

**MINUTES OF MEETING
BOARD OF TRUSTEES COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED MEETING SEPTEMBER 15, 2021 AT 2:00 P.M.
VIA LIVE VIDEO TELECONFERENCE**

At the meeting of the County Employees Retirement System Board of Trustees held on September 15, 2021 the following members were present: Betty Pendergrass (Chair), Dr. Patricia Carver, George Cheatham, JT Fulkerson, Dr. Merl Hackbart, Dr. Martin Milkman, William O'Mara, and Jerry Powell. Staff members present was Ed Owens, III, CERS CEO, Sherry Rankin, Shaun Case, Phillip Cook, Michael Board, Connie Pettyjohn, Connie Davis, Ashley Gabbard, D'Juan Surratt, Chris Johnson, Erin Surratt, Dominique McKinley, Rebecca Adkins, David Eager, Steven Herbert, Jared Crawford, and John Chilton. Others present included David Lindberg, Craig Morton and Chris Tessman with Wilshire Consulting, Lawrence Loew and Tracey Garrison with Humana, and Joseph Bowman..

Ms. Pendergrass called the meeting to order and read the Opening Statement relating to a Special Called Meeting.

Ms. Rankin took Roll Call. There was one public comment received. Ms. Rankin read, "Greetings, I would like to have the following comment submitted for consideration. I have been a County Kentucky Retirement System retiree since 2013. In this time, there have been no cost of living adjustments, as was true for many years prior. Inflation has been rising and it is impacting many retirees of KRS. It would be progressive for Kentucky to keep its dedicated retirees in mind, and propose a COLA for 2022. Thank you for your consideration, Debby Combs, Kentucky Retirement System Retiree – County System."

Ms. Pendergrass introduced agenda item *Approval of Minutes – May 19, 2021, June 2, 2021, June 24, 2021, July 14, 2021, August 25, 2021 and September 1, 2021*. Mr. Powell indicated that the minutes for the June 24, 2021 meeting needed to reflect the full name of Mr. Owens, and should be corrected to Ed Owens, III. Mr. Fulkerson made a motion and Dr. Milkman seconded to approve all of the minutes with this correction. The motion passed unanimously.

Ms. Pendergrass introduced agenda item *CERS Investment Committee Report*. Dr. Hackbart, Investment Committee Chair, reported that the committee met on August 25, 2021, and selected Axiom Investors to provide Non-US Small Cap Equity services pending successful agreement negotiations. Dr. Hackbart made a motion and Dr. Milkman seconded to approve this recommendation. The motion passed unanimously.

Dr. Hackbart then introduced David Lindberg, Craig Morton and Chris Tessman from Wilshire Consulting to present the Quarterly Investment Review. Mr. Lindberg reviewed an Asset Class Performance Chart reviewing the class returns over the last 5 years, showing a strong return in the US Equity market. Mr. Lindberg reviewed the Economic Growth, Consumer Activity, Business Activity, Inflation and Employment charts covering the activities in each for the quarter. Mr. Lindberg then focused on the market charts showing the quarterly activity in the US Equity Market, Non-US Equity Market, US Fixed Income Markets, High Yield Bond Market, and Real Asset Market charts. Mr. Lindberg discussed the Asset Class Assumptions as of June 2021. Mr. Morton presented charts including Asset Allocation Compliance, Total Fund Attribution for both the hazardous and non-hazardous Pension and the Insurance Plans reflecting the performance during the past quarter. Mr. Morton then showed the Plan Sponsor Peer Group Analysis for CERS Pension Plan vs All Public Plans – Total Fund Chart comparing the performance of the CERS plans to other public plans.

Ms. Pendergrass introduced agenda item *CERS Finance Committee Report*. Mr. O'Mara, Finance Committee Chair, reported that the Finance Committee met on September 1, 2021, and voted to approve the participation of a new agency, Liberty Tourism and Convention Commission, to the CERS system as well as approving thirty-eight (38) requests for Hazardous Duty designations for participating agencies. Mr. Fulkerson made a motion and Mr. Powell seconded the approval of the participation of Liberty Tourism and Convention Commission in the CERS system. The motion passed unanimously. Mr. O'Mara made a motion and Mr. Powell seconded to approve the thirty-eight (38) requests for Hazardous Duty designations. The motion passed unanimously.

Mr. O'Mara introduced Ms. Rebecca Adkins to present the Quarterly Financial Reports. Ms. Adkins presented the Combining Fiduciary Net Position and the Changes in the Fiduciary Reports

for both the Pension and Insurance Funds. Ms. Pendergrass noted that these reports are reflecting fiscal year end results, but that the final audit is pending and therefore, these results are subject to change. Ms. Adkins then reviewed the Fourth Quarter Budget to Actual analysis showing the breakdown of the expenses as it relates to the CERS system. Mr. O'Mara asked Ms. Adkins to speak about how the expenses are divided between all of the systems. Ms. Adkins referred to the percentages listed on the Fourth Quarter Budget to Actual Analysis Chart and indicated that the percentages are based on the number of participants in each of the plans. Ms. Adkins presented the Contribution Reports for both the Pension and Insurance Funds and the Outstanding Invoices. Ms. Adkins announced that the Outstanding Invoices Chart includes all three systems and that going forward this chart will only reflect those agencies in the CERS system. Ms. Adkins then reviewed the cancelled, created and paid penalties in the Penalty Waiver Report.

Ms. Pendergrass introduced agenda item *Joint Health Care Committee Report*. Mr. Powell, Joint Committee Chair, indicated that the committee met on September 2, 2021 to vote on the health insurance coverage for Medicare and Non-Medicare-Eligible Retirees. Ms. Connie Pettyjohn reviewed the coverage details for both the plans. Due to a technical issue on the agenda, a vote on the recommendations was not held and this matter was passed to the next meeting. However, the Board agreed that the KPPA staff proceed with the recommendation from the Joint Health Care Committee to meet the printing and distribution deadlines. Mr. Powell introduced Ms. Adkins to give an update on the RFP process. Ms. Adkins indicated that KPPA staff are working on the scope for the RFP. The vendor contract which results from the completed RFP process should be in place mid to late summer 2022 and then the team will be working on the implementation process prior to the open enrollment, which will begin in October 2022 for plan year 2023.

Ms. Pendergrass introduced agenda item *IT Cybersecurity Overview*. Mr. Ed Owens, III indicated the importance of cybersecurity training for all of the Trustees and announced that a more thorough training will be incorporated into the Trustee's education program in the future. Ms. Rebecca Adkins and Mr. Chris Johnson presented an overview of the KPPA Cybersecurity measures that are currently in place. Mr. David Eager commented that during a past study conducted by an outside agency to see how vulnerable our system was, he asked for a rating

on our system based on a scale of 1 to 10, where 1 is poor and 10 is excellent. The representative indicated that he would rate us a 7 out of 10. Mr. Eager suggested that he didn't think that a 7 was satisfactory. The Representative replied that is about as high as they could give other like systems. Mr. Eager indicated that it represented the state of security. Mr. Eager pointed out that we are at a higher risk for cybersecurity because we are a pension system, which have been the target of many security breaches as of recent. He indicated that we have measures in place, but there is always room for improvements. Ms. Pendergrass wanted to bring attention to the Trustees that they are representatives of a high-risk organization with sensitive data; they are high-risk targets, which means we need to pay more attention to how we communicate and we need to work closely with the KPPA IT staff. Ms. Pendergrass praised the efforts of the KPPA IT staff in maintaining the security protocols to keep the sensitive information of our members safe. Mr. Cheatham had a question pertaining to the testing of the KPPA security. Mr. Johnson described the testing, both internal and external, that KPPA currently conducts on a quarterly and yearly basis.

Mr. Powell made a motion and Mr. Fulkerson seconded 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 September 15, 2021 except documents provided during a closed session conducted pursuant to the open meetings act and exempt under the open records act.

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 September 15, 2021 were approved on September 29, 2021.


Chair of the Board of Trustees

I have reviewed the Minutes of the September 15, 2021 Board of Trustees Meeting for content, form, and legality.


Executive Director
Office of Legal Services