

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL CALLED MEETING
MAY 11, 2026, AT 2:00 P.M. ET
VIA LIVE VIDEO TELECONFERENCE**

At the Special Called Meeting of the County Employees Retirement System Board of Trustees held on May 11, 2026, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, and Tommy McGraw. Staff members present were CERS CEO Ed Owens III, Erin Surratt, Michael Lamb, Michael Board, Odette Gwandi, Steve Willer, Joe Gilbert, Brian Caldwell, Natalie Young, Ian Blaiklock, Victoria Hale, Leigh Ann Davis, Shaun Case, Sherry Rankin, and Mary Hill. Others present included Eric Branco with Johnson, Branco & Brennan, LLC; David Lindberg, Craig Morton, and John Patterson with Wilshire; and Team Kentucky Internship Program Interns, Amira Bowman, Colby Cracraft, Ciara Gilley, and Allyson Meade.

1. Mr. Cheatham called the meeting to order.
2. Mr. Branco read the *Opening Statement*.
3. Ms. Rankin held the *Roll Call*.
4. Mr. Cheatham introduced the agenda item *Public Comment*. Ms. Rankin indicated that no public comment was submitted.
5. Mr. Cheatham bypassed agenda item *Chairman's Corner* in the interest of time to accommodate Mr. McGraw's schedule.
6. Mr. Cheatham introduced agenda item *Investment Committee (Video 00:09:35 to 00:39:35)*. Dr. Hackbart spoke briefly about the CERS Investment Committee's previous meeting during which Trustees reviewed and discussed several items to bring before the full Board. The first of these items was the Private Equity Investment recommendation in which the Committee voted unanimously to recommend a \$90 million investment to the Private Equity Fund with

Capitol Meridian. Dr. Hackbart explained that the additional investment will move the Board closer toward the target allocation of 8% in private equity investments.

The second item the Committee discussed was the recommendation to transfer management responsibilities for the Franklin Equity Group Portfolio from Franklin Templeton to ClearBridge Investments. The portfolio had been underperforming for some time, and it was recommended to move it to another manager. The Committee unanimously approved the motion to bring this item before the full Board.

The third item the Committee voted to bring before the Board was the Real Return Investment Recommendation in which they recommend an additional investment of \$100 million in the ITE Rail Fund. This additional investment would bring the total investment in this fund to \$300 million.

Mr. Cheatham introduced John Patterson with Wilshire to speak about Capitol Meridian, a private equity manager that invests within the aerospace, defense, and government tech sectors. Wilshire has been acquainted with this manager since their inception in 2021 and believes this would be a “great opportunity with a very strong group.”

****Dr. Carver joined the meeting****

Mr. Cheatham requested a motion to accept the recommendation from the Investment Committee to commit \$90 million into Capitol Meridian Partners Fund II. Mr. McGraw made a motion and Mr. Fulkerson seconded. A vote was held and the motion passed unanimously.

Mr. Cheatham asked Mr. Willer to give some background on the recommendation to transfer management responsibilities from Franklin Templeton to ClearBridge. Mr. Willer cited performance issues in the management of the MSCI ACWI Exhibit-US Portfolio and introduced Joe Gilbert to provide more information. Mr. Gilbert explained that this particular investment was brought on as part of a group of investments in 2014 and it was intended to be the more aggressive growth portion of the portfolio. For a time, this investment was the strongest performing one of the group. Market headwinds of late have caused its performance

to wane, and there have been some “self-inflicted wounds” incurred by the manager that have also inhibited performance. Mr. Gilbert further explained that with ClearBridge, the Investment team expected better relative performance for this portfolio. He also noted that transition fees will be absorbed by the manager as part of a discount fee extension and that the transition can be executed quickly. Mr. Gilbert went on to acknowledge that this recommendation was not made how they typically are, but time is of the essence with the underperformance of the portfolio, and the investment team will use this transition as a jump start to further review the international equity portfolio.

Mr. Foster raised a question about transferring from Franklin Templeton to ClearBridge, which is still a Franklin Templeton subsidiary. Mr. Gilbert explained that while Franklin Templeton owns ClearBridge, the ClearBridge team is a completely different set of managers that work independently of Franklin Templeton. Mr. Willer stepped in to clarify that ClearBridge has also been adding assets while Franklin Templeton has been losing both assets and clients, leading to their concern. Mr. Cheatham explained that he has noticed while Franklin Templeton has been buying out a lot of other management firms, they do not impose their management style on these firms. Mr. Willer affirmed ClearBridge is run independently. They both clarified that the investment team does not have an issue with Franklin Templeton as an entity, only the strategy they are employing with this particular portfolio.

Mr. Cheatham asked for clarification on his recollection that the ClearBridge strategy had better returns with less risk and Mr. Gilbert affirmed, showing a graph representing ClearBridge showing a greater annualized return over the last ten (10) years with a lower standard of deviation than Franklin Templeton, indicating a higher quality portfolio. Craig Morton added that Wilshire has ranked ClearBridge in the 3rd decile of their qualitative rankings, while the Franklin Templeton strategy is ranked in the 4th decile with a chance that it may be downgraded to the 5th.

At this time, Mr. Cheatham requested a motion to ratify the Investment Committee’s recommendation to transfer management responsibilities from Franklin Templeton to ClearBridge. Dr. Hackbart made the motion to approve, and Mr. Fulkerson seconded. A vote

was held and the motion passed with Mr. Foster abstaining. The investment team was tasked with providing Mr. Foster and the rest of the Board with a written explanation of the move and the reasoning behind it.

Mr. Cheatham moved on to the third recommendation of the Investment Committee, the Real Return Investment Recommendation. Mr. Willer expanded the remarks previously given by Dr. Hackbart about the ITE Rail Fund. He stated that due to the strong existing relationship, an invitation was extended to increase commitments to the Fund and the investment staff recommended committing an additional \$100 million. Mr. Willer also further explained answers to some questions the Investment Committee had regarding lease terms and fuel costs.

Mr. Cheatham requested a motion to approve the Investment Committee's recommendation to invest an additional \$100 million in ITE Rail. Dr. Hackbart made the motion and Dr. Carver seconded. A vote was held and the motion passed unanimously.

****Mr. McGraw left the meeting.****

7. Mr. Cheatham introduced agenda item ***Amendment to CERS By-Laws*** (Video 00:39:40 to 00:59:36). Mr. Cheatham began by combining this segment with the ***Chairman's Corner*** segment earlier on the agenda. He thanked the Trustees for continuing to serve on the various committees and noted that a resignation had been received from Dr. Milkman since the last meeting. He stated that once a new CERS Trustee is announced, the committee structure will be reevaluated. He also stated that he believed the current Ad Hoc Employer Audit should continue as a permanent committee and he requested a change in the bylaws to reflect as such.

Mr. O'Mara made a motion to eliminate a redundant portion of the bylaws regarding a review of audit work papers. The motion was seconded by Mr. Foster. During the discussion period, Mr. Owens gave an overview of how the Ad Hoc Committee came to be in the first place, namely, a notice from the State Auditor regarding pension payments not matching payroll. It was then decided that an Ad Hoc Committee of Trustees would be established to review employer audit. This Committee works with KPPA's Employer Reporting Compliance and

Education (ERCE) team and the Chief Auditor. A vote was held, and it passed with Dr. Hackbart abstaining.

Mr. Owens continued with a brief explanation of some new language in the bylaws regarding CERS's legal counsel. He clarified that this language does not mean the KPPA legal staff who currently handles collections will be shut out but rather have a liaison to the Committee in the CERS counsel. Mr. O'Mara raised some further questions about redundancy in the proposed change in language and Mr. Owens clarified that whether it be primary or secondary, it was important to note that there will be a role for the Chief Auditor and such a role is acknowledged by the committee. Mr. Cheatham stated that both ERCE and the Chief Auditor will always be involved, and the committee should have the ability to work with either. Another vote was held to remove the redundant language, and it again passed with Dr. Hackbart abstaining.

Mr. Cheatham then requested a motion to change the bylaws to make the Ad Hoc Employer Audit Committee a permanent one. Dr. Carver made the motion and Mr. Fulkerson seconded. A vote was held and it passed with five (5) yeas and one (1) nay.

8. Mr. Cheatham introduced agenda item ***Closed Session*** (*Video 00:59:50 to 01:01:33*). 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.

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 00:00:21 to 00:01:15*). Mr. Foster made a motion to return to open session.

Mr. Fulkerson seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken within closed session discussions.

9. There being no further business, Mr. Cheatham requested a motion to ***adjourn***. Mr. Fulkerson made a motion to adjourn. Mr. O'Mara seconded the motion. The motion passed unanimously.

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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.

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 May 11, 2026, were approved on June 8, 2026.

Chair of the Board of Trustees

I have reviewed the Minutes of the May 11, 2026, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services