

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
NOVEMBER 8, 2023, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the Meeting of the County Employees Retirement System Board of Trustees held on November 8, 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, David Eager, Rebecca Adkins, Erin Surratt, Connie Pettyjohn, Michael Lamb, Connie Davis, Michael Board, Leigh Ann Davis, Steve Willer, Anthony Chiu, Ashley Gabbard, Katie Park, Shaun Case, and Sherry Rankin. Others present included David Lindberg and Chris Tessman with Wilshire, Danny White and Janie Shaw with GRS, and Eric Branco with Johnson Bowman Branco, LLP.

Ms. Pendergrass called the meeting to order.

Mr. Branco read the Legal Opening Statement.

Ms. Rankin called Roll.

There being no *Public Comment* received, Ms. Pendergrass introduced agenda item *Approval of Minutes – September 7, 2023, and September 13, 2023 (Video 00:09:10 to 00:09:57)*. Dr. Hackbart made a motion to approve all minutes as presented and was seconded by Dr. Milkman. The motion passed unanimously.

Ms. Pendergrass wished to amend the order of the agenda to discuss items *Joint Retiree Health Plan Committee (#7)* and *Administrative (#8)* prior to item *Actuarial Committee Report (#6)*. Mr. Powell made a motion to amend the agenda. Mr. Cheatham seconded the motion and the motion passed unanimously.

Ms. Pendergrass introduced agenda item *Joint Retiree Health Plan Committee (Video 00:11:03 to 00:18:18)*. Mr. Powell stated that The Joint CERS & KRS Retiree Health Plan (RHP) Committee met October 23, 2023. Ms. Pettyjohn advised that the Committee reviewed an informational

presentation from Humana regarding 2024 Pharmacy Review, Pharmacogenomics, and Medication Therapy Management (MTM). She briefly discussed 2024 Formulary changes, open enrollment, and retiree engagement/outreach efforts. Mr. Powell added that contract negotiations continue between Humana and Baptist Health Medical Group (BHMG).

Ms. Pendergrass introduced agenda item *Administrative* (Video 00:18:19 to 00:37:21). Ms. Pendergrass reviewed proposed amendments to the CERS Bylaws. She advised that a change to the proposed recurring meeting schedule was needed; the CERS Board of Trustees meeting scheduled for the 2nd Monday in December would move to the 1st Monday in December.

Mr. Cheatham wished to clarify the language in Section 2.1 Standing Committees to ensure there is no violation of the Open Meetings Act. He proposed that the last line in the section be replaced with the following: "Any trustee who wishes to observe a meeting or a committee of which he or she is not a member shall do so by watching via live broadcast." Mr. Cheatham made a motion to make his proposed change to the CERS Bylaws. The motion was seconded by Mr. Fulkerson. No vote was taken.

Ms. Pendergrass requested that the CERS Bylaws be brought back for further review at the December 2023 meeting.

Mr. Cheatham expressed concern regarding the creation of a standing CERS Legislative Committee. There was discussion of whether the proposed committee should be an ad hoc/standing committee or a working group. Ms. Pendergrass suggested that the topic be tabled for in-depth discussion in March of 2024. Mr. Cheatham requested that Mr. Branco provide the Board of Trustees with guidance on the matter. Dr. Hackbart made a motion to table the discussion to March of 2024. Mr. Powell seconded the motion and the motion passed unanimously.

Next, the contract of the CERS Chief Executive Officer was discussed. Ms. Pendergrass stated that there are concerns regarding the Termination Without Cause section of the contract. The current contract offers three months of compensation to be paid should employment be terminated prior to the end of the contract term for reasons other than Cause. Several other contracts have been given six months of compensation, said Ms. Pendergrass. Mr. Powell made a motion to amend the contract of CERS CEO Ed Owens III to reflect the similarity with other contracts to include a six-month payout. Mr. Powell clarified his motion to state that there is no change to the

contract term. Mr. Foster seconded the motion and the motion passed unanimously.

Ms. Pendergrass reminded the Trustees that the proposed recurring meeting schedule for 2024 was included in the tabled CERS Bylaws. She advised that all CERS Board and Committee meetings would be special called meetings until the Bylaws receive final approval.

Mr. O'Mara made a motion to adopt the 2024 proposed recurring meeting schedule with the discussed modification: the CERS Board of Trustees meeting scheduled for the 2nd Monday in December would move to the 1st Monday in December. Mr. Powell seconded the motion.

Ms. Surratt advised that the CERS Board of Trustees meeting scheduled for the 3rd Wednesday in September would need to be rescheduled to an earlier date. Therefore, Ms. Pendergrass requested that the motion be tabled for discussion at the December 2023 meeting. Mr. O'Mara made a motion to table the item and was seconded by Dr. Milkman. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *Actuarial Committee Report (Video 00:37:22 to 02:02:03)*. Mr. Foster introduced Mr. Danny White and Ms. Janie Shaw with GRS to review the 2023 Draft Actuarial Valuation Results as presented to the CERS Actuarial Committee on November 1, 2023. Mr. White noted that there was a recent adjustment made to the financial statements for CERS. Mr. Lamb briefly described the adjustment to employer contributions. Ms. Pendergrass recommended that the CERS Board of Trustees accept the 2023 Draft Actuarial Valuation Results with the understanding that some figures will change. The final results will be presented in December of 2023 and will be used to adopt the contribution rates, said Ms. Pendergrass.

Ms. Shaw and Mr. White presented the 2023 Valuation Results.

Ms. Pendergrass requested a motion to accept the draft report with the understanding that GRS is going to rerun the valuation to include the audit adjustment for June 30th. A motion to accept the draft motion was made by Mr. Foster and seconded by Dr. Carver. The motion passed unanimously.

Next, the actuarial factors used in the administration of benefits were discussed. Ms. Pendergrass requested that Mr. White further explain the provided Comparison of Certain Actuarial Factors at

Select Ages schedule. There was extensive discussion regarding which actuarial factors should be adopted by the CERS Board of Trustees and the potential impact of each proposed factor.

Mr. Eager added that the use of a single rate is preferred to efficiently administer benefits and indicated that Kentucky Retirement Systems (KRS) may wish to compromise on a single rate.

Mr. Cheatham believed a rate of 5.875% would be a good compromise for both systems going forward. Mr. O'Mara suggested that a representative from CERS work to obtain the opinion of the KRS Board of Trustees regarding the use of a single rate of 5.875%. Ms. Pendergrass asked CERS CEO Mr. Owens III if he had been in communication with KRS CEO Mr. Chilton regarding a rate of 5.875%. Mr. Owens III advised that he and Mr. Chilton had previously discussed everything from 5.25% up to 6.50%. He advised that the KRS Board of Trustees had not committed to any specific rate.

Dr. Hackbart asked when a decision was required; Ms. Pendergrass advised that there was no specific deadline, however, it would take at least six-months to implement the selected rate.

Ms. Pendergrass stated that Mr. Owens III can further discuss the rate recommended by the CERS Board of Trustees with Mr. Chilton. Ms. Pendergrass requested a motion directing Mr. Owens III to exchange conversations with Mr. Chilton regarding a recommended rate of 5.875%.

Dr. Hackbart suggested that a motion be made to approve the 5.875% and then table the motion pending KRS deliberations. Dr. Milkman expressed opposition to making a recommendation. Mr. Fulkerson stated that a rate of 5.875% would be the best recommendation.

Mr. O'Mara proposed that Mr. Owens III discuss the issue with Mr. Chilton and report back to the CERS Board of Trustees.

Mr. Owens III stated that he was in favor of the Board voting a number contingent upon agreement from the KRS Board of Trustees as it would strengthen his leverage when speaking with Mr. Chilton regarding a specific rate.

Dr. Hackbart made a motion to recommend a rate of 5.875% to the KRS Board of Trustees. Mr. Fulkerson seconded the motion. Dr. Hackbart made a motion to table the motion and was seconded

by Mr. Fulkerson. A roll call vote was taken. The motion passed with Trustees Pendergrass, Fulkerson, Hackbart, Milkman, and O'Mara voting in favor, and Trustees Carver, Cheatham, Foster, and Powell voting against. Therefore, the motion was tabled.

Ms. Pendergrass requested that Mr. Owens III summarize what he planned to discuss with Mr. Chilton on behalf of the CERS Board of Trustees. He stated that the Board is very focused and centered around 5.875% as a single rate for the CERS with the understanding that it is a compromised rate for both CERS and KRS. However, if KRS is not in favor of this rate, discussions of two separate rates or another blended rate would need to take place, said Mr. Owens III.

Ms. Pendergrass noted that the intent of tabling the motion was to not take a final vote on the matter; therefore, remain open to negotiations with KRS. Mr. Owens III will provide an update on the matter in December, announced Ms. Pendergrass.

Ms. Pendergrass directed the Trustees to the presented CERS Bylaws. She requested that Mr. Foster and Mr. Cheatham to work with Mr. Branco and Mr. Bowman to study the issues surrounding the creation of a standing CERS Legislative Committee and draft alternative language for the bylaws.

Ms. Pendergrass introduced agenda item *Closed Session (Video 02:02:04 to 02:03:02)*. Mr. Cheatham made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(c). The motion was seconded by Dr. Carver and 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.

****Mr. Fulkerson exited the meeting prior to the start of Closed Session****

Closed Session (Video - Part 2 - 00:00:26 to 00:00:30)

Coming back into open session, Ms. Pendergrass announced that no action would be taken because of the discussions in Closed Session.

Ms. Pendergrass opened the floor for adjournment. Mr. Powell made a motion and was seconded by Mr. Cheatham 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 November 8, 2023, except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

The remainder of this page left blank intentionally.

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 8, 2023, were approved on December 4, 2023.


Chair of the Board of Trustees

I have reviewed the Minutes of the November 8, 2023, Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services