

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MEETING  
AUGUST 28, 2024, 2:00 P.M., E.T.  
VIA LIVE VIDEO TELECONFERENCE**

At the August 28, 2024, County Employees Retirement System Investment Committee Meeting, the following Committee members were present: George Cheatham, William O'Mara, and Betty Pendergrass. Staff members present were Ryan Barrow, Rebecca Adkins, Erin Surratt, Victoria Hale, Michael Lamb, Steve Willer, Brian Caldwell, Anthony Chiu, Joseph Gilbert, Ashley Gabbard, Phillip Cook, and Sherry Rankin. Also in attendance were CERS CEO Ed Owens, III; Eric Branco with Johnson, Branco, & Brennan LLP; and David Lindberg, Chris Tessman, and Craig Morton with Wilshire.

1. Due to the absence of Dr. Hackbart, Mr. Cheatham presided over the meeting and called the meeting to order.
2. Mr. Cheatham called the meeting to order.
3. Mr. Branco read the Legal Opening Statement.
4. Ms. Rankin called roll.
5. Ms. Rankin reported there were no **Public Comments**.
6. Mr. Cheatham introduced agenda item **Approval of Minutes – June 4, 2024** (Video 00:07:55 to 00:08:25). A motion was made by Mr. O'Mara and seconded by Ms. Pendergrass to approve the June 4, 2024, minutes as presented. The motion passed unanimously.

7. Mr. Cheatham introduced agenda item *Approval of Asset Allocation Ranges* (Video 00:08:25 to 00:23:25). Mr. Cheatham referred to the adjustments made to the asset allocation at the previous meeting and noted that it was recommended to implement some ranges around those targets. Mr. Chris Tessman from Wilshire presented the new targets of the Proposed Asset Allocation Guidelines. As a result of their work on the Investment Policy Statement (IPS), Mr. Tessman noted that the targets reflect the 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. Tessman also pointed out the asymmetry around public equity and public fixed income and explained how they are listed as a means of risk management. Discussion surrounded the proposed asset allocation guidelines, and Mr. Steve Willer, KPPA Chief Investment Officer, and Wilshire staff provided answers to the committee's questions.

A motion was made by Mr. O'Mara to approve the Asset Allocation Ranges with an effective date of July 1, 2024, to be included in the IPS, as presented. Ms. Pendergrass seconded the motion, and the motion passed unanimously.

8. Mr. Cheatham introduced agenda item *Investment Office Fiscal Year Update* (Video 00:23:25 to 00:40:30). Mr. Tessman from Wilshire provided an informative overview of the economic conditions and markets as of the end of the fiscal year ending June 30, 2024. Mr. Tessman gave a summary of the U.S. Equity, Non-U.S. Equity, and Fixed Income. Reviewing The Rate Environment, Mr. Tessman gave an analysis of the nominal, breakeven, and real data. Next, Mr. Tessman evaluated the Fed Funds and Market Expectations. He explained how the Progress on the Fed's Dual Mandate data looks at price stability, core inflation, and unemployment rate. He further explained the data from the Sahm Rule Recession Indicator. Next, Mr. Tessman reviewed the U.S. Deficits and Debt data and noted the current trajectory of its path is not sustainable. He then reviewed the Federal Government National Defense Consumption Expenditures and Gross Investment compared to the Federal government's current expenditures: interest payments. Since 2020, the interest on federal debt has risen exponentially and is now equal to the National Defense Program spending. Mr. Tessman then reviewed the U.S. and Non-U.S. Equity Market data as of June 30, 2024. He then followed

with the U.S. Fixed Income data as of June 30, 2024. Next, Mr. Tessman gave a brief overview of Real Assets. Lastly, he presented the Asset Class Performance year to date through the second quarter and noted we are still operating in an environment heavily influenced by equity markets. Following the presentation, Mr. Tessman and Mr. Willer responded to questions from the committee.

9. Mr. Cheatham introduced agenda item ***Quarterly Investment Budget Update*** (*Video 00:40:30 to 01:28:15*). Mr. Willer and the KPPA Investment Team presented a comprehensive Quarterly Investment Budget Update to the committee for review. Focusing on CERS Performance and Asset Allocations for quarter ending June 30, 2024, Mr. Willer began by reviewing the Pension and Insurance Portfolio Performances. Mr. Willer noted that despite elevated volatility across markets, the internally managed passive portfolios performed in line with expectations fulfilling their objectives and mandates. Also, Mr. Willer reported on the Total Fund Attribution for CERS Pension and Insurance Plans for the fiscal year ending June 30, 2024.

Mr. Willer then introduced Mr. Joe Gilbert who gave an overview of the Equity Domestic and International Markets. He then reviewed the Fiscal Year 2024 Equity Performance and the US and Non-US Equity Attributions and Exposures.

Next, Mr. Willer introduced Mr. Anthony Chiu who presented information pertaining to private equity funds. He noted that distributions from private equity funds in 2023 were the lowest since the financial crisis. Mr. Chiu spoke about the difficulty of benchmarking private investments. He then reported on the past trends in public versus private equity returns and reviewed the Kentucky Performance – Time-Weighted and Dollar-Weighted data. Next, Mr. Chiu spoke about the Private Equity – Historic Allocations by Pension and Insurance Plans. Due to liquidity issues, Mr. Chiu noted certain portfolios did not invest in PE for several years, and this vintage divergence has driven the variance in private equity allocation performance between portfolios. He also noted that 60% of Pension and 45% of Insurance PE assets are in funds whose original terms have expired (>10 years old). Mr. Chiu reviewed data comparing KPPA Private Equity Pension and Insurance Fourth Quarter 2022 versus Second

Quarter 2024. He continued by discussing Private Equity Benchmarking – Difficult, Non-Standard, and Non-Investable and further reviewing benchmarks from State of Wisconsin Investment Board, Virginia Retirement Systems, and Kentucky Teachers Retirement Systems.

Following some discussion highlighting the presented materials, the Steve Willer and his staff answered questions posed by the committee members. At the request of Mr. Cheatham, Wilshire staff agreed to present an overview of their services at the next regular CERS Investment Committee Meeting.

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

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## CERTIFICATION

I do certify that I was present at this meeting, and I have recorded above the action of the Committee 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 connection with this meeting.

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Recording Secretary

I, as Chair of the County Employees Retirement System Investment Committee of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of the meeting held on August 28, 2024, were approved by the County Employees Retirement System Investment Committee on November 26, 2024.

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CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on August 28, 2024, for form, content, and legality.

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Office of Legal Services