

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE SPECIAL CALLED
MAY 12, 2021, 2:00 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 May 12, 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, J.T. Fulkerson and William O'Mara. Trustee Betty Pendergrass was also present. Staff members present were David Eager, Steven Herbert, Victoria Hale, Rebecca Adkins, Erin Surratt, Steve Willer, Anthony Chiu, Joseph Gilbert, Jared Crawford, Alane Foley and Carol Johnson. Also in attendance were David Lindberg, Chris Tessman, Craig Morton and Marc Friedberg from Wilshire.

Dr. Merl Hackbart called the meeting to order and Ms. Alane Foley called roll.

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

Dr. Merl Hackbart introduced agenda item *Investment Compliance Report*. Mr. Jared Crawford stated that that Investment Policy Statement was voted on and approved by the Board in 2020, which would change the findings in this report. This Investment Compliance Report complies

with the February 2020 Statement of Investment Policy currently posted on the Kentucky Public Pensions Authority's website. Mr. Jared Crawford stated that this report is broken down to only include CERS and CERS Hazardous so that we can see the target allocations for those plans. Mr. Jared Crawford further stated that once the Board has signed the new Investment Policy Statement that includes the December 2020 changes then the Investment Compliance Report will change. Mr. Jared Crawford reviewed the report with the Investment Committee members. Mr. Jared Crawford did point out that we no longer have an absolute return bucket and that the all of those assets have been liquidated for both CERS and CERS Hazardous. Mr. Jared Crawford stated that the figures include a percentage of the total fund as of March 31, 2021. Mr. Jared Crawford stated that this report will look vastly different next quarter and will separate out all of the plans and that this report just gives you a general idea of where the CERS and CERS Hazardous plans stand now. Mr. David Eager suggested that a draft of the revised investment compliance report be sent to the Investment Committee members for their review and comments prior to implementation. Mr. Jared Crawford stated that he would be glad to provide a draft of the revised investment compliance report to the Investment Committee members once it has been completed. Mr. George Cheatham, II asked what the reasoning was for the not in compliance note that was contained on page 11 of the report. Mr. Jared Crawford explained the different reasons that would cause this issue with the Investment Committee members. Mr. George Cheatham, II asked that future reports contain an explanation of the reason for any non-compliance issues. This was provided for informational purposes only.

Dr. Merl Hackbart introduced agenda item *Investment Performance Review*. Mr. Steven Herbert reviewed the County Employees Retirement System Pension and Insurance Funds net returns

and plan net returns charts that were included in Board Books with the Investment Committee members. Mr. Steven Herbert stated that the format of these charts are currently being revised to highlight the plans much better and to reflect the April 1, 2021 changes going forward. Mr. Steven Herbert further stated that he would provide draft copies of the Performance Review to the Investment Committee members for their review and comments prior to implementation. Mr. Steven Herbert then outlined the standard reports that were included in Board Books. This was provided for informational purposes only.

Dr. Merl Hackbart introduced agenda item *Real Estate Fund Investments Increased Allocation*. Mr. Steven Herbert reviewed the two memorandums contained in Board Books to increase the allocations to two existing real estate funds in the portfolio. Mr. Steven Herbert stated that both were reviewed and approved in terms of the increase and this will serve as the report to the Investment Committee per the Investment Policy Statement. Mr. Steven Herbert first reviewed the memorandum regarding Harrison Street Core Property Fund with the Investment Committee members. Mr. Steven Herbert stated that Harrison Street Core Property Fund is an open-end fund that was originally allocated assets in 2011 and had a commitment of roughly 90 basis points in the plan. Mr. Steven Herbert stated that an additional 200 million has been committed to Harrison Street Core Property Fund and will be added over this year as capital gets called. This is an increase of approximately another 90 basis points in the plan. Mr. William O'Mara asked Mr. Steven Herbert to explain how he went through evaluation and review to come up with this recommendation to the Investment Committee. Mr. Steven Herbert stated that this was a current fund so we performed a real time due diligence to ensure that it was still applicable to the plan, in other words, would we keep it, and would we want to buy it if it were outside of the

plan. Mr. Herbert stated that the answer was yes to both of those questions. Mr. Steven Herbert stated that the process involved several interviews with the investment manager, we reviewed due diligence information from our investment consultant and there were several internal discussions. Mr. Steven Herbert further stated that the real estate allocation is now just a little over 5% for the County plans with the target goal being 10%. Mr. William O'Mara asked if there was a search for alternatives to this additional investment. Mr. Steven Herbert stated that we looked at all of our current real estate managers; however, would not call it a search. Mr. Steven Herbert stated that we are looking at alternatives, but to date we have not started a search. Mr. Jerry Powell asked how this investment would be affected by the decrease in office space since so many companies are moving toward working from home. Mr. Steven Herbert stated that neither of these two real estate investments invest in office space.

Mr. Steven Herbert stated that the second fund we added to was Prologis Targeted US Logistics Fund and he reviewed the memorandum regarding Prologis with the Investment Committee members. Mr. Herbert stated that it was an open-end fund that was originally allocated assets in 2012 and that we had a commitment of roughly 100 basis points in the plan. Mr. Herbert further stated that an additional 100 million in assets have been committed and will be added over this year as that capital gets called. This is an increase of approximately 50 basis points in the plan. This was provided for informational purposes only.

Dr. Merl Hackbart introduced agenda item *Wilshire Investment Performance Review*. Mr. David Lindberg stated that Mr. Craig Morton would begin by reviewing the Quarterly Performance reports. Mr. Craig Morton reviewed the Quarterly Performance reports with the

Investment Committee members. Mr. David Lindberg then reviewed the Asset Liability Study with the Investment Committee members. Mr. David Lindberg then introduced Mr. Chris Tessman and he reviewed the future projections that are included in the Asset Liability Study with the Investment Committee members. This was provided for informational purposes only.

Dr. Merl Hackbart introduced agenda item *Investment Policies Drafts*. Dr. Merl Hackbart stated that the Investment Procurement and the Investment Policy Statement were included in draft form for the Investment Committee members to review and they are not action items. Dr. Merl Hackbart asked the Investment Committee members to review the documents and to provide any additional comments or changes that they would recommend directly to him so that we may work toward a finalized version. Dr. Merl Hackbart stated that the investment policies that are currently being used are those which were in existence when the CERS Board was not a separate group. Ms. Victoria Hale stated that an additional step is required for the Investment Procurement Policy prior to its implementation. Ms. Victoria Hale stated that a final version of the Investment Procurement policy needs to be sent to the Finance Cabinet for review and comments at least thirty days prior to being voted on by the Board. Ms. Victoria Hale stated that after the Finance Cabinet completes its review of the Investment Procurement Policy it will be sent back to the Investment Committee to review and make any necessary changes. Once the Investment Committee decides whether or not to accept the Finance Cabinet's recommendations then it will then be returned to the Finance Cabinet. Ms. Victoria Hale stated that the Finance Cabinet will then hopefully send a letter for best practices. This was provided for informational purposes only.

Dr. Merl Hackbart introduced agenda item *Personnel Update*. Mr. Steven Herbert welcomed Mr. Jared Crawford to the KPPA Investment Team. Mr. Steven Herbert stated that Jared joined last month and that he came from Internal Audit and has a deep understanding of financials and statistical analysis. Mr. Steven Herbert further stated that Mr. Jared Crawford will be our research analyst of investments and our compliance officer and will be overseeing external managers and staff and ensure we are in compliance with all investment policies. This was provided for informational purposes only.

There being no further business, Mr. George Cheatham, II moved and was seconded by Mr. William O'Mara to adjourn the meeting at 4:02 p.m. The next meeting of the County Employees Retirement System Investment Committee is scheduled for 2:00 p.m. on August 25, 2021.

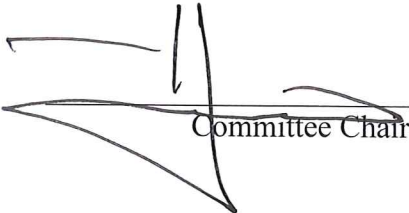
Copies of all documents presented are incorporated as part of the minutes of the Special Called County Employees Retirement System Investment Committee meeting held May 12, 2021.

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 May 12, 2021.



Committee Chair

I have reviewed the Minutes of the Special Called County Employees Retirement System Investment Committee Meeting on May 12, 2021 for form, content, and legality.



Office of Legal Services