

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
MARCH 9, 2023, 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 March 9, 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, KRS CEO John Chilton, Rebecca Adkins, Michael Lamb, Michael Board, Victoria Hale, Kristen Coffey, Connie Davis, Elizabeth Smith, Jared Crawford, Steve Willer, Joe Gilbert, Ann Case, Connie Pettyjohn, Amanda Clark, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included Janie Shaw and Danny White with GRS, Craig Morton with Wilshire Advisors LLC., Allen Norvell with Blue & Co., Eric Branco with Johnson Bowman Branco, LLP., and Tracey Garrison and Larry Loew with Humana.

Ms. Pendergrass called the meeting to order.

Mr. Board read the Opening Statement.

Ms. Rankin took Roll Call.

There being no *Public Comment* received, Ms. Pendergrass introduced agenda item *Approval of Minutes – December 5, 2022, December 21, 2022, January 19, 2023, January 26, 2023 & February 8, 2023 (Video 00:09:37 to 00:10:32)*. Mr. Fulkerson made a motion to approve all minutes as presented and was seconded by Dr. Milkman. The motion passed unanimously.

Ms. Pendergrass requested that item 7(a) *Acceptance of FY 2022 Proportionate Share Audits (Video 00:10:33 to 00:11:51)* be discussed prior to the Finance Committee Report. There were no questions or discussion of the item; therefore, Ms. Pendergrass requested a motion. Mr. Fulkerson made a motion to accept the results of the GASB 68 and GASB 75 Proportionate Share Audit for Fiscal Year Ended June 30, 2022, and forward to the KPPA Board for approval and publication of the reports. Dr. Milkman seconded the motion and the motion passed unanimously.

Ms. Pendergrass introduced agenda item *Finance Committee Report (Video 00:11:52 to 00:32:54)*. Mr. O'Mara stated that the CERS Finance Committee met on February 20, 2023 and considered 33 requests for Hazardous Duty designation for positions in member organizations. The Committee approved the presented Hazardous Duty Requests as presented; therefore, Mr. O'Mara made a motion to ratify the actions taken by the CERS Finance Committee. Mr. Powell seconded the motion and the motion passed unanimously.

Mr. O'Mara advised that the quarterly financial reports were also reviewed at the meeting. Mr. Mike Lamb presented the quarterly financial reports to the CERS Board of Trustees. He reviewed the Combining Statement of Fiduciary Net Position of the Pension Funds as of December 31, 2022. Next, 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, 2022, Combining Statement of Fiduciary Net Position of Insurance Funds as of December 31, 2022, and the Combining Statement of Changes in Fiduciary Net Position of Insurance Funds for the six-month period ending December 31, 2022, with the CERS Board of Trustees. Mr. Lamb went on to present the CERS Pension and Insurance Funds Contribution Reports for six-month period ending December 31, 2022. Lastly, he briefly presented the KPPA Administrative Budget FY 2022-2023 for the six-month period ending December 31, 2022, CERS Outstanding Invoices by Type and Employer, and Penalty Invoices Report.

Ms. Pendergrass introduced agenda item *Joint Audit Committee Report (Video 00:32:55 to 01:08:19)*. Mr. O'Mara stated that the Joint Audit Committee met on February 28, 2023. First, Mr. Lamb provided briefly discussed the updates to the presentation of the Annual Comprehensive Financial Report (ACFR). Next, Ms. Kristen Coffey provided an overview of the Internal Audit Budget with the CERS Board of Trustees. The budgeting process was discussed. Mr. O'Mara suggested that a Trustee Education Session focusing on the KPPA budgeting process, and the different types of budgets be scheduled. Ms. Pendergrass requested that the session be scheduled in late August or early September. Ms. Coffey reviewed 18 open internal audit findings and recommendations. She also presented the audit report, Review of Chase Accounts. There were 12 findings, advised Ms. Coffey. Ms. Pendergrass wished to add information (regarding findings #8 and #10) to the Audit Report as additional information after the audit was completed. She advised that KRS 61.706 was created by a legislator who wanted to donate his travel checks to the pension system. Ms. Pendergrass advised that the account has rarely been used; therefore, the General Assembly may want to revisit the statute and repeal it. In addition, Ms. Pendergrass advised that

it is not a material source of funding, therefore, KPPA Staff may not want to spend a substantial amount of time developing controls. Ms. Pendergrass asked Ms. Coffey if there was any evidence of fraud found during the audit or if there was evidence that money was inappropriately transferred or misappropriated. Ms. Coffey confirmed that there was no evidence of fraud and that all transactions reviewed were legitimate.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Plan Committee Report (Video 01:08:20 to 01:23:01)*. Mr. Powell stated that the Joint Retiree Health Plan Committee met on February 16, 2023. At the meeting, Humana gave an informational presentation regarding the Benefit Enhancement Review, Vanderbilt Contract Update, and Underwriting Update. Additionally, GRS provided an actuarial analysis of the cost for potential benefit enhancements. They used an estimated financial cost of \$5.00 increase in Medicare premiums as a basis for showing the impact. Mr. Danny White with GRS briefly explained the financial impact of the benefit enhancements. The increase in Unfunded Liability is approximately \$148 million for CERS Nonhazardous and \$30 million for CERS Hazardous, for every \$5 increase in premium. The increase to the normal cost rate (insurance only) is 2.14% for CERS Nonhazardous and 3.99% for CERS Hazardous. Mr. Powell advised that this analysis is the first step in making an educated decision to enhance benefits or not. Mr. Larry Loew with Humana provided an update on the Vanderbilt Contract to date. Lastly, Ms. Pettyjohn added that KPPA Staff presented Open Enrollment (October 1, 2022 – December 31, 2022) statistics. She highlighted that there was a decrease of virtual visitors from 43 to 23 and an increase of in-person visitors from 0 to 57 which was expected due to in-person appointments not being offered in 2021, said Ms. Pettyjohn. Mr. Powell thanked GRS and Humana for their participation and presentations.

Ms. Pendergrass introduced agenda item *Investment Committee Report (Video 01:23:02 to 01:42:45)*. Dr. Hackbart reported that the CERS Investment Committee held a regular meeting on February 22, 2023, and a special meeting on March 2, 2023. He stated that the CERS Investment Committee requests ratification of the “re-up” investment of up to \$75 million into the Adams Street Partners Senior Private Credit Fund III, and up to an additional \$75 million investment into a co-investment side car vehicle to be allocated proportionally among all CERS Plans. This “re-up” investment will maintain the Plans' current exposure to the Adams Street Private Credit Platform and will reside in the Specialty Credit allocation, said Dr. Hackbart. Mr. Steve Willer provided additional information on Adams Street Partners and presented investment into Adams Street Partners Private Credit Fund III. He stated that KPPA will occupy an “anchor investor”

position with preferred pricing and the co-investment vehicle will have a 0% management fee, and 0% carried interest. Dr. Milkman made a motion to ratify the Investment Committee's approval of the investment into Adams Street Partners Private Credit Fund III as presented. The motion was seconded by Mr. Cheatham and passed unanimously.

Next, Dr. Hackbart presented the CERS Procurement Policy. He advised that the conditionally approved Procurement Policy was provided to the Finance Cabinet for their review, and after 30 days having received no comment, the CERS Investment Committee requests that the CERS Board of Trustees adopt the CERS Procurement Policy. Mr. Foster made a motion to adopt CERS' Procurement Policy. Mr. Powell seconded the motion and the motion passed unanimously.

Lastly, Dr. Hackbart reported that Adams Street Partners provided the Committee with an Education Session on the Specialty Credit Market. Trustees earned Education Credits for their attendance. Wilshire and the KPPA Office of Investments presented the quarterly update on portfolio performance. Mr. Willer briefly highlighted key points within the reports presented to the CERS Investment Committee on February 22, 2023.

Ms. Pendergrass introduced agenda item *Administrative (Video 01:42:46 to Video 02:20:20)*. Ms. Pendergrass presented a Resolution Honoring the Service of Ed Davis who passed away on October 16, 2022 and read the resolution aloud to the CERS Board of Trustees. Mr. Powell made a motion to approve the Resolution Honoring the Service of Ed Davis to the Kentucky Retirement Systems by the CERS Board of Trustees. Dr. Hackbart seconded the motion and the motion passed unanimously.

Next, Ms. Pendergrass introduced Mr. Eric Branco of Johnson, Bowman, Branco, LLP. to lead a discussion of the proposed KPPA Public Comment Policy. The deadline to submit, length/time limit, content, Board review process, and the delivery (teleconference/in-person/via email etc.) of public comments were discussed. It was requested that all references of KPPA be changed to CERS. Mr. Cheatham requested that the submitted public comments be provided to the CERS Board of Trustees for reference as soon as possible. No action was taken. The CERS Board of Trustees directed Mr. Branco to present the updated policy in April 2023.

Next, Ms. Pendergrass introduced the CEO Update. Mr. Owens reminded Trustees of their Trustee Education requirements. He advised that March 31, 2023, is the end of an education year for

several Trustees. Mr. Owens advised that those who need Education Credits by March 31st have been contacted and have planned to complete their 12 hours of education.

Ms. Adkins presented the KPPA Update. She reviewed the findings of the Actuarial Audit of the Kentucky State-Administered Retirement Systems. Ms. Adkins advised that it is required that the Public Pension Oversight Board (PPOB) conduct this audit every five years. It was determined that the actuarial procedures and practices are of a high quality and in compliance with all major aspects of the applicable actuarial standards. Ms. Adkins highlighted key areas within the audit report and the recommendations.

Ms. Pendergrass introduced agenda item *Closed Session (Video 02:20:21 to 02:21:28)*. Mr. Powell made a motion and was seconded by Mr. Cheatham to enter 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 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.

Coming back into open session, 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. Carver 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 9, 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 March 9, 2023, were approved on April 19, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the March 9, 2023, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services