MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL-CALLED
ACTUARIAL COMMITTEE MEETING
MAY 7, 2025, AT 2:00 P.M.
VIA LIVE VIDEO TELECONFERENCE

At the Special Called Meeting of the Actuarial Committee of the County Employees Retirement System Board of Trustees held on May 7, 2025, the following members were present: Michael Foster (Chair), Dr. Patricia Carver, George Cheatham, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Rebecca Adkins, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Nathan Goodrich, Ashley Gabbard, Shaun Case, Sandy Hardin, and Sherry Rankin. Others present included Janie Shaw with GRS and Eric Branco with Johnson, Branco and Brennan, LLP.

1. Mr. Foster called the meeting to order.

2 Mr. Branco read the Opening Statement.

3. Ms. Rankin took Roll Call.

4. Ms. Rankin noted no ***Public Comment*** was submitted.

5. Mr. Foster introduced agenda item ***Approval of Minutes – November 8, 2024*** *(Video 00:06:01 to 00:06:40).* Mr. Cheatham made a motion to approve the November 8, 2024, minutes as presented. Dr. Carver seconded the motion. The motion passed unanimously.

6. Mr. Foster introduced agenda item ***Forward-Looking Return Expectations*** *(Video 00:06:40 to 00:12:09).* David Lindberg and Craig Morton from Wilshire presented on forward-looking return expectations. They discussed capital market assumptions over the next 10 years, set at the end of calendar year 2024, which align with upcoming actuarial work. The expected return for the policy allocation is projected at 6.21% annualized, with a risk level of approximately 11.5%. This is slightly lower than previous forecasts, which

estimated 6.36% in March 2024, though the difference is not significant. They highlighted the impact of interest rate changes on returns, noting that previously low interest rates reduced fixed income returns, but recent rate increases have brought them closer to equilibrium. The presentation compared current assumptions to equilibrium returns, with equity forecasts being lower due to valuation concerns, particularly in U.S. markets. The expected return of 6.21% represents a baseline market return (beta), meaning active portfolio management could potentially generate returns above this level.

7. Mr. Foster introduced agenda item ***Review of Actuarial Assumptions*** *(Video 00:12:09 to 00:27:01).* Janie Shaw from GRS presented actuarial assumptions for the June 30, 2025, valuation, recommending no changes. The price inflation assumption remains at 2.5%, supported by economic forecasts, though it does not directly impact valuation. The investment return assumption stays at 6.5%, aligning with market expectations and consultant reports. The payroll growth assumption remains at 2%, given historical stability despite recent spikes, as long-term trends suggest payroll will not continue growing at higher rates indefinitely. Increasing this assumption could lead to backloaded contributions, potentially delaying plan funding.

   In response to questions, Shaw explained that while individual pay raises often match inflation, overall payroll growth lags due to retirements, where higher salaries are replaced by lower ones. Mr. Cheatham raised concerns about aligning payroll growth more closely with inflation and suggested further review using municipal payroll data from sources like Kentucky Association of Counties (KACo) and Kentucky School Boards Association (KSBA). Mr. Webb noted that recent payroll increases were influenced by expired government funding, which could slow growth moving forward.

   Following the discussion, Mr. Cheatham made a motion to adopt the actuarial assumptions as presented. Mr. Webb seconded the motion. The motion passed unanimously.

8. There being no further business, Mr. Foster ***adjourned*** the meeting.

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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 Actuarial Committee of the County Employees Retirement System Board of Trustees, do certify that the Minutes of Meeting held on May 7, 2025, were approved on November 6, 2025.

Chair of the CERS Actuarial Committee

I have reviewed the Minutes of the May 7, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services