MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES
SPECIAL-CALLED MEETING
NOVEMBER 10, 2025, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE

At the Special-Called Meeting of the County Employees Retirement System Board of Trustees held on November 10, 2025, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, Tommy McGraw, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Leigh Ann Davis, D'Juan Surratt, Steve Willer, Anthony Chiu, Brian Caldwell, Joe Gilbert, Shaun Case, Sherry Rankin, and Sandy Hardin. Others present included Eric Branco with Johnson, Branco & Brennan, LLC and Danny White, Krysti Kiesel, and Janie Shaw from GRS.

1. Mr. Cheatham called the meeting to order.

2. Mr. Branco read the ***Opening Statement***.

3. Ms. Rankin took ***Roll Call***.

4. Mr. Cheatham introduced the agenda item ***Public Comment***. Ms. Rankin indicated that no public comments were submitted.

5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** *(Video 00:07:22 to 00:08:50)*. Mr. Cheatham expressed his appreciation to everyone who attended the IMPACT Forum held a few weeks ago, noting that it was a successful event. He commended the KPPA staff for their excellent work in organizing the forum, which he felt ran smoothly and provided valuable information along with opportunities for questions and discussion. He also thanked the Trustees for their participation and effort in attending. Mr. Cheatham mentioned that another legislative session is scheduled in about a month and a half and emphasized that ongoing conversations with employer partners and legislative representatives will continue.

He assured that updates will be shared as those discussions progress, highlighting the importance of maintaining strong relationships and alignment with these groups as KPPA advances its priorities and requests before the legislature.

6. Mr. Cheatham introduced agenda item ***Actuarial Committee Report*** *(Video 00:08:50 to 00:36:41)*. Mr. Foster noted the Actuarial Committee met on November 6, 2025, and reported positive developments. Membership increased, resulting in higher contributions, and investment performance was very strong. The committee reviewed and approved the actuarial valuation presented by GRS, which now requires full Board approval.

   Ms. Janie Shaw from GRS presented the June 30, 2025, Actuarial Valuation for CERS, describing it as an annual snapshot of the system's financial health and a tool for setting employer contribution requirements effective July 1, 2026. Overall, contribution rates are projected to decrease by about 1% of payroll, with pension fund requirements declining and insurance fund requirements rising.

   Key drivers included favorable membership and investment experience. Payroll growth far exceeded assumptions (6.3% for non-hazardous, 8.5% for hazardous compared to 2%), and investment returns of 11.1–11.6% added $901 million in assets, with $630 million recognized this year to reduce unfunded liabilities. Active membership increased, further boosting payroll.

   Legislative changes under Senate Bill 10 expanded insurance benefits, raising subsidies to $40 (non-hazardous) and $50 (hazardous), which added $252 million in liabilities. Member insurance contributions were broadened and increased (hazardous from 1% to 2%) to partially offset costs. Rising 2026 Medicare premiums created a $545 million liability loss in the insurance fund, while salary growth contributed to smaller pension liability losses.

   Recommended employer contribution rates for FY 2027 are 17.43% for non-hazardous and 34.72% for hazardous funds. Despite lower rates, payroll growth keeps dollar contributions stable—non-hazardous contributions slightly decrease to $593 million, while hazardous contributions rise. Pension unfunded liabilities continue to decline, and funded ratios improve

(61% non-hazardous, 57% hazardous), maintaining progress toward the statutory goal of full funding by 2049. Insurance funds, however, were negatively impacted by healthcare costs, reducing surpluses and leaving the hazardous insurance fund below full funding.

Historical trends show steady improvement in funded status since 2020, supported by higher contributions and favorable assumptions. Membership and payroll growth have been strong, though not expected to be sustainable long term, while retiree membership and benefit payments continue to rise steadily.

In conclusion, the valuation reflects positive progress in pension funding, challenges in insurance funding due to healthcare costs, and the importance of maintaining current funding policies to stay on track for full funding by 2049.

Mr. Foster made a motion to approve the Actuarial Committee's recommendation to accept the 2025 Actuarial Valuation Results as presented, including adopting the employer contributions rate for the fiscal year beginning July 1, 2026, and ending June 30, 2027. Dr. Hackbart seconded the motion. The motion passed unanimously.

7. Mr. Cheatham introduced agenda item ***Application to Voluntarily Cease Participation in CERS*** *(Video 00:36:41 to 00:56:13)*. Ms. Surratt presented a detailed report to the Board regarding Metcalfe Health Care Center's (MHCC) application to voluntarily cease participation in the County Employees Retirement System (CERS) under KRS 78.535. MHCC, a nonprofit nursing home facility in Edmonton, Kentucky, with 48 active employees, has submitted the required Form 7730 with supporting documentation, paid the $10,000 administrative deposit, and has no outstanding invoices, reporting errors, or pending litigation with CERS/KRS/KPPA. The facility will be responsible for paying the full actuarial cost of withdrawal by lump sum, with an effective cessation date of June 30, 2026, if approved.

   As required, current and former employees will be notified of the application, and KPPA will provide education on their rights. Ms. Surratt noted that staff recommends the Board approve processing of MHCC's application.

She explained that this case differs from prior cessations because MHCC is selling the corporation to a private company and intends to use proceeds from the sale to cover the cessation cost. Typically, employees continue to be reported through the cessation date; however, in this instance, reporting will end once the sale is finalized, which could occur as early as January 1, 2026, though more likely before June 30, 2026.

Financial projections provided in the Board Book show an anticipated sale price of $11.1 million. MHCC's estimated cessation liability is $3.8 million, and to ensure adequate funding, the entity will establish an escrow account with over $4.5 million—20% above the estimate—based on discussions with GRS. If the sale does not occur, MHCC will continue reporting employees through the cessation date and remain responsible for paying the lump sum withdrawal cost.

Employees will have the option to transfer their CERS balances to the new employer's retirement plan, and those who elect to transfer will be excluded from the final actuarial cessation cost. The final cost will be calculated by GRS after the 2026 valuation is approved in December, at which point the matter will return to the Board for final approval or denial.

Ms. Surratt emphasized that today's vote is only to approve the start of the administrative process for MHCC's application. She noted that extensive supporting material is available in the Board Book and invited questions from members.

Dr. Hackbart asked whether employees transferring assets to a new employer would receive only their contributions or more, and how those who remain in the system would be affected. Ms. Surratt explained that employees who leave their accounts in CERS will no longer earn service credit but will remain eligible for retirement benefits based on credit already earned and could add service if they later work for another participating employer. For Tier 1 and Tier 2 members, transfers include contributions plus interest, while Tier 3 members—if cessation is approved in 2027—would automatically vest and receive contributions, interest, and employer pay credits with interest. Mr. Cheatham then asked about the impact on health care

benefits, and Ms. Surratt clarified that transferring out of CERS forfeits both pension and health insurance benefits. She noted that counseling provides retirement estimates, service purchase options, and information on forfeited benefits, including the $5,000 death benefit for those with 48 months of service. She confirmed that members are given dollar estimates of the value of health insurance contributions toward premiums.

Mr. Webb asked if non-vested employees leaving contributions in CERS retain benefits, and Ms. Surratt explained that they must reach vesting and age requirements to qualify for retirement, though Tier 3 accounts continue earning 4% interest annually until distribution. He also confirmed that the $3.8 million pension liability is an estimate based on June 30, 2025, balances, with a final actuarial figure to be provided later.

Mr. Cheatham asked if additional approvals would be needed before final Board action, and Ms. Surratt said no, only administrative work would occur until the final approval request after the 2026 valuation. Mr. Cheatham also confirmed that MHCC is the only healthcare employer in the system.

Mr. Webb asked if the withdrawal process is prescribed in statute, and Ms. Surratt confirmed it is governed by KRS 78.535 and 105 KAR 1:145. Mr. Cheatham followed up with questions about Tier 3 employees rolling out, noting they would receive contributions, interest, and employer pay credits. He asked whether returning to a CERS employer would allow them to regain prior service credit, and Ms. Surratt clarified that once an employer ceases participation, refunded service cannot be repurchased due to federal guidelines. However, employees may leave assets in place if they anticipate future CERS employment. Mr. Webb asked if refunded service could later be purchased back, and Ms. Surratt explained that service from a ceased employer cannot be repurchased, though service from other participating employers could be.

Following the discussion, Mr. Fulkerson made a motion to accept Form 7730, Application for Voluntary Cessation from Metcalfe Health Care Center as a participating employer in CERS and to initiate the administrative process required for a ceasing employer. Mr. McGraw seconded the motion. The motion passed unanimously.

8. Mr. Cheatham introduced agenda item ***CERS Procurement Policy Amendments*** *(Video 00:56:13 to 01:45:37)*. Before beginning, Mr. Owens III announced that Ms. Erin Surratt has accepted the position of Deputy Executive Director at KPPA. He offered his congratulations, and the Board members joined in congratulating her on this achievement.

Mr. Owens commended Mr. Branco and his team for their extensive work on the proposed policy changes and apologized for the short timeline in bringing the matter before the Board, noting that the need for revisions only became clear at the end of October. He explained that earlier in the year, the Finance Committee had initiated an RFP process for third-party review of limited partnership agreements. As the process unfolded, it became evident that the existing policy language would not achieve the intended outcome, leading to the decision to amend the procurement policy.

Mr. Owens clarified that while the Board Book material contained both redline and clean versions of the policy, subsequent discussions determined that decision-making authority should remain solely with the Investment Committee, rather than being delegated to other committees. He also noted that the only reference to CERS discretion in the revised policy relates to whether an RFP, RFI, or RFQ would be requested at all, consistent with existing provisions allowing the CEO to act on behalf of the Board in certain circumstances.

At the request of Mr. Owens, Ms. Rankin displayed a document titled *"Substantive Changes to CERS Procurement Policy,"* which was received shortly before the meeting. Mr. Owens III explained that despite extensive redline edits, the primary substantive change was moving language on qualified candidate pools from Section 2 to Section 5 to ensure consistency. Additional clarifications included:

- Allowing KPPA staff and/or the investment consultant to narrow preliminary applicants to a candidate pool.

- Inserting CERS General Counsel into the process for determining whether outside counsel should be engaged, with CERS reserving the right to hire specialized counsel as appropriate.
- Clarifying references to "CERS plan assets" to avoid confusion with other systems.
- Requiring that candidate pools of up to three consultants or vendors be provided to the Investment Committee, with ratification by the CERS Board.
- Establishing that procurement of investment-related goods and services exceeding $10,000 must involve a qualified candidate pool.
- Requiring KPPA staff to provide written reports documenting search processes and candidate pools, with references back to Section 2 for consistency.

Mr. Owens emphasized that these changes were designed to ensure clarity, consistency, and alignment with statutory funding and governance requirements. He concluded by noting that revisions to the Quiet Period language were also necessary and invited Mr. Branco to address those changes.

Mr. Branco explained that the Quiet Period language in the policy had been rewritten to provide clarity. The revised language specifies that either the CERS Board or the Investment Committee may designate a procurement as subject to a quiet period, during which communications are restricted. The Board or Investment Committee will determine the timing and may delegate responsibilities to staff. Importantly, the revision clarifies that the quiet period does not limit the Board's ability to discuss procurement matters internally, particularly during meetings.

Mr. Owens added that Section 4, concerning outside investment consultants, remains unchanged from the prior policy but continues to preserve the statutory authority of the CERS Board to hire an investment consultant directly. He emphasized that the clean version of the policy now incorporates the discussed changes, which primarily involve moving qualified candidate pool language from Section 2 to Section 5. He reiterated that this was the fundamental change being requested and invited questions from Board members.

Dr. Hackbart inquired whether the proposed policy needed to be routed through Finance Administration before activation. Mr. Owens confirmed that it does, noting that historically, if no response is received within 60 days, the policy is considered approved. He added that efforts would be made to expedite the review process. Mr. Willer raised questions regarding Sections 5A and 5B, specifically about compensation thresholds and how they align. Mr. Owens clarified that the intent was to ensure clarity in cases where compensation might exceed $10,000 and agreed that language could be mirrored in Section B for consistency. Mr. Willer also expressed concern about referencing Section 2(c), which pertains to external investment managers, noting that it may not be appropriate for evaluating investment consultants or proxy services. Mr. Branco responded by explaining a proposed revision to Section 4 that simplifies the language while maintaining the vetting process. Mr. Willer acknowledged the explanation but suggested a potentially cleaner approach. He then raised concerns about Section 5, particularly regarding shared services like custodial arrangements, emphasizing the need for coordination between CERS and KRS due to the impracticality of separate procurements. Mr. Owens responded that while shared RFPs may be necessary, each board retains the right to its own procurement policy. He proposed that shared services be handled through motions approved by both boards, rather than embedding joint requirements into individual policies. Mr. Willer agreed in principle but reiterated the challenges of managing shared services without a coordinated approach, suggesting that delegation might be more appropriate in such cases. Mr. Cheatham expressed agreement with Mr. Owens, noting that while shared services exist, CERS covers approximately 65% of the costs and must prioritize its own beneficiaries. He emphasized the importance of moving the procurement policy forward, crediting the collaborative efforts of Mr. Branco, Mr. Owens, and others in refining the policy based on earlier suggestions. Mr. Cheatham stressed that delays in implementation could result in unnecessary expenditures, ultimately impacting beneficiaries, and urged the group to proceed with selecting a vendor and advancing the project.

Mr. O'Mara raised concerns about the language regarding contracts under $10,000, noting that the current wording could be interpreted as requiring Board-level selection for even small contracts, which may not be administratively efficient. Mr. Owens clarified that the intent was to address contingency scenarios where compensation might exceed $10,000, even if the initial

contract value is lower. He explained that the policy was designed to ensure a qualified candidate pool is developed in such cases, and that most contracts have fixed values, making additional oversight unnecessary. Mr. O'Mara suggested simplifying the language by directly referencing contingency contracts rather than using dollar thresholds, but Mr. Owens cautioned that such an approach might leave gaps in coverage due to the variety of contingency structures.

Mr. O'Mara also noted the absence of expected co-investment language, which Mr. Owens clarified would be addressed in the Investment Policy Statement (IPS) at a future committee meeting. Mr. O'Mara expressed concern about the process by which the policy was brought to the Board, stating that key stakeholders—including KPPA Legal, KPPA staff, and CERS representatives—had not had adequate opportunity to review or comment on the final draft. He emphasized the need for a more collaborative and transparent process in the future, where all parties can provide input before policies are presented for a vote. Mr. Board confirmed that KPPA Legal had not reviewed the final version prior to its inclusion in the Board materials. Mr. Willer also confirmed that he had not seen the draft language in advance.

In response, Mr. Owens acknowledged the concerns and agreed with the importance of a more inclusive process. He explained that the policy changes were made in response to feedback that the existing policy would not support the intended implementation, and that the timing of the feedback—received in late October—left limited time for a more orderly process. He emphasized that the changes were necessary to ensure the policy could function as intended and avoid further delays. Mr. O'Mara reiterated that his request was not for consensus, but for open dialogue among all stakeholders prior to Board presentation, to ensure clarity and thorough vetting of proposed policies.

Mr. Willer clarified that from the outset, both KPPA Legal and KPPA Investment staff had been operating under the understanding that Section 5 of the CERS Procurement Policy applied to the matter at hand. He noted that this interpretation was communicated as early as July and August, and that the RFP process followed that section accordingly. Mr. Cheatham responded that there was no disagreement with that timeline, but rather that the issue stemmed from differing interpretations of the policy language. Mr. Board wanted to clarify the timeline. He confirmed that communication in June and July indicated that Section 5 would be followed,

and that Mr. Owens had mentioned reaching out to him for further discussion. However, Mr. Board stated that this follow-up never occurred, and he wanted to set the record straight that the opportunity for clarification was missed due to that lack of follow-through.

Following the robust discussion and clarification of questions, Mr. Fulkerson made a motion to approve the amendments to the CERS Procurement Policy as presented. Mr. McGraw seconded the motion. The motion passed with Mr. O'Mara voting in opposition.

9. Mr. Cheatham introduced agenda item ***Closed Session*** *(Video 01:45:37 to 01:46:46).* Mr. Foster made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). Mr. Fulkerson seconded the motion. The motion passed unanimously.

   Mr. Cheatham 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). Closed session is necessary because of the necessity of protecting the confidentiality of the CERS's litigation strategy and preserving any available attorney-client privilege.

Closed Session *(Video - Part 2 - 00:00:18 to 00:01:18).*

Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. Mr. O'Mara made a motion to return to open session. Mr. Foster seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken within closed session discussions.

10. There being no further business, Mr. Cheatham requested a motion to ***adjourn.*** Mr. Fulkerson made a motion to adjourn. Mr. Webb seconded the motion. The motion passed unanimously.

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 November 10, 2025, were approved on March 9, 2026.

Chair of the Board of Trustees

I have reviewed the Minutes of the November 10, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services