the CERS Board of Trustees Election Policy and asked Ms. Coffey to review the recent changes made to the policy. She stated previously the Board changed the Policy to include electronic voting. Ms. Coffey indicating that the changes made to the policy was the addition of the requirement of applicants to submit a picture upon submission, as well as adding an email where the applicant can submit their application electronically. Ms. Coffey stated the most significant change is adding DocuSign as a method of submitting an application. Ms. Coffey brought attention to Section 2 under the Nomination of the Board section indicating that the nominations must occur no later than September 30th and as long as the CERS Board maintains that July 31st as the current due date for applications, nothing would change. However, if the Board changes the due date, that the dates in this section would also need to be changed. Ms. Coffey explained that House Bill 297 allows KPPA to exclude a member address that has been marked as invalid in the KPPA system. Section 5 in the Election by Membership portion has the new wording if House Bill 297 passes this legislative session. Mr. Powell made a motion and was seconded by Mr. Fulkerson to approve the amendments made to the CERS Election Policy. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Care Committee Report*. Mr. Powell reported that the Joint Retiree Health Plan Committee met on February 10, 2022 and reviewed an informational presentation from Humana regarding the Account Management for 2021. Ms. Pettyjohn reported that due to a calculation error, there was a premium reduction of \$1.26 on the Prescription Drug Plans for 2022. This is an increase in benefits from what the Boards approved in September 2021.

Ms. Pendergrass introduced agenda item *Administrative*. Ms. Pendergrass began by stating that due to time constraints the Department Spotlight on Member Services will be deferred to a later

meeting. Ms. Pendergrass announced that an upcoming Trustee Education Session on the CFA Code of Conduct and stated that more information would be coming to the Trustees regarding this session.

Ms. Pendergrass introduced the CERS Trustee Per Diem Policy and asked Mr. Owens to review the changes that have been made to the Policy. Mr. Owens indicated that this policy speaks to the per diem rate for Trustees while in session, defines the meaning of in session and defines the official duties of the Trustees. Mr. Fulkerson made a motion and was seconded by Mr. Powell to approve the CERS Trustee Per Diem Policy.

Ms. Pendergrass introduced Mr. Eager to provide a KPPA Update. Mr. Eager stated that House Bill 297, the KPPA Housekeeping Bill, is moving forward through the legislative process. Mr. Eager announced that plans are being made to return to the office in a more formal basis on May 2, 2022, with all employees working out a more definite remote and/or in office work schedule.

Ms. Pendergrass introduced Mr. Owens to provide a CEO Report. Mr. Owens used this time to announce the recent passing of former State Senator Joe Bowen from Owensboro. He stated that Mr. Bowen served the 8th Senate district from 2010 through 2018, at which time he was chair of the Senate State and Local Government Committee and Co-Chair of the Public Pension Oversight Board. Mr. Owens stated that Mr. Bowen was known as the “Godfather of Separation” when he filed the first separation bill that led to what is the CERS Board today. Mr. Owens stated he thought it appropriate to spend a moment to recognize him today.

Ms. Pendergrass introduced agenda item *Closed Session*. Mr. Powell made a motion and was seconded by Dr. Fulkerson to go into closed session for the purpose of litigation. The motion 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 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. Mr. Powell made a motion and seconded by Dr. Milkman 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 31, 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 March 31, 2022 were approved on April 20, 2022.


Chair of the Board of Trustees

I have reviewed the Minutes of the March 31, 2022 Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services