MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES MEETING
September 9, 2024, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE

At the Regular Meeting of the County Employees Retirement System Board of Trustees held on September 9, 2024, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, JT Fulkerson, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, Ryan Barrow, Michael Board, Rebecca Adkins, Erin Surratt, Victoria Hale, Michael Lamb, Steve Willer, Leigh Ann Davis, Connie Pettyjohn, D'Juan Surratt, Brian Caldwell, Anthony Chiu, Joe Gilbert, Phillip Cook, Shaun Case, Ashley Gabbard, Kristen Coffey, Connie Davis, and Sherry Rankin. Others present included Eric Branco with Johnson Branco & Brennan, LLP; David Lindberg, Craig Morton, and Chris Tessman with Wilshire; Danny White, Kristi Kiesel, and Janie Shaw with GRS; and Tracey Garrison and Larry Loew with Humana.

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*** *(Video 00:06:15 to 00:10:01).* Ms. Rankin indicated that one public comment was received for this meeting from Andrew Parrish and read as follows:

   "Good morning, I hope you all are doing well, and I appreciate your commitment to the Commonwealth and the ones you serve. I would like to briefly introduce myself. My name is A.J. Parrish, and I currently serve as the night shift sergeant for the Paducah Police Department and am under the Tier 3 system as I joined the force in May of 2014. I am submitting this comment to you all because I want to bring to light an issue with retention among law enforcement that you are likely all too familiar with. While this issue is affecting

agencies nationwide, I want to focus on our issues specifically here in Kentucky. Currently, the Commonwealth offers three Tiers for retirement, but I will focus on the one that is currently in effect as of January 1, 2014, which is Tier 3. Essentially, peace officers are no longer under a pension style retirement but rather a 401K. Unlike the other retirement Tiers prior to 2014, under Tier 3 the participant has the option to leave law enforcement and take their 401K balance with them. Specifically, they are vested after 60 months (or 5 years) of employment. What this means is that instead of staying in law enforcement for 25 years, officers can now leave law enforcement at 5 years of service and go to work in the private sector with their 401K. This is causing a massive strain on law enforcement agencies across the commonwealth to retain seasoned, veteran officers. Instead, agencies are now forced to cycle through hiring young officers, send them to the academy to get trained and then hope that they will stay faithful to law enforcement for 25 years. While this seems grim, I do have a solution to this issue. In January, House Bill 143 was introduced which would afford Tier 3 participants the option of going to Tier 2. This would greatly benefit the safety and security of the communities within our Commonwealth by retaining law enforcement professionals for 25 years to reach full retirement under the pension system. I humbly request you take some time to fully research this issue and support the efforts to afford us the opportunity to go from a Tier 3 retirement system to Tier 2. I would be happy to discuss this issue further and can be reached via e -mail or phone at xxx-xxx-xxxx. Again, thank you for time and support in this matter." Mr. Cheatham ensured that the CERS Board does take public comments seriously and asked Mr. Owens, III, to contact Mr. Parrish regarding his concerns."

5. Mr. Cheatham introduced agenda item ***Approval of Minutes – June 10, 2024, and July 17, 2024*** *(Video 00:11:20 to 00:12:25).* Mr. Fulkerson made a motion to approve the June 10, 2024, minutes as presented. The motion was seconded by Mr. Powell and passed unanimously. Mr. Powell made a motion to approve the July 17, 2024, minutes as presented. The motion was seconded by Mr. Fulkerson and passed unanimously.

6. Mr. Cheatham introduced agenda item ***Chairman's Corner*** *(Video 00:09:17 to 00:11:25).* On behalf of the Board, Mr. Cheatham offered his condolences to Betty Pendergrass and

family for the death of Betty's father. Also, Mr. Cheatham reported that he and Mr. Owens, III, have been working together on some positive undertakings and will update everyone soon.

7. Mr. Cheatham introduced agenda item ***CERS Board of Election Ballot*** *(Video 00:12:26 to 00:16:10)*. Ms. Kristen Coffey explained that up to (6) six nonhazardous and (3) three hazardous candidates can be placed on the official ballot, which is the number of applications received. Sherry Rankin called roll. Mr. Cheatham, Dr. Carver, Mr. Foster, Mr. Fulkerson, and Mr. Powell of the CERS Board voted for all the applicants who submitted an application to be placed on the official the ballot. Then Mr. Powell made the motion that all candidates who received at least one vote be placed on the official ballot. The motion was seconded by Mr. Fulkerson and passed unanimously.

8. Mr. Cheatham introduced agenda item ***Joint Retiree Health Plan Committee Report*** *(Video 00:16:05 to 00:33:47).*

   a. Mr. Powell stated that The Joint CERS and KRS Retiree Health Plan Committee met on September 3, 2024, to discuss and make recommendations regarding the non-Medicare and Medicare eligible health plans for retirees of the systems operated by the KPPA. He provided an overview of these recommendations.

      Mr. Powell made the motion to accept the recommendations of the Joint CERS and KRS Retiree Health Plan Committee for the 2025 KEHP Plan for the non-Medicare eligible retirees. The motion was seconded by Mr. Fulkerson and passed unanimously.

   b. For the Medicare eligible health plans, Ms. Tracey Garrison from Humana explained how the 2025 KPPA pharmacy benefits are being adjusted to account for the Inflation Reduction Act.

      Mr. Powell made the motion to accept the recommendations of the Joint CERS and KRS Retiree Health Plan Committee for the 2025 Humana Medicare Plan for the

Medicare-eligible members. The motion was seconded by Mr. Fulkerson and passed unanimously.

9. Mr. Cheatham introduced agenda item ***Actuary Committee Report*** *(Video 00:35:16 to 00:49:30).* Mr. Foster reported the Actuary Committee met on June 26, 2024, and considered the recommendations made by GRS for the Economic Assumptions. Ms. Janie Shaw then presented to the CERS Board of Trustees the GRS Economic Assumption recommendations. Mr. Foster made the motion to adopt the Economic Assumptions as recommended by the Actuary Committee. The motion was seconded by Mr. Powell and passed unanimously.

   Regarding the Actuary Committee Strategic Planning Process, Mr. Owens, III, noted that the Investment Committee held a special meeting on August 15, 2024. Mr. Owens, III, stated each CERS committee has approved their strategic planning goals, and the Investment Committee indicated that all committee work should be rolled into a single process. The committee took note of the strategic planning process being implemented by KPPA, and the CERS plan should not conflict with the KPPA plan. However, there could be a little overlap. Mr. Foster made the motion to approve the Actuary Committee's Strategic Plan components as presented. The motion was seconded by Mr. Powell and passed unanimously.

10. Mr. Cheatham introduced agenda item ***Investment Committee Report*** *(Video 00:49:30 to 01:12:28).* Since Dr. Hackbart was not present, Mr. Cheatham asked Mr. Steve Willer, KPPA Chief Investment Officer, to present their quarterly and fiscal year investment reports. Mr. Willer provided a detailed summary of the quarterly and fiscal year reports that were presented to the CERS Investment Committee.

    Since there were no questions regarding the investment reports, Mr. Cheatham then presented the Proposed Asset Allocation Guidelines. noting the Investment Committee is in the process of revising its Investment Policy Statement. In one of the previous meetings, the overall target asset allocation ranges were adjusted. The targets reflect adoption of the new strategic asset allocation. The minimum and maximum ranges proposed have been adjusted to maintain consistency of ranges relative to the target of each asset class. Mr. Willer thoroughly

reviewed the Proposed Asset Allocation Guidelines. Mr. Willer discussed the asymmetry, especially around public equity and core fixed income, that is noted in the information presented. David Lindberg and Chris Tessman from Wilshire further reviewed the asset allocations, and Mr. Tessman made comments regarding risk tolerance. Mr. Powell made the motion to adopt the asset allocation range with an effective date of July 1, 2024, as recommended by the Investment Committee. The motion was seconded by Dr. Carver and passed unanimously.

11. Mr. Cheatham introduced agenda item ***Finance Committee Report*** *(Video 01:12:28 to 01:361:00).*

    a. Mr. Mike Lamb presented the ***Year End Financials*** and discussed the new presentation of the quarterly reports. Mr. Lamb then briefly reviewed the Combining Statement of Fiduciary Net Position for the twelve-month period ending June 30, 2024, and the Combining Statement of Changes in Fiduciary Net Position for the twelve-month period ending June 30, 2024. Mr. Lamb went on to present the CERS Pension and Insurance Funds Contribution Reports for the twelve-month period ending June 30, 2024. Mr. Lamb also presented the KPPA Administrative Budget and Budget-to-Actual Summary Analysis for the fiscal year ending June 30, 2024, with comparative totals for the fiscal year ending June 30, 2023. Next, Mr. Lamb reviewed the JP Morgan Chase Earnings and Fees and Hard Interest Earned for the fiscal year ending June 30, 2024. Lastly, the CERS Outstanding Invoices by Type and Employer and Penalty Invoices Reports were presented to the CERS Board of Trustees.

    b. Next, Mr. Lamb presented the draft ***Memo on Outstanding Employer Invoices.*** Mr. Lamb reviewed the details of the memorandum and presented a list of outstanding penalty invoices. There were some questions and discussion regarding the penalty invoices. Ms. Kristen Coffey agreed to send copies of the Internal Audit Report to the CERS Board of Trustees. Due to the need for to discuss pending litigation, the matter of what to do with the outstanding penalty invoices was tabled for discussion in closed session.

    c. Mr. Cheatham next asked Mr. D'Juan Surratt to present the ***Hazardous Duty Requests***.

Mr. Surratt stated that the Finance Committee approved the (16) sixteen requests for hazardous duty coverage that the KPPA staff received, reviewed, and determined that they met statutory guidelines for hazardous coverage. In addition, the CERS Finance did approve these positions to be presented to the CERS Board of Trustees for final approval. Mr. Fulkerson made the motion to approve the Hazardous Duty Request as recommended by the Finance Committee. The motion was seconded by Mr. Powell and passed unanimously.

12. Mr. Cheatham introduced agenda item ***Closed Session*** *(Video 01:36:00 to 01:36:37).* Mr. Powell made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). The motion was seconded by Mr. Foster and 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), 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 - 00:00:25 to 00:02:04).*

Coming back into open session, Mr. Cheatham requested a motion to come out of Closed Session. Mr. Foster made a motion to return to open session and was seconded by Mr. Powell. The motion passed unanimously. Mr. Cheatham stated that no action was taken as a result of the closed session discussions.

13. There being no further business, Mr. Cheatham **adjourned** the meeting.

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held September 9, 2024, except documents provided during a closed session

conducted pursuant to the open meetings act and exempt under the Open Records Act.

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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 Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on September 9, 2024, were approved on November 4, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the September 9, 2024, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services