

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE MEETING
FEBRUARY 26, 2025, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the February 26, 2025, County Employees Retirement System Investment Committee Meeting, the following committee members were present: Dr. Merl Hackbart (Chair), George Cheatham, William O'Mara, and Betty Pendergrass. Staff members present were Ryan Barrow, Rebecca Adkins, Erin Surratt, Victoria Hale, Michael Lamb, Carrie Bass, Steve Willer, Anthony Chiu, Brian Caldwell, Ashley Gabbard, Phillip Cook, Sandy Hardin, and Sherry Rankin. Also in attendance were CERS CEO Ed Owens, III; Eric Branco and Patrick Brennan with Johnson, Branco & Brennan LLP; and David Lindberg, Marc Friedberg, Chris Tessman, and Craig Morton with Wilshire.

1. Dr. Hackbart called the meeting to order.
2. Mr. Branco read the Legal Opening Statement.
3. Ms. Hardin called roll.
4. Ms. Hardin noted that no ***Public Comment*** was received.
5. Dr. Hackbart introduced agenda item ***Approval of Minutes – August 15, 2024; November 18, 2024; November 26, 2024; and December 19, 2024.*** (Video 00:07:57 to 00:10:03).

A motion was made by Ms. Pendergrass and seconded by Mr. O'Mara to approve the August 15, 2024, minutes as presented. The motion passed unanimously.

A motion was made by Mr. O'Mara and seconded by Mr. Cheatham to approve the November 18, 2024, minutes as presented. The motion passed unanimously.

A motion was made by Mr. O'Mara and seconded by Ms. Pendergrass to approve the November 26, 2024, minutes as presented. The motion passed unanimously.

A motion was made by Mr. O'Mara and seconded by Ms. Pendergrass to approve the December 19, 2024, minutes as presented. The motion passed unanimously.

6. Dr. Hackbart introduced agenda item ***Quarterly Investment Review and Update*** (Video 00:10:03 to 00:51:48). Mr. Steve Willer asked the Wilshire team to provide an overview of the economic conditions and market overview for the second quarter of the fiscal year and the fourth quarter of the calendar year.

Mr. David Lindberg and Mr. Craig Morton from Wilshire presented the Economic Update and performance data for the last quarter ending December 31, 2024. Mr. Lindberg highlighted the strong U.S. equity market performance in 2024, bond market volatility, and rising debt. He noted a “negative equity risk premium,” with bonds projected to outperform stocks over the next decade, emphasizing diversification benefits and the importance of context in evaluating returns.

Mr. Morton provided an overview of key economic indicators and summarized 2024's steady 2.8% Gross Domestic Product (GDP) growth, mixed consumer confidence, recovering manufacturing, persistent inflation at 3%, and stable employment at 4%. Concerns were raised about how economic stability might impact investor confidence and investment decisions.

Mr. Willer then presented the Market Update and reviewed the plan performance data for the quarter ending December 31, 2024, for KERS Nonhazardous, KERS Hazardous, and SPRS. Mr. Willer also presented the year-to-date investment highlights for the period ending December 31, 2024.

7. Dr. Hackbart introduced agenda item ***Quarterly Investment Budget Update*** (Video 00:51:48 to 00:55:20). Mr. Willer reviewed the Investment Budget Update and the

Pension and Insurance Investment Fees and Expenses for the nine month period ending December 31, 2024. In summary, while Mr. Willer discussed the investment budget, he noted that expenses were in line with the budget for the first half of the fiscal year. Legal expenses increased due to ongoing cases and are expected to remain high. Investment fees and expenses rose by 32% compared to the same period last year, driven by higher advisory fees, lines of credit, and performance fees. The core fixed income portfolio restructuring has kept advisory fee increases low despite asset growth. An estimated annualized fee rate for each asset class was included in response to a request from Ms. Pendergrass.

8. Dr. Hackbart introduced agenda item ***Public Equity Investment Recommendations*** (Video 00:55:20 to 01:21:52). Mr. Joe Gilbert presented the Public Equity Investment Recommendations, noting that KPPA staff and Wilshire are recommending investments for all CERS portfolios in two actively managed U.S. large cap equity mandates to be managed by J.P. Morgan and T. Rowe Price pending successful investment management agreement notifications. In a continued effort to improve the portfolio, staff has decided to terminate its efforts managing a U.S. large cap factor-based public equity portfolio modeled after Scientific Beta's U.S. Four Factor Equal Weighted Index. The team conducted a thorough evaluation process, ensuring well-informed decisions and diversification within the portfolio. Mr. Gilbert and Mr. Tessman from Wilshire provided clarification to questions raised by the Committee members.

Mr. Cheatham made the motion to approve an investment of up to 12.5% of the U.S. large cap equity investment allocation, with an initial funding of approximately 6.6% into the J.P. Morgan U.S. Large Cap Core Equity Strategy and T. Rowe Price U.S. Structured Research Equity Strategy as presented. Ms. Pendergrass seconded the motion, and the motion passed unanimously.

9. Dr. Hackbart introduced agenda item ***Real Return Investment Recommendations*** (Video 01:21:52 to 01:35:36). Mr. Anthony Chiu presented the KPPA Investment Staff's proposal to invest in the Arctos American Football Fund, contingent on successful investment management agreement negotiations. Based in Dallas, Arctos Sports Partners provides

liquidity and strategic capital to the owners of major professional sports franchises, focusing on the United States' Big 5 sports leagues - MLB, NBA, NHL, MLS, and NFL. The mandate will be part of the Real Return asset allocation, with a recommended investment of up to \$70 million to be shared among all CERS plans. When fully funded, this investment would represent an additional ~0.3% of portfolio assets and provide ~0.35 to 0.50% NFL exposure to each plan.

Mr. O'Mara made a motion to approve an investment up to \$70 million of the Real Return allocation into the Arctos American Football Fund, subject to successful contract negotiations, as presented. Ms. Pendergrass seconded the motion. The motion passed unanimously.

Next, Mr. Chiu presented the KPPA Investment Staff's proposal of an additional investment in American Rivers Fund, LLC, an open-ended fund managed by Maritime Partners. Staff is recommending an investment of up to \$70 million to be shared among all CERS plans. When fully funded, this would represent an additional ~0.3% of assets and provide around 1.2% exposure for each plan (depending on fluctuations in market value).

Mr. O'Mara made a motion to approve an additional investment of up to \$70 million of the Real Return allocation into the American Rivers Fund, LLC, subject to successful contract negotiations. Ms. Pendergrass seconded the motion. The motion passed unanimously.

10. Dr. Hackbart introduced agenda item ***Investment Policy Statement – Performance Benchmark Recommendation*** (Video 01:35:36 to 01:41:37). Mr. Gilbert presented the Investment Policy Statement - Performance Benchmark Recommendation. The current benchmark, MSCI All Country World Index Net USD, was deemed by staff and Wilshire as not accurately representing the investment exposure and strategy of the Public Equity Asset Class. They found that it introduced an unintended bias in the Global Equity allocation. Therefore, staff and Wilshire recommend adopting the MSCI All Country

World Investable Market Index, which better aligns with the portfolio's actual exposure, strategy, and the Board's objectives.

Ms. Pendergrass made a motion to approve changing the Public Equity Asset Class benchmark from the MSCI All Country World Index USD to the MSCI All Country World Investable Market Index as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

11. Dr. Hackbart introduced agenda item ***Investment Compliance Review*** (Video 01:41:37 to 01:48:02). Ms. Carrie Bass presented the Quarterly Investment Compliance Report for the quarter ending December 31, 2024. Ms. Bass confirmed that all guidelines were in compliance for the quarter ending December 31, 2024. She provided a breakdown of each compliance guideline, all of which were marked as compliant. Ms. Bass explained that the guidelines are the “yes/no” requirements contained within the Kentucky Retirement Systems’ Investment Policy Statement (IPS) and the externally and internally managed portfolios. If any guidelines fall out of compliance, the report will include the date the exception began, the cause, and information on remediation efforts. She noted that KPPA is working with BNY to enhance compliance reporting. For asset allocation compliance, there were no asset classes outside of the allowable range for the quarter ending December 31, 2024. If any asset class falls outside the allowable range in the future, information on the exception will be provided. Ms. Bass confirmed that the report represents her independent judgment and had not been modified by KPPA management or senior leadership. It was also noted that the Compliance Officer position will be moved under the Office of Financial Management to ensure greater independence.
12. There being no further business, Dr. Hackbart ***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.

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 February 26, 2025, were approved by the County Employees Retirement System Investment Committee on May 28, 2025.

CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on February 26, 2025, for form, content, and legality.

Office of Legal Services