

**MINUTES OF MEETING  
COUNTY EMPLOYEES RETIREMENT SYSTEM  
BOARD OF TRUSTEES MEETING  
JUNE 9, 2025, AT 2:00 P.M. ET  
VIA LIVE VIDEO TELECONFERENCE**

At the Regular Meeting of the County Employees Retirement System Board of Trustees held on June 9, 2025, the following members were present: George Cheatham, 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, Ryan Barrow, Rebecca Adkins, Erin Surratt, Mike Lamb, Michael Board, Victoria Hale, D'Juan Surratt, Connie Davis, Steve Willer, Anthony Chiu, Brian Caldwell, Connie Pettyjohn, Phillip Cook, Sherry Rankin, Ashley Gabbard, and Sandy Hardin. Others present included Eric Branco with Johnson, Branco & Brennan, LLC; David Lindberg and Chris Tessman with Wilshire; Danny White and Janie Shaw with GRS; and Larry Loew and Carrie Lovell with Humana.

1. Mr. Cheatham called the meeting to order.
2. Mr. Branco read the *Opening Statement*.
3. Ms. Rankin took *Roll Call*.

Mr. Cheatham introduced the agenda item *Public Comment*. Ms. Rankin indicated that no public comment was submitted.

4. Mr. Cheatham introduced agenda item *Approval of Minutes – March 26, 2025; April 16, 2025; April 30, 2025; and May 13, 2025 (Video 00:06:26 to 00:09:18)*.

Dr. Hackbart made a motion to approve the March 26, 2025, minutes as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

Mr. O'Mara made a motion to approve the April 16, 2025, minutes as presented. Mr. Foster seconded the motion. The motion passed unanimously.

Mr. Fulkerson made a motion to approve the April 30, 2025, minutes as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.

Dr. Hackbart made a motion to approve the May 13, 2025, minutes as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** (Video 00:09:18 to 00:12:55). Mr. Cheatham provided a brief update and begun by reminding members of the upcoming Board training scheduled for October 22–23, 2025. Members were encouraged to submit agenda suggestions to Mr. Owens to ensure the training addresses all essential topics and reflects areas of interest to the Board.

Mr. Cheatham also touched on the legislative agenda development, mentioning he and Mr. Owens will begin outreach meetings with key employer partners (KECO, KLC, Kentucky School Board Association) in mid-June.

Mr. Cheatham drew attention to a state auditor referral involving Barren County, emphasizing broader concerns about internal auditing practices and ensuring proper payment processing to the system. He stressed the importance of revenue integrity given the system's responsibility for benefit payouts.

Finally, he referenced legacy public equity positions, some dating back to the early 2000s, as an area requiring focused cleanup efforts to reduce ongoing management fees from stagnant investments.

6. Mr. Cheatham introduced agenda item ***Actuary Committee*** (Video 00:12:55 to 00:19:58). Mr. Cheatham turned it over to Mr. Foster, who noted the committee's need to consider and adopt actuarial economic assumptions. Representatives Danny White and Janie Shaw from GRS recommended maintaining current economic and demographic assumptions for the upcoming June 30, 2025, valuation—consistent with last year's approach. Mr. Cheatham

prompted further discussion on the payroll growth assumption, inviting explanation for members not on the Actuarial Committee. Mr. White gave a brief explanation and clarified that while the assumption does not affect liabilities or the funded ratio, it plays a key role in financing unfunded liabilities. He compared the logic to adjusting mortgage payments—higher payroll growth assumptions can delay paying down principal and interest, creating what's known as actuarial backloading. To mitigate this risk, the current approach favors caution, especially considering recent trends of higher-than-expected payroll growth. Mr. White emphasized that a conservative stance better aligns payments with financial stability.

Mr. Cheatham requested a future discussion during the October training session on how payroll growth assumptions are structured, noting they consist of both headcount and salary growth components. He emphasized the importance of understanding how each actuarial assumption—payroll growth, inflation, and investment return—impacts contribution rates. Mr. White agreed to prepare supporting materials for that discussion.

Mr. Foster made a motion to ratify the Actuary Committee's decision to maintain the economic assumptions for the June 30, 2025, valuation the same as the adopted assumptions for the June 30, 2024, valuation as presented. Mr. Fulkerson seconded the motion. Having no questions or discussions, the motion passed unanimously.

7. Mr. Cheatham introduced agenda item ***Investment Committee*** (Video 00:19:58 to 00:38:32). Dr. Hackbart noted that the CERS Investment Committee met on May 28, 2025, with Mr. Cheatham chairing the meeting in his absence. No action items requiring Board ratification resulted from the meeting. The committee received an economic and market overview from Wilshire, followed by an update on pension fund performance from the investment staff. Dr. Hackbart then invited Mr. Willer and Wilshire staff to present their respective reports on the financial outlook and fund performance.

Regarding the quarterly investment updates, Mr. Willer reported modest positive returns for the quarter, with the CERS pension composite returning +0.44% and the insurance composite

+0.33%, both near benchmark levels. Strong relative performance in real return and specialty credit portfolios was offset by weaker public equity performance. All asset classes remained within target allocation ranges, with continued progress toward portfolio targets. Notably, capital was called for real return mandates including farmland and inland marine investments. Internally managed and proxy portfolios provided cost-effective exposure and flexibility. Private equity underperformance and public equity overweight modestly detracted from results. A benchmark review for private equity is expected at the next committee meeting. Mr. Willer noted that all CERS portfolios performed strongly relative to peers. Through the first nine months of FY 2025, investment-related expenses totaled \$8.9 million, or 71% of the budget, with overall legal costs remaining within budget despite individual line-item variances. A \$1.2 million reduction in legal expenses is proposed for FY 2026. Market volatility increased post-quarter, with headline-driven rallies and pullbacks. Preliminary April and May returns remained in line with or above benchmarks. Asset class performance favored growth over value and large-cap over small-cap stocks, with real assets and high-yield bonds posting gains. Core fixed income underperformed due to rate volatility.

Mr. Willer also reported that the Bay Hills general partner was removed, and Murray Analytics was appointed as liquidating agent. Following reconciliation, \$17 million in previously uninvested cash was transferred to the portfolios, with long-term considerations underway to transfer investments in-kind to KPPA management to reduce fees.

Mr. Cheatham invited comments on the outlook for U.S. versus non-U.S. equity positioning. Mr. Willer noted that the portfolios had recently shifted from an overweight in U.S. equities to a more neutral allocation, acknowledging that global tariff policies and economic uncertainty continue to influence equity market dynamics. Mr. Tessman of Wilshire added that while current U.S. equity valuations remain elevated, forward-looking return assumptions are stronger for non-U.S. markets (5.95% vs. 4.6% for U.S.). Despite this, Wilshire is not recommending tactical shifts at this time due to market volatility. The current strategy emphasizes diversification and disciplined rebalancing rather than making directional equity allocation bets.

Mr. Cheatham asked Wilshire for insights on risk comparisons between U.S. and non-U.S. equities. Mr. Tessman responded that non-U.S. equities carry slightly higher volatility (19%) compared to U.S. equities (17%), driven largely by geopolitical uncertainty and market composition, including emerging markets exposure. These differences are accounted for in the asset allocation models.

Regarding currency risk, Mr. Tessman noted that Wilshire treats it as a separate factor and does not make tactical currency bets. He emphasized that long-term currency fluctuations typically balance out, and real assets in the portfolio are positioned to help offset potential currency-related pressures.

Mr. O'Mara offered thanks and congratulations to the staff involved in the Bay Hills fund unwind, highlighting the extensive effort. Mr. Willer acknowledged the many contributors to that successful transition.

8. Mr. Cheatham introduced agenda item ***Personnel Committee*** (*Video 00:38:32 to 00:44:16*). Mr. Fulkerson presented two items requiring full Board ratification, including the renewal of CERS CEO Mr. Ed Owens III's contract for an additional two-year term. The sole change to the contract involved a salary adjustment; all other terms remained unchanged.

Mr. Cheatham made a motion to ratify the Personnel Committee's approval of the CERS CEO contract as presented. Dr. Hackbart seconded the motion. Having no questions or discussions, the motion passed unanimously.

Next, the Board reviewed the Personnel Committee's recommendation to approve the contract for legal services with Johnson Branco and Brennan. Mr. Fulkerson noted that no changes were expected beyond the contract dates.

With no questions raised, Mr. Fulkerson made a motion to ratify the Personnel Committee's approval of the CERS General Counsel contract as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

9. Mr. Cheatham introduced agenda item ***Finance Committee*** (Video 00:44:16 to 00:52:32). Mr. O'Mara reported on the CERS Finance Committee's regular meeting held on May 19, 2025, where the committee unanimously approved 15 requests for hazardous duty position classifications submitted by member organizations. Supporting documentation was included in the Board packet. Mr. Surratt confirmed he had no additional comments.

Mr. Webb made a motion to approve the Hazardous Duty Requests as presented. Mr. Fulkerson seconded the motion. With no questions or concerns raised, the Board unanimously approved the Committee's recommendations.

Mr. O'Mara introduced Mr. Lamb to present on the hybrid percentage allocation and related financial items. Mr. Lamb explained that the Finance Committee recommended approval of the FY 2026 hybrid allocation, effective July 1, which had previously been approved at the April 23, 2025, Board meeting. The CERS portion was determined to be 64.35%, with allocation between the CERS non-hazardous and hazardous plans based on headcount data as of June 30, 2024. This allocation relates to administrative expenses not directly assigned to either plan.

On behalf of the Committee, Mr. O'Mara made a motion to approve the FY 2026 allocation of the CERS hybrid percentage between the CERS Non-hazardous and CERS Hazardous funds within the CERS plan as presented. Mr. Fulkerson seconded the motion. The motion carried unanimously.

Mr. Lamb provided an update on the draft Administrative Budget for fiscal year 2026, noting that the unallocated reserve had been reduced to under \$100,000 due to increases in personnel costs. These adjustments were based on reviews by the Personnel Cabinet and additional needs such as the planned Louisville office. He stated that further explanation would be provided during the upcoming KPPA meeting. Mr. Lamb also referenced the financial statements previously presented to the Finance Committee, noting continued review of contribution discrepancies in the CERS plan, which he plans to analyze further. As of March 31, the year-

to-date Administrative Budget appeared on track overall, though an underestimation in employer health insurance rates would likely result in a \$207,000 overage in that specific line item. However, he confirmed that sufficient capacity remains within the broader personnel budget category to remain within budget by year-end.

10. Mr. Cheatham introduced agenda item ***Joint Retiree Health Plan Committee*** (Video 00:52:32 to 00:52:32). Dr. Carver reported on the May 14, 2025, meeting of the Joint CERS and KRS Retiree Health Plan Committee. No action items required ratification, but the committee noted increases in both medical and pharmacy claim costs. Additionally, the Kentucky Group Health Insurance Board is seeking a new retiree representative from either KRS or CERS. Due to the monthly in-person meeting requirement in Frankfort, no immediate volunteers stepped forward, though Mr. Owens III indicated there were promising leads among retired CERS Board members. Ms. Pettyjohn emphasized her continued support as proxy for any designated appointee. She also highlighted the importance of the committee and praised prior member Jerry Powell's engagement.

Discussion then shifted to Humana's report, where Mr. Loew clarified that the Essential Medicare Advantage plan experienced a 20% increase in pharmacy claims cost for 2024, largely due to rising specialty drug expenses—not directly tied to the Inflation Reduction Act. Mr. Loew noted the more significant impacts of the Act would likely be reflected in the 2025 plan year data.

11. Mr. Cheatham introduced agenda item ***CEO Quarterly Update*** (Video 00:52:32 to 01:54:08). During his quarterly report, CEO Ed Owens III introduced the topic of potentially contracting with XTP Implementation Services, LLC—a firm specializing in forensic audits of investment-related costs. While CERS leadership believes the Board has authority under its 2022-adopted procurement policy to approve the contract without issuing a Request for Proposal (RFP), KPPA holds a contrasting view favoring a traditional bid process. General Counsel Eric Branco explained that KRS 78.796 grants CERS the right to create its own investment procurement policy, which includes exceptions for uniquely qualified vendors. Mr. Branco emphasized that XTP may qualify under this exception due to its specialized, contingent-fee

audit services targeted at pension fund investments—services for which few, if any, comparable providers exist.

Mr. Cheatham clarified that the Board was not being asked to approve the XTP contract at this time. The current objective was to determine whether engaging the vendor under CERS's procurement exception would be permissible. Mr. Lindberg, representing Wilshire (which owns XTP), described XTP's work as a deep forensic review of portfolio costs, particularly within private market agreements. He noted that XTP's model only collects fees when savings are successfully realized.

As discussion unfolded, Board members raised questions about governance, process, and transparency. Mr. O'Mara cautioned against setting precedent by skipping competitive procedures without thorough documentation and analysis, urging that any determination of uniqueness be reviewed by staff and the Finance Committee. Mr. Owens responded that utilizing the exception within CERS's policy would not be circumventing process but exercising statutory authority granted by the legislature. He proposed a bifurcated approach: the Board would first determine whether it can rely on the exception provision, and then, if deemed applicable, allow the appropriate committees to evaluate the vendor and proposal details.

Mr. Cheatham supported this two-part structure, noting the importance of both transparency and fiduciary efficiency. He noted that, if savings are found, a contingency-based fee split—such as \$900,000 in fees generated from \$1.8 million in savings—would still provide clear net benefit to the system. He drew parallels to past procurement scenarios involving contingency contracts with limited vendor pools, such as energy efficiency projects.

Further clarity was provided around roles and responsibilities. Mr. Lindberg and Mr. Tessman confirmed that Wilshire owns 100% of XTP, and the acquisition was completed after two years of internal diligence. Ms. Adkins clarified that issuing an RFP under the CERS Procurement Policy would not revert to state procurement rules (KRS 45A), and that CERS controls its own tools—RFPs, RFIs, and RFQs. Mr. Willer added that a previous contract with a Bay Hills followed emergency procedures within CERS's approved procurement code.



Some members, including Mr. Foster and Dr. Hackbart, expressed discomfort with invoking the sole-source exception without first testing the market. They argued that issuing an RFP could verify whether XTP is truly unique or if other vendors might qualify. Mr. Owens III agreed that this evaluation should occur and reiterated that if one or two vendors emerged, the Board could then exercise its right under the exception clause to proceed directly. Mr. Cheatham underscored that this path strikes a balance between policy adherence and operational efficiency.

As consensus formed, members agreed that the next step would be to issue a competitive solicitation using one of the CERS procurement tools. Mr. Willer indicated that preparing the RFP within 30 days was achievable, though response timelines would require flexibility.

Mr. Cheatham proposed a motion directing the Office of Investments, in collaboration with Mr. Owens III, to prepare and issue an RFP, RFI, or RFQ within 30 days. The motion left the response timeline to their discretion. Once vendor submissions are received, they will be reviewed by Mr. O'Mara and the Finance Committee, who will determine next steps.

Mr. Fulkerson made the motion. Mr. Foster seconded the motion. The motion passed unanimously.

12. Mr. Cheatham introduced agenda item ***KPPA Quarterly Update*** (Video 01:54:08 to 02:03:28). Mr. Barrow began with a legislative update, focusing on Senate Bill 10 pertaining to the CERS Retiree Insurance.

He then provided a staffing update, noting KPPA currently employs 264 staff members. The Personnel Cabinet recently completed a job classification review for the second half of the IT job series, impacting approximately 22 employees. Mr. Barrow also announced that Mr. Ian Blaiklock will be joining the Office of Investments as a Senior Investment Associate.

13. Regarding the Strategic Plan and Implementation, Mr. Barrow noted that a comprehensive presentation will be delivered to the KPPA Board on June 26, 2025. Implementation efforts remain active, with four specialized teams:

1. **Quality Assurance Team** is nearing completion of the account audit process improvements.
  2. **Survey Team** has received approval on its recommendations and is exploring survey software upgrades.
  3. **Member Presentation Team** has submitted recommendations currently under review.
  4. **AI Team** is finalizing its recommendations.
14. Mr. Barrow shared details about the upcoming Trustee IMPACT Forum, scheduled for October 22–23, 2025. To better align with its mission, an internal poll led to rebranding the event as the IMPACT Forum (Investments, Management, Pensions, Advisory, Compliance, and Training). This name reflects a renewed focus on delivering impactful trustee education. Ms. Rankin and the Communications Team played a pivotal role in the renaming effort.

On April 28, Mr. Barrow and Ms. Surratt presented to the Public Pension Oversight Board (PPOB). Mr. Barrow expressed confidence in the quality and reception of the presentation.

He then highlighted the Leadership Academy, commending Human Resources for their outstanding work. He is scheduled to present in August and emphasized the program's mentorship component, which fosters professional development and relationship-building.

Mr. Barrow and Mr. Mike Lamb recently completed the final two modules of the NCPERS Accredited Fiduciary (NAF) Program and represented KPPA at the 2025 Annual Conference and Exhibition (ACE).

During KPPA Kudos, Mr. Barrow acknowledged the success of Public Service Recognition Week, citing strong employee participation and noting the feature of KPPA Homepage spotlights on various staff.

He commended the School Board Reporting Team in ERCE for completing end-of-year service averaging for all 171 school board agencies well in advance of the fiscal year-end—an unprecedented accomplishment.

Additionally, Mr. Barrow recognized Carrie Bass from the Compliance Office for her development of a new Investment Compliance Plan, which includes improved processes and a revised Agency Securities Trading Policy. The updated policy enhances SEC compliance while streamlining trustee and employee responsibilities.

Lastly, Mr. Barrow praised the Member Outreach Team for their recent presentations to public safety officials. He quoted the following feedback in appreciation of their efforts: “Your team’s professionalism and unparalleled commitment to customer service continue to elevate the quality of our training program.”

15. Mr. Cheatham introduced agenda item ***Closed Session*** (Video 02:03:28 to 02:05:03). Mr. Fulkerson made the motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). Dr. Carver seconded the motion. The motion passed unanimously.

Mr. Branco 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 litigation, pursuant to KRS 61.810(1)(c), because of the necessity of protecting the confidentiality of the Systems’ litigation strategy and preserving any available attorney-client privilege.

***Closed Session*** (Video - Part 2 - 00:00:17 to 00:01:30).

Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. Mr. Fulkerson made a motion to return to open session. Mr. Webb seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken as a result of the closed session discussions.

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

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held June 9, 2025, except documents provided during a closed session conducted pursuant to the Open Meetings Act and exempt under the Open Records Act.

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## **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 6, 2025, were approved on September 8, 2025.

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Chair of the Board of Trustees

I have reviewed the Minutes of the June 9, 2025, Board of Trustees Meeting for content, form, and legality.

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Executive Director  
Office of Legal Services