MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL-CALLED
ACTUARIAL COMMITTEE MEETING
NOVEMBER 6, 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 November 6, 2025, the following members were present: Michael Foster (Chair), Dr. Patricia Carver, George Cheatham, Dr. Merl Hackbart, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Shaun Case, Sandy Hardin, and Sherry Rankin. Others present included Danny White, Krysti Kiesel, and 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 that no ***Public Comment*** was submitted.

5. Mr. Foster introduced agenda item ***Approval of Minutes – May 7, 2025*** *(Video 00:06:46 to 00:07:30).* Mr. Cheatham made a motion to approve the May 7, 2025, minutes as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.

6. Mr. Foster introduced agenda item ***Draft Actuarial Valuations*** *(Video 00:07:30 to 00:47:53).* Mr. Danny White and Ms. Krysti Kiesel presented the finalized draft actuarial valuation for the June 30, 2025, highlighting updated membership data, asset performance, and minor changes to insurance benefits. The valuation showed strong investment returns exceeding expectations, with over 11% gains across all funds, resulting in a $901 million asset gain—of which $630 million was recognized to stabilize

contribution rates. Active membership and payroll continued to grow, contributing to changes in funding needs. For the fiscal year ending 2027, employer contribution rates are set to adjust: pension fund rates decreased due to reduced unfunded liabilities and amortization costs, while insurance fund rates increased due to legislative changes and higher premiums. Overall, both hazardous and non-hazardous funds saw a year-over-year decrease of over 1% in contribution rates as a percentage of payroll. In dollar terms, contributions for the non-hazardous fund declined, while the hazardous fund saw a slight increase due to payroll growth. Mr. Webb inquired about payroll growth assumptions, and Mr. White clarified that while these assumptions don't affect liabilities directly, they influence how unfunded liabilities are financed. He stressed the importance of conservative estimates, especially for underfunded plans with long amortization periods, noting that once a plan is nearly fully funded, the assumption becomes less critical.

Ms. Kiesel then summarized the year's asset and liability experience and its impact on the unfunded liability. She explained that the pension fund showed a decrease in unfunded liability, as strong investment performance helped offset liability losses. However, on the insurance side, while investment experience was favorable, it was not sufficient to counterbalance premium experience and legislative impacts, resulting in an increase in unfunded liability. Taken together, both funds experienced a slight overall increase in unfunded liability, with the primary drivers being premium and legislative factors affecting the insurance fund.

Mr. Cheatham raised a question to help newer trustees better understand the concept of five-year smoothing, asking whether the recent strong investment returns were included in the reported $901 million figure or spread across multiple years. Ms. Kiesel clarified that the $901 million reflected the market value of assets entirely from this year, while the recognized amount was $630 million, which incorporated gains from prior years under the smoothing method. Mr. Cheatham emphasized the importance of explaining the purpose and impact of smoothing in both favorable and unfavorable markets. Mr. White expanded on this point, noting that liabilities such as salary increases or insurance changes are recognized immediately, while assets are more volatile and, therefore, smoothed over

five years at a rate of 20% per year. He explained that this approach dampens volatility in contribution rates, as actuarial values are currently about 5% lower than market values. Gains will be recognized gradually unless offset by future losses, helping stabilize funding costs despite market fluctuations. Mr. White also reviewed historical changes, highlighting that adjustments to economic and demographic assumptions in 2017 and 2019 materially increased employer contribution requirements, which were phased in over several years. With that phase-in now complete, recent contribution efforts have positively impacted the funded ratio. He concluded by noting that membership counts have returned to positive growth, driven by workforce and employer needs, which is a favorable trend for the system.

The presentation then turned to payroll and membership counts. It was noted that recent payroll increases have been unusually high, described as an anomaly in over 25 years of actuarial experience. While these increases have persisted for the past four years, it was cautioned that it would not be prudent to project such growth into the future, as tighter budgets are expected to dampen payroll changes. In contrast, active and retiree membership counts can be projected with greater confidence. Because retirements follow predictable patterns and the transition of active members into retirement is a known quantity, these counts are expected to continue trending steadily forward. This makes membership projections more reliable compared to payroll growth, which is subject to economic and budgetary pressures.

Mr. Cheatham asked for clarification on how much of the payroll increase was attributable to higher headcount versus wage growth. Mr. White responded that the majority of the increase appeared to come from salary increases for existing members rather than new hires, noting that new members typically enter at lower-than-average salaries. He estimated that roughly 65–75% of the payroll growth was due to wage increases among current members. Mr. Lamb added that his own figures, based on raw contribution reports, were less precise and subject to fluctuations, emphasizing that the actuarial data from GRS provided a more reliable measure. Mr. White further explained that differences between Mr. Lamb's data and actuarial counts likely stemmed from timing and turnover,

as contribution reports capture all members who contributed during a period, while actuarial counts reflect active members at a specific snapshot date. Mr. Cheatham concluded by suggesting that cost-of-living adjustments for existing employees may trend higher in coming years given economic conditions, while Mr. White acknowledged the point and noted that time will ultimately reveal how payroll dynamics evolve.

The presentation moved into projections and rate development, beginning with a breakdown of how employer contribution rates are calculated. This includes the normal cost rate for pension and insurance, member contributions, administrative expenses based on prior year payroll, and amortization costs under the funding policy adopted by the CERS Board. These elements combine into the total employer rate, which reflects changes in funding status, unfunded liability, and funded ratios for both hazardous and non-hazardous plans.

Projections assumed a steady 6.5% return and full payment of actuarially determined contributions. For the non-hazardous plan, the unfunded liability is concentrated in pension rather than insurance. Deferred investment gains are expected to reduce unfunded liability significantly in the near term, with contribution rates declining over the next three to four years before rising again after 2043 as new amortization layers are added. Insurance liabilities remain relatively small. The hazardous plan shows similar trends, though at different magnitudes, and overall results are consistent with last year's outlook. Closing comments emphasized that favorable investment experience has been offset by liability changes, but pension unfunded liability continues to decline. Unlike medical premiums, which are more predictable, salary growth introduces volatility, underscoring the importance of maintaining current funding policies and assumptions. Sensitivity analyses showed that changes in discount rates, inflation, or payroll growth assumptions can significantly affect contribution rates, though not necessarily funding ratios. Trustees were reminded that detailed numerical tables and charts are included in the packet, along with a full report, and that while the materials are marked draft, no substantive changes are anticipated pending Board approval.

Mr. Cheatham made a motion to accept the 2025 Actuarial Valuation as presented, including accepting the employer contribution rates for the fiscal year beginning July 1, 2026, and ending June 30, 2027, and to forward it to the CERS Board for approval. Dr. Hackbart seconded the motion. Following Mr. Foster's commendation of the report as both detailed and beneficial, the motion passed unanimously.

7. There being no further business, Mr. Foster called for a motion to ***adjourn***. Mr. Webb made the motion to adjourn the meeting. Dr. Carver seconded the motion. The motion passed unanimously. 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 November 6, 2025, were approved on April 8, 2026.

Chair of the CERS Actuarial Committee

I have reviewed the Minutes of the November 6, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services