

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED INVESTMENT COMMITTEE MEETING
JANUARY 24, 2024, AT 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the special called meeting of the County Employees Retirement System Investment Committee held on January 24, 2024, the following Committee members were present: Dr. Merl Hackbart (Chair), George Cheatham, Dr. Martin Milkman, and William O'Mara. Staff members present were Rebecca Adkins, Erin Surratt, Victoria Hale, Steve Willer, Anthony Chiu, Joseph Gilbert, Brian Caldwell, Ashley Gabbard, Shaun Case, Katie Park, and Sherry Rankin. Also in attendance were CERS CEO Ed Owens, III, Eric Branco with Johnson Bowman Branco, LLP and David Lindberg, Chris Tessman, and Craig Morton with Wilshire Advisors.

Dr. Hackbart called the meeting to order.

Mr. Branco read the Opening Statement.

Ms. Rankin took Roll Call.

Ms. Rankin advised that three (3) **Public Comments** were submitted and read each comment aloud:

Submitted by Mark Doran

I'm a retired CERS member. My employer and I both contributed to a plan that was 100% funded during the majority of my career, then the unfunded liability exploded when it was my turn to benefit. I totally understand the underfunding concerns and the necessity to address them, but our last COLA was 2011. No one can really expect retirees to live on a stagnated benefit forever. I

understand the legislative responsibilities and legislative actions regarding CERS in the past 15 years, the funding responsibilities and the CERS Board relationship. In short, it's built a red-tape system of no accountability to the CERS retirees. My question to you is how do you plan to represent retirees regarding a cost-of-living adjustment. Currently, a COLA would require funding from the contributing participants. Politically, that's a move CERS doesn't want to make, so other options to tweak legislation for COLA funding should be explored. The legislature won't move without your input and we're depending on you to represent us all. What help do you offer us.

Submitted by Ezell Michael

We need to stand up and let the legislators know that the retirees of both KERS and CERS need some relief from the effects of inflation, even if it is just a one time adjustment. I do realize that it will take a separate bill for CERS to get some relief, but we need to do what we need to do

Submitted by Karla Shuttlrworth

We deserve an increase in our retirement.

Dr. Hackbart introduced agenda item ***Approval of Minutes – November 28, 2023*** (Video 00:08:46 to 00:09:26). Mr. O'Mara made a motion to approve the minutes of the November 28, 2023, Investment Committee Meeting as presented. Mr. Cheatham seconded the motion and the motion passed unanimously.

Dr. Hackbart introduced agenda item *Preliminary Quarterly Performance Update* (Video 00:09:27 to 00:21:24). Mr. Willer presented preliminary performance data for the six months ending December 31, 2023.

Dr. Hackbart introduced agenda item *Real Assets Investment Manager Recommendation – Saba Capital Management* (Video 00: 00:21:25 to 01:13:25). Mr. Willer and Mr. Chiu presented a real return investment opportunity with Saba Capital Management (Saba).

Saba is a New York-based investment firm founded in 2009 focused on relative value and arbitrage strategies. Saba utilizes its credit analysis and trading background to arbitrage dislocations and hedge risk across capital structures and markets.

The KPPA Office of Investments recommended an investment of \$175 million to be shared among all CERS plans pending successful investment management agreement negotiations. When fully funded, this would represent an additional ~1.0-1.1% of plan assets, said Mr. Willer and Mr. Chiu.

Dr. Milkman made a motion for KRS to investment \$175 million with Saba Capital pending successful contract negotiations and to forward the recommendation to the CERS Board of Trustees for ratification. Mr. O'Mara seconded the motion. Mr. Cheatham stated that he had significant questions unanswered; however, the motion passed unanimously.

Mr. Cheatham expressed concern regarding the lack of choices presented and language in the CERS Investment Policy Statement (IPS) about the termination of investment managers without

the involvement of the Board of Trustees. The Committee requested that Mr. Willer and Mr. Chiu provide additional information at the next meeting of the CERS Board of Trustees.

Dr. Hackbart requested a motion to *adjourn*. A motion was made by Dr. Milkman and seconded by Mr. O'Mara to adjourn the meeting. The motion passed unanimously.

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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 January 24, 2024, were approved by the County Employees Retirement System Investment Committee on February 28, 2024.


Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on January 24, 2024, for form, content, and legality.


Office of Legal Services