MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES REGULAR MEETING
JUNE 8, 2026, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE

At the Meeting of the County Employees Retirement System Board of Trustees held on June 8, 2026, the following members were present: George Cheatham (Chair), Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, Tommy McGraw, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Steve Willer, Joe Gilbert, Anthony Chiu, Brian Caldwell, Ian Blaiklock, Victoria Hale, Leigh Ann Davis, Carrie Bass, D'Juan Surratt, Nathan Goodrich, Connie Pettyjohn, Phillip Cook, Sherry Rankin, and Mary Hill. Others present included Eric Branco and Matt Collins with Johnson, Branco, Brennan & Collins LLP; Danny White and Janie Shaw with GRS; and Chris Tessman with Wilshire.

1. Mr. Cheatham called the meeting to order.

2. Mr. Branco read the ***Legal Opening Statement***.

3. Ms. Rankin held the ***Roll Call***.

4. Mr. Cheatham introduced the agenda item ***Public Comment***. Ms. Rankin indicated there was one (1) public comment submitted.

   From Timothy Douglas Banta: "*I am a member of CERS-Haz. and retired in 2016 with 25 years service. While the debate was going on about the 13th check for CERS , I contacted my Rep. with the 88th district. She responded with a postcard saying CERS was not in her jurisdiction. My understanding is, in order for the board to vote, they need legislative approval due to funding levels. I am also a member of KPR and several other lawmakers have said the board did not need their approval. As a CERS retiree, I would like for the board to address this in the meeting. I'm aware it's too late for this session, but please address this. Unfortunately we have lawmakers that like to pass the blame. I'm not asking for the board's* *opinion on the 13th check, just what legally needs to be done for a vote to be held. Thank you for your time."*

Following the reading of the comment, Mr. Cheatham requested that CERS Legal Counsel prepare a presentation outlining the necessary process to be presented at the next meeting and to be posted on the CERS portion of the website

5. Mr. Cheatham introduced agenda item ***Approval of Minutes; April 15, 2026, and May 11, 2026*** *(Video 00:08:59 to 00:10:20).* Mr. Cheatham requested a motion to approve the minutes of the meeting held on April 15, 2026, as presented. Mr. Fulkerson made a motion to approve, and Mr. McGraw seconded. A vote was held and the motion carried unanimously. Mr. Cheatham then requested a motion to approve the minutes of the meeting held on May 11, 2026, as presented. Mr. Fulkerson made a motion to approve, and Mr. McGraw seconded. A vote was held and the motion carried unanimously.

6. Mr. Cheatham introduced agenda item ***Chairman's Corner*** *(Video 00:10:21 to 00:11:03).* Mr. Cheatham began his remarks by expressing thanks to Mr. O'Mara and Mr. Barrow for working with him and the KPPA leadership team on some ongoing projects that will be presented in the near future.

7. Mr. Cheatham moved on to agenda item ***Actuarial Committee*** *(Video 00:11:04 to 00:18:35).* Mr. Foster stated that the Actuarial Committee concluded the review of the actuarial assumptions and introduced GRS representatives Danny White and Janie Shaw to discuss the complete update. Mr. White gave a brief overview of the annual process of reviewing economic assumptions regarding inflation, investment return, and payroll growth. There were no recommended changes this year. Mr. Cheatham asked a question regarding the assumptions and how they affect the contribution amounts that are set thereafter. Mr. White explained that the Board has control over the assumptions, but the funding period is set by state statute. He went on to note that the current plan is set for full funding by 2049. Mr. Cheatham analogized the unfunded liability with a mortgage that is paid down over a certain period of time. He noted that the variable in the equation is the contribution rate, which is determined by the assumptions made on returns.

Following the presentation, Mr. Foster made a motion to accept the actuarial valuation and their assumptions as presented. Mr. Fulkerson seconded the motion and a vote was held. The motion carried unanimously.

8. Mr. Cheatham introduced Bill O'Mara to present agenda item ***Finance Committee Report*** *(Video 00:18:45 to 00:48:58).* Mr. O'Mara stated there were two (2) items approved during the Finance Committee's meeting held on May 18, 2026 to be presented for ratification. He introduced Mr. Lamb who noted that the recommended hybrid allocation percentage for the upcoming fiscal year would be 59.17% for the CERS non-hazardous plan and 5.21% to the CERS Hazardous plan. Together, these allocations account for the 64.38% allotted to all CERS plans. Following the brief presentation, Mr. O' Mara made a motion to ratify the Finance Committee's approval of the allocation of the CERS hybrid percentage between the CERS non-hazardous duty positions and the CERS hazardous duty positions as presented. Dr. Carver seconded the motion and a vote was held. The motion carried unanimously.

   Mr. Lamb then gave a high-level summary of the financial statements, including the total fiduciary net position at $20.9 billion through the third quarter, an increase of nearly 10% from the year prior. Total investments at fair value have also increased by about 10%. Mr. Lamb noted that the increase was largely driven by the increase in the overall investment income. Regarding employer and member contributions, the pension plans received $21.1 million more than what was received during Q3 of 2025. However, both plans have a negative cash flow after removing investment income. Mr. Lamb continued his presentation with a brief discussion of the insurance plans. Regarding past-due invoices, there were few changes but full payments had been received from three (3) employers as of May 15, 2026. He presented a chart showing the balances of open and past-due invoices for informational purposes and noted that these reports are available to the CEOs on a quarterly basis.

   Mr. Webb asked how past-due amounts and invoices are accounted for and Mr. Lamb explained that when there is a notification that a member wasn't granted the correct service or retirement contribution, the team calculates what the contribution should have been and then invoices the employer for that amount. That employer has thirty (30) days to pay before it shows as a past-due amount. He further clarified that while it is true that the system did not have the contributions in the accounts for that time period, there also was no liability on the books for that amount. Once a mistake is discovered, a bill is sent to the employer to collect those contributions. Mr. Lamb and Ms. Surratt went on to answer a few questions about the procedure regarding contributions for omitted service and the obligations of both employer and employee to make those contributions at a later date.

Mr. Lamb continued by quickly presenting the Administrative Budget through March 31, 2026. He stated that most line items will come in under budget. He then moved on to the Administrative Budget Draft for FY27 and noted that the budget must come in under $49.8 million for the fiscal year. He highlighted several line items that will need to see cuts in order to come in under budget for the next year. He stated the budget will go before the KPPA Board later in the month for final approval. Before concluding his presentation, Mr. Lamb addressed one more question from Mr. Webb about the budget for salaries and stated that it is a rather complex process, but those figures have been determined using historical data and are included within the FY27 budget.

Mr. O’Mara introduced D’Juan Surratt to discuss Hazardous Duty Requests. Mr. Surratt stated there were seventeen (17) requests for Hazardous Duty coverage. All positions were police and paramedic, and all had been reviewed and met the statutory guidelines for hazardous duty. Two (2) positions requested by the Anderson County Fiscal Court required retro dates due to incorrect reporting, although KPPA was receiving hazardous duty contributions for those members. Mr. O’Mara made a motion to approve the hazardous duty requests, and it was seconded by Dr. Carver. A vote was held and the motion passed unanimously.

9. Mr. Cheatham introduced agenda item ***Investment Committee Report*** *(Video 00:49:03 to 01:05:19).* Dr. Hackbart presented his report from the Investment Committee meeting held on May 29 and stated that no votes were taken, therefore no items were to be ratified by the full Board. Chris Tessman from Wilshire discussed the economic forecast and overall investment performance. Inflation and its impact on the asset classes was a large part of the Investment Committee discussion. He also noted that the conflict in the Strait of Hormuz continued to impact cargo flow and market expectations. A recent Polymarket prediction indicated a low

likelihood of seeing a return to normality or an end of military operations in the region by the end of June. Concerns about oil reserves have driven inflation up over the short-term, but the long-term outlook was consistent and showed little movement.

Mr. Willer presented some of the highlights of plan performance since the end of the quarter and noted that it was a “tale of two halves.” Returns in January and February had declined by March as global markets navigated volatility. Higher inflation expectations went from projecting a cut to interest rates to a 40% probability of a rate hike by December. Mr. Willer went on to state that the CERS pension composite produced a return of minus ninety-seven (97) basis points for the quarter outperforming the blended benchmark's return of minus 1.38%, while the CERS insurance composite produced a return of minus 1.01% also outperforming the return of its benchmark by thirty-two (32) basis points. Individual portfolio performance for the quarter ranged from down ninety-five (95) basis points to down 104 basis points with all portfolios outperforming their respective benchmarks by between twenty-nine (29) and forty-one (41) basis points. The largest contributors to outperformance were the real return and specialty credit portfolios. The specialty credit portfolio produced a return of forty-two (42) basis points, which outperformed its benchmark by ninety-four (94) basis points and the real return portfolio outperformed its benchmark by over 450 basis points during the quarter. Overall, fifteen (15) of the seventeen (17) portfolios outperformed their benchmarks. The overweight public equity portfolio remained the largest driver of underperformance. Mr. Willer emphasized that the underperformance in public equity is not unique to CERS, as active managers globally have struggled to keep pace with the performance of their indices.

Additional notable highlights included the successful renegotiation of management fees by investment staff that translated to $4.6 million savings annually, the in-kind transfer of assets to the new Oaktree managed Public Leverage Loan accounts, and an additional commitment of up to $100 million to the IT Rail Fund. The Investment Committee also approved staff’s recommendation to transfer asset management responsibilities of the MSCI ACWI Ex-US Public Equity mandate from the Franklin Equity Group to the ClearBridge team within Franklin Templeton. Mr. Willer also provided a brief update on the agreement with XTP cost-efficiency services and the review of Capital Meridian’s investment fund documents.

Following the presentation, Dr. Hackbart thanked the investment team for their hard work and opted to bypass the Compliance Report on the agenda as there was nothing of significance to report.

10. Mr. Cheatham introduced agenda item ***Joint Retiree Health Plan Committee Report*** *(Video 01:05:21 to 01:17:15).* Dr. Carver introduced Connie Pettyjohn to give the report from the Joint Retiree Health Plan Committee's meeting held on May 13, 2026. She began by stating that Keith Peercy and Patricia Carver were elected as Chair and Vice-Chair of the Committee, respectively. Ms. Pettyjohn then gave an overview of the annual presentation that was given to the Committee by Humana, focusing on Medicare and Medicaid impacts and updates related to the Inflation Reduction Act. Premium plan utilization saw an increase with medical costs rising 5.89% and pharmacy costs rising 16.37%, while the central plan saw modest increases, particularly in pharmacy. The final Medicare notice for the next year projected a 2.48% increase in bids, with renewals expected by early July. Ms. Pettyjohn noted that the Committee requested that Humana analyze the Inflation Reduction Act's impact from 2023 to 2026, with projections possibly extending to 2029.

Mr. Cheatham posed a question regarding the breakdown of pharmacy costs between medication cost and utilization. Ms. Pettyjohn stated that these reports are categorized and are available to review in the Plan Compass Reports and will share the numbers individually as well.

Following Ms. Pettyjohn's report, Dr. Carver stated that the Committee also reviewed a memo regarding the need to appoint a retired member to the Kentucky Group Health Insurance Board. Mr. Larry Totten with KRS volunteered to fill this position and the measure required ratification by both CERS and KRS Boards. Dr. Carver then made a motion to ratify the Joint Retiree Health Plan Committee's recommendation to appoint Mr. Larry Totten to the Kentucky group Health Insurance Board as presented. Mr. Fulkerson seconded the motion and a vote was held. The motion passed unanimously.

11. Mr. Cheatham introduced agenda item ***Renewal of CERS Attorney Contract*** *(Video 01:17:23 to 01:20:05).* Mr. Owens stated there were no changes to the contract from last year and expressed his thanks for the work Mr. Branco and his colleagues have performed. Mr. Cheatham echoed the sentiments and requested a motion to renew the CERS contract with Johnson, Branco, Brennan & Collins, LLP as presented. Dr. Hackbart made the motion to renew, and it was seconded by Mr. Webb. The motion passed unanimously.

12. Mr. Cheatham introduced agenda item ***CERS Bylaw Amendment*** *(Video 01:20:22 to 01:23:30).* Mr. Owens stated that the Board earlier discussed a bylaw change regarding the Employer Audit Committee, moving it from ad hoc to a standing committee status. This was the second reading as required by bylaws for official changes. The change to make the Employer Audit Committee a standing committee was initially due to issues identified by a state auditor related to employer audits. The Board previously established an ad hoc committee and decided it should be permanent due to the critical nature of audit issues. Mr. Cheatham requested a motion to approve the amendment to the CERS bylaws. Mr. Webb made the motion and Mr. Fulkerson seconded. A vote was held and the motion passed unanimously.

13. Mr. Cheatham introduced agenda item ***Securities Trading Policy*** *(Video 01:23:37 to 01:33:55).* Mr. Owens stated that the internal audit group flagged the existing securities trading policy on January 15th, 2025, as needing revisions. He introduced KPPA Compliance Officer, Carrie Bass, to discuss the proposed changes to the policy. She stated that the purpose of this policy is to ensure compliance with federal anti-insider trading requirements, and to ensure that Trustees and the CEO are aware that any insider trading information that they may encounter as part of their duties as a Trustee or CEO cannot be disseminated to others outside of the organization or within the organization. Highlights of the policy included federal compliance with anti-insider trading laws, required annual training and certification for Trustees and the CEO, and removing the KPPA investment staff from the former CERS policy and placing them under a KPPA policy separate from the Board and CEO.

    Mr. Cheatham asked for clarification that front-running is included under the definition of insider trading in the new policy. Ms. Bass confirmed that front running is specifically folded into the definition of insider trading in the policy and is a strictly prohibited activity. Regarding training, Ms. Bass stated there are several options to address the Board's unique posture as a public pensions board and to ensure the Board is properly educated, whether it be in-house or via external providers. Mr. Owens stated his desire to first explore internal training options but is open to external options if they are needed. Following a brief discussion, Mr. Cheatham requested a motion to approve the updates to the CERS Personal Trading Policy for Trustees and CEO as presented. Dr. Carver made the motion to approve, and it was seconded by Mr. Fulkerson. A vote was held and the motion passed unanimously.

14. Mr. Cheatham introduced agenda item ***CEO Report*** *(Video 01:34:01 to 01:59:30).* Mr. Owens stated his report was in the board book and, in the interest of time, he would entertain questions. Mr. Cheatham encouraged the Board to read the report and asked Mr. Owens to elaborate on the agreement with XTP. Mr. Owens explained there was a slight snag in the contract with XTP concerning the distribution of funds recovered by the firm. Originally, the agreement stated XTP would receive 50% of recovered funds. However, the concern was whether this applied to the full 100% ($100) recovered or only to the 70% ($70) owned by CERS, creating a disparity in the expected payout. Mr. Owens encouraged the Board to view the agreement as a risk-mitigation strategy rather than a direct profit venture by accepting the upfront cost of 50%, even on portions not directly owned.

    Mr. O'Mara stated that the RFP expressed what CERS was looking for, therefore CERS does not have an obligation to assume additional costs beyond what is found for CERS and perhaps CERS should reconsider alternative vendors or negotiations. Mr. Board clarified that when the contract was first read and redlined, Ms. Hale and the legal team put XTP on notice that they were negotiating only for the CERS portion of the assets to ensure protection for the CERS assets. Mr. Cheatham noted that the larger issue at hand is that of co-mingled assets.

15. Mr. Cheatham introduced agenda item ***KPPA Report*** *(Video 01:59:33 to 02:05:46).* Ms. Surratt presented Mr. Barrow's memo about happenings at KPPA including the Team Kentucky Internship Program, internal management and leadership programs, and employee participation in external leadership programs. She stated that Mike Lamb and Ryan Barrow

recently presented at the NCPERS annual conference, the strategic planning committee has been hard at work and will present their plan to the KPPA Board at a later date, and planning for the second IMPACT forum is underway. Ms. Surratt also gave an update on presentations given to the Public Pension Oversight Board and the Interim Joint Committee Budget Committee Subcommittee on general government, finance personnel, and public retirement. Construction on the Louisville office has begun and is ahead of schedule. Ms. Surratt also highlighted a few KPPA employee kudos.

16. Mr. Cheatham introduced agenda item ***Closed Session*** *(Video 02:05:55 to 02:07:33)*. Dr. Carver made the motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). Mr. McGraw seconded the motion. The motion passed unanimously.

    After the vote, Mr. Cheatham read the following closed session statement:

    > *A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider pending litigation, pursuant to KRS 61.810(1)(c). Closed session is necessary because of the necessity of protecting the confidentiality of the CERS's litigation strategy and preserving any available attorney-client privilege.*

    Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. *(Video 2 00:00:40 to 00:02:01).* Mr. Fulkerson made a motion to return to open session. Mr. McGraw seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken within closed session discussions.

17. There being no further business, Mr. Cheatham requested a motion to ***adjourn.*** Dr. Carver made a motion to adjourn. Mr. Fulkerson seconded the motion. The motion passed unanimously.

CERTIFICATION

I do certify that I was present at this meeting, and I have recorded the above actions of the Trustees 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 conjunction with this meeting.

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Recording Secretary

I, the Chair of the Board of Trustees of the County Employees Retirement System, do certify that the Minutes of Meeting held on June 8, 2026, were approved on September 14, 2026.

____
Chair of the Board of Trustees

I have reviewed the Minutes of the June8, 2026, Board of Trustees Meeting for content, form, and legality.

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Executive Director
Office of Legal Services