

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
INVESTMENT COMMITTEE SPECIAL CALLED  
JULY 14, 2021, 1:00 P.M., E.T.  
VIA LIVE VIDEO TELECONFERENCE DUE TO SB 150,  
SIGNED INTO LAW BY THE GOVERNOR ON MARCH 30, 2020,  
AND EXECUTIVE ORDER 2020-215 DECLARING A STATE OF  
EMERGENCY EFFECTIVE MARCH 6, 2020 DUE TO COVID-19**

At the July 14, 2021 Special Called County Employees Retirement System Investment Committee Meeting, the following Committee members were present: Dr. Merl Hackbart (Chair), George Cheatham, II, Jerry Powell, Dr. Martin Milkman and William O'Mara.<sup>9</sup> CEO Ed Owens and Trustees Betty Pendergrass, J.T. Fulkerson and Michael Foster were also present. Staff members present were David Eager, Steven Herbert, Kathy Rupinen, Victoria Hale, Crystal Smith, Rebecca Adkins, Erin Surratt, Anthony Chiu, Joseph Gilbert, Jared Crawford, Ann Case, Natalie Young, Shaun Case, Phillip Cook and Carol Johnson. Also in attendance were David Lindberg, Chris Tessman, Craig Morton, John Patterson and Marc Friedberg from Wilshire, Joe Bowman, Eric Branco from Johnson, Bowman, Branco, LLP, and Anna Lucchese and Dalton Green.

Dr. Merl Hackbart called the meeting to order and Ms. Carol Johnson called roll.

Dr. Merl Hackbart introduced agenda item *Public Comment*. Ms. Carol Johnson stated that no public comments were submitted.

Dr. Merl Hackbart introduced agenda item *Approval of Minutes – May 12, 2021*. Mr. Jerry Powell moved and was seconded by Mr. William O’Mara to approve the minutes as presented. The motion passed unanimously.

Dr. Merl Hackbart introduced agenda item *Investment Policy Statement*. Dr. Merl Hackbart stated that the Committee is using the current KRS Investment Policy Statement. Dr. Merl Hackbart stated that with the separation of KRS and CERS that the Investment Policy Statement needed to be revised to correct the terminology and to look at other adjustments and changes that might need to be made. Dr. Hackbart stated that the current KRS Investment Policy Statement was sent out to the Committee members and staff for comments and suggestions and that the redlined copy that was produced was attached in Board Books for their review. Dr. Merl Hackbart stated that the updated clean draft CERS Investment Policy Statement was attached which was a product of the redlined KRS Investment Policy Statement. Dr. Merl Hackbart then introduced Mr. Ed Owens to review the clean draft copy of the CERS Investment Policy Statement. Mr. Ed Owens reviewed and outlined the changes that were made to the document with the Committee members. Mr. Ed Owens stated that prior to a vote on the CERS Investment Policy Statement that the Committee needs to ensure that the benchmarks are updated. Dr. Merl Hackbart stated that staff are checking to see if the benchmarks are current. Mr. Ed Owens asked the Committee members if they wanted to add a bullet item on page 24 of the clean draft CERS Investment Policy Statement under Performance Review to add a set percentage to include the private equity line item and any private equity that resides in the diversification portfolio was well. Dr. Merl Hackbart stated that the last item that needed to be addressed was on page 19 of the clean draft copy of the CERS Investment Policy Statement with regard to the additional CERS Investment Administrative Policies. Dr.

Merl Hackbart stated that these policies would be administrative policies of KPPA and would apply to all plans, including KRS and CERS. Therefore, Dr. Hackbart stated that these should be approved first at the KPPA Board level and not at the CERS Investment Committee level. Dr. Merl Hackbart further stated that the CERS Investment Committee can adopt them after they are approved by KPPA. Ms. Betty Pendergrass stated that the definition of long term investment should be defined as to the length of the investment in the CERS Investment Policy Statement. Ms. Betty Pendergrass stated that the language that was used in the past will be distributed to the Committee members for their review and possible insertion into the CERS Investment Policy Statement. Dr. Merl Hackbart stated that a vote on the CERS Investment Policy Statement will be postponed until the next CERS Investment Committee meeting to allow the Committee members time to make the necessary changes and submit any additional comments or questions that they may have.

Dr. Merl Hackbart introduced agenda item *Asset Allocation*. Mr. David Lindberg from Wilshire introduced himself, Mr. Craig Morton and Mr. Chris Tessman as well as staff attending by video conferencing, Mr. Marc Friedberg and Mr. John Patterson. Mr. David Lindberg reviewed the Asset Allocation global approach. Mr. David Lindberg stated that CERS is currently set up globally with 50 percent invested in the U.S. market and 50 percent invested in the non U.S. market. Mr. David Lindberg also reviewed the chart from the clean draft of the Investment Policy Statement on page 13 of Board Books. Mr. David Lindberg stated that they normally do an asset allocation study every two to three years. Dr. Merl Hackbart asked Mr. David Lindberg to explain to the new members the services that Wilshire provides to the CERS as well as to the KPPA staff. Mr. David Lindberg stated that Wilshire is in contract with the Board and

works to be an extension of the staff. Mr. David Lindberg stated that Wilshire has a lot of interaction with KPPA staff between meetings, going through the daily process of managing the portfolio. Mr. David Lindberg stated that Wilshire is paid a set retainer fee and there is no charge for projects. Mr. David Lindberg said the most important service that they provide is the asset allocation process. Mr. David Lindberg stated that they will revisit the asset allocations as frequently as the Committee would like and that it takes approximately two months to go through that process.

Dr. Merl Hackbart then introduced Mr. George Lisle Cheatham, II to discuss the market risk and risk tolerance analysis that he had provided. This was presented for informational purposes only. Mr. Cheatham reviewed the Riskalyze Analysis Presentation, CERS Target Portfolio, Current Portfolio Stress Test, Target Portfolio Stress Test and Investment Roadmap documentation with the Committee members. Mr. Cheatham stated that if the Committee members had any questions regarding the documentation to contact him and that he would be happy to answer them.

Dr. Merl Hackbart introduced agenda item *Investment Procurement Policy*. Dr. Merl Hackbart stated that the draft Investment Procurement Policy was attached in Board Books on page 127. Ms. Betty Pendergrass stated that there were no technical changes made to this document and the only changes made to the policy were to the names and statute references. Ms. Betty Pendergrass stated that this is the Investment Procurement Policy that is currently in effect and that was approved by the Kentucky Finance Cabinet. Mr. Jerry Powell made a motion to approve for

transmittal to the Kentucky Finance Cabinet the CERS Investment Procurement Policy as modified and the motion was seconded by Mr. George Cheatham, II. The motion passed unanimously.

Dr. Merl Hackbart introduced agenda item *Investment Administrative Policies*. Dr. Merl Hackbart suggested that the Committee table the approval of the Investment Administrative Policies until after the Kentucky Public Pensions Authority Board approves them. Jerry Powell made a motion to table the approval of the Investment Administrative Policies until after they are approved by KPPA and George Cheatham, II seconded the motion. The motion passed unanimously.

There being no further business, Mr. Jerry Powell moved and was seconded by Mr. William O'Mara to adjourn the meeting at 3:15 p.m. The next meeting of the County Employees Retirement System Investment Committee is scheduled for 2:00 p.m. on August 25, 2021. Copies of all documents presented are incorporated as part of the minutes of the Special Called County Employees Retirement System Investment Committee meeting held July 14, 2021.

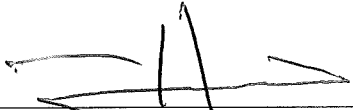
### **CERTIFICATION**

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, attest that the matters contained in these minutes are what was discussed during the meeting held on July 14, 2021.

  
Committee Chair

I have reviewed the Minutes of the Special Called County Employees Retirement System Investment Committee Meeting on July 14, 2021 for form, content, and legality.

  
Office of Legal Services