

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
INVESTMENT COMMITTEE MEETING  
JUNE 4, 2024, 2:00 P.M., E.T.  
VIA LIVE VIDEO TELECONFERENCE**

At the June 4, 2024, 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 David Eager, Rebecca Adkins, Erin Surratt, Victoria Hale, Michael Lamb, Steve Willer, Brian Caldwell, 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.

Dr. Hackbart called the meeting to order.

Mr. Branco read the Legal Opening Statement.

Ms. Rankin called roll.

There being no **Public Comment**, Dr. Hackbart introduced agenda item **Approval of Minutes – February 28, 2024** (Video 00:07:16 to 00:07:57). A motion was made by Mr. Cheatham and seconded by Mr. O'Mara to approve the February 28, 2024 minutes as presented. The motion passed unanimously.

Dr. Hackbart introduced agenda item **Investment Office Quarterly Update** (Video 00:07:58 to 00:24:14). Mr. Steve Willer provided a brief overview of markets and performance for the third quarter, as well as updates for April and May. David Lindberg with Wilshire presented an Economic and Update for the quarter ending March 31, 2024.

Next, KPPA Chief Investment Officer Mr. Willer reviewed the CERS Nonhazardous and CERS Hazardous performance data for all plans for the period ending March 31, 2024. Mr. Willer also

presented the Investment Budget and Investment Fees and Expenses for the nine-month period ending March 31, 2024. Lastly, Mr. Willer provided a Compliance review for the period ended March 31, 2024.

Dr. Hackbart introduced agenda item ***Benchmark for Internally Managed Large Cap Public Equity*** (Video 00:24:15 to 00:35:20). Mr. Willer stated that the KPPA Investment Staff is recommending changing the benchmark index for the US large cap passively managed internal portfolio from the S&P 500 Index to the Russell 500 Index. Mr. Joe Gilbert reviewed the background of the US equity structure and the reasons why staff is making this recommendation. A motion was made by Ms. Pendergrass and seconded by Mr. Cheatham to approve changing the benchmark for the US large cap passively managed internal portfolio from the S&P 500 Index to the Russell 500 Index as recommended by staff. The motion passed unanimously.

Dr. Hackbart introduced agenda item ***Reconsideration: Asset Allocation Recommendation*** (Video 00:35:21 to 01:46:39). Dr. Hackbart provided a high overview of the discussions that the Committee has had in the past regarding the current Asset Allocations and the recommendations from the KPPA Investment Staff and Wilshire. Mr. Willer stated that the discussion today is based on the March 31, 2024 Capital Market Assumptions which the committee requested Wilshire to provide for this meeting. He indicated that expected returns for the current policy, and those modeled, fall just short of the 6.5% assumed rate of return, but tactical asset allocation and active management can potentially add value over these market return forecasts. He stated that the opportunity to reduce risk without reducing returns remains strong and is more compelling. Therefore, Wilshire continues to recommend that CERS take advantage of the opportunity to reduce risk while maintaining similar expected returns. To support this recommendation, Wilshire reminded the committee that the asset allocation work in 2021 resulted in reduced core fixed income. While in 2021, CERS added to Equity and reduced Specialty Credit.

Wilshire provided two scenarios for the Asset Allocation recommendation: Lower Risk A, which allocates as follows: Public Equity – 45%, Private Equity – 8%, Specialty Credit – 23%, Core Fixed Income – 10%, Cash – 2%, Real Estate – 5%, and Real Return – 7%; and Lower Risk B, which allocated as follows: Public Equity – 40%, Private Equity – 7.5%, Specialty Credit – 20%,

Core Fixed Income – 15.5%, Cash – 2%, Real Estate – 5%, and Real Return – 10%. Discussions surrounded variations of the allocations and Investment Staff and Wilshire provided answers to the Committee’s questions. A motion was made by Mr. Cheatham to recommend the option of Lower Risk A, with the modification of moving 3% from Specialty Credit and adding that to the Core Fixed Income percentage. Mr. O’Mara seconded the motion and the motion passed unanimously.

There being no further business, Dr. Hackbart requested a motion to *adjourn* the meeting. Mr. O’Mara made a motion and was seconded by Ms. Pendergrass 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.

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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 June 4, 2024, were approved by the County Employees Retirement System Investment Committee on August 28, 2024.

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CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on June 4, 2024, for form, content, and legality.

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Office of Legal Services