MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE MEETING
MAY 29, 2026, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the May 29, 2026, County Employees Retirement System Investment Committee Meeting, the following committee members were present: Dr. Merl Hackbart (Chair), George Cheatham, William O'Mara, and Tommy McGraw. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Odette Gwandi, Carrie Bass, Nathan Goodrich, Anthony Chiu, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Colby Cracraft, Shaun Case, Sherry Rankin, and Mary Hill. Also in attendance were Eric Branco with Johnson, Branco & Brennan LLP; and David Lindberg and Craig Morton with Wilshire.

1. Dr. Hackbart called the meeting to ***Order.***

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

3. Ms. Rankin ***Called Roll***.

4. Ms. Rankin noted that no ***Public Comments*** were received.

5. Dr. Hackbart introduced agenda item ***Approval of Minutes.*** *(Video 00:08:48 to 00:11:02).* Mr. O'Mara made the motion to approve the minutes of the February 25, 2026, Investment Committee Meeting as presented, and Mr. McGraw seconded the motion. A vote was held and the motion passed unanimously. Mr. O'Mara made a motion to approve the minutes of the March 25, 2026 meeting and Mr. Cheatham seconded the motion. A vote was held and the motion passed unanimously. Finally, Dr. Hackbart requested a motion to approve the minutes of the April 28, 2026 meeting and Mr. O'Mara moved to approve. Mr. McGraw seconded the motion and a vote was held. The motion passed unanimously.

6. Dr. Hackbart introduced agenda item ***Capital Markets Overview.*** *(Video 00:11:06 to 00:34:33).* David Lindberg presented a brief overview of the first quarter focusing on recent trends in equities, fixed income, and inflation probabilities. He noted the first quarter was negative one (1) for equity markets in the U.S., down about 4%. By April, the markets had rebounded to plus ten (10) percent. Mr. Lindberg went on to discuss the geopolitical impact of the U.S.-Iran Strait of Hormuz situation affecting global oil flow, economic rates, and inflation. He highlighted the market predictions that indicated an 80% chance of the conflict ending by June 30. Regarding the spike in inflation numbers, Mr. Lindberg noted that while the short-term numbers were alarming, the long-term predictions remained steady for the time being.

   Mr. Lindberg introduced a graph depicting the Federal Reserve's Implied Rate shift from easing to neutral and noted that there has already been a shift to an expectation for interest rate hikes. He then briefly touched on the yield curve beginning to record a positive slope after two (2) years of being on a negative slope. Finally, Mr. Lindberg discussed the ten-year rates rise, highlighting the steep drop and relatively quick rebound following the start of the conflict in Iran. He clarified that as rates have climbed, the majority of the increases have been within the real rate, suggesting that the expectation is that inflation will be higher, thus driving rates higher. He closed his presentation and noted that the situation remains to be one that is monitored day by day.

   Following his presentation, there was a brief discussion about how the current Federal Reserve Chair will react to the volatility, the time it will take to stabilize oil prices even if the Strait is opened at the end of June, and the relatively stable labor market. Mr. Cheatham inquired about duration focus and Mr. Lindberg stated that it is difficult to be tactful about short-term duration due to the unpredictable current market conditions. His recommendation was to keep the portfolio close in duration to benchmark. The discussion concluded with Mr. Lindberg stating that the portfolios are well diversified with exposure to growth assets.

7. Dr. Hackbart introduced agenda item ***CERS Quarterly Investment Review.*** *(Video 00:34:34 to 01:34:57).* Mr. Willer began his presentation by introducing the Office of Investments' summer intern, Colby Cracraft. He then went on to state that while the quarter showed negative performance overall, it was "a tale of two halves" with returns produced in January and February given back in March. He discussed the increasing volatility in the markets and that it no longer appears to be a transitory event. He stated that the CERS pension composite recorded a return of minus ninety-seven (97) basis points for the quarter, outperforming its benchmark of minus 1.38%. The CERS insurance composite showed a return of minus 1.01%, surpassing its benchmark by thirty-two (32) basis points. All individual portfolios outperformed their respective benchmarks by between twenty-nine (29) and forty-one (41) basis points despite overall declines. The largest contributors to portfolio outperformance were the real return and specialty credit with 811 and 217 basis points of outperformance, respectively. The public equity portfolio trailed its benchmark by twenty-seven (27) basis points due to an overweight position.

   Mr. Willer went on to discuss the modest market recovery in April and May, continued market volatility due to the U.S. – Iran conflict, and the uneven path forward. Highlights included: staff successfully renegotiated management fees with a public high-yield manager, cutting fees by 12% and saving an estimated $500,000 annually; the additional up-to $100 million to the ITE Rail Fund that was approved by the Board earlier in the year; and the transfer of asset management responsibilities for the MSCI Acqui XUS public equity mandate from Franklin Equity Group to the ClearBridge team within Franklin Templeton.

   Joe Gilbert addressed a question about the transfer from Franklin Templeton to ClearBridge and stated the documents have been agreed to, accounts are being opened at BNY Mellon, and the target date for funding is June 15, 2026. He then went on to discuss the international markets and noted they have outperformed the U.S markets for the last five (5) quarters. Regarding the relative strength of the dollar, Mr. Gilbert stated the dollar is viewed as a source of diversification and not a primary source of income in portfolios. There is no intention of hedging currency risks due to long-term investment strategies.

Mr. Gilbert continued to discuss the effect of the U.S. – Iran conflict on the markets, inflation, and the outperformance of the international markets relative to U.S. markets. International markets' recent performance was attributed to valuation differences between them and the U.S., not necessarily due to economic factors. Regarding the strategic asset allocation, the shift to ClearBridge from Franklin Templeton was highlighted as a catalyst for the strategic review of the value and growth mandates within the portfolio, particularly the non-U.S. assets. Staff and the Committee acknowledged that recent performance by public equities may necessitate a review of where new investments should be directed, considering the current overweight in public equities. It was agreed that the Board should focus on strategic targets, not just meeting current targets, suggesting a potential review of these targets given market changes.

Mr. Willer introduced Brian Caldwell to give a high-level overview of fixed income. The core fixed income portfolio generated a positive return of four (4) basis points for the quarter and 329 basis points for the fiscal year to date, outperforming the benchmark by nine (9) and nineteen (19) basis points, respectively. The top performing sectors for the quarter were CMBS, ABS, and MBS, with MBS leading at forty (40) basis points total return. Mr. Caldwell stated that preliminary numbers for April indicate the portfolio increased by seventeen (17) basis points and the specialty credit portfolio earned forty-two (42) basis points for the quarter and just over 5% for the fiscal year to date, outperforming its custom benchmark. Cash generated ninety-two (92) basis points in return for the quarter and just over 3% for the fiscal year to date. Mr. Cheatham asked about high yield in the short-term and Mr. Caldwell stated that as long as the economy continues to be robust, high yield will be fine.

Anthony Chiu was introduced to discuss private capital investments. He noted that private credit and real assets have outperformed or kept up with private equity, leading to a strategic focus on these areas. Real estate investments are showing signs of recovery with some appreciation, despite recent years primarily seeing income returns and asset value write-downs. Mr. Chiu highlighted several strategic exits realized with market-price deals, contributing to liquidity. Mr. Cheatham asked about capital call activity and Mr. Chiu noted that managers do not transact simply to deploy capital. He then highlighted several managers involved in large deals that called capital over the course of several years. There was a discussion on the timing of deployments, with investments such as ITE railcars being deployed quickly as expected, while others take longer due to sector specifics. Regarding specific sports and farmland investments, Mr. Chiu stated that the farmland fund was closed due to unrealized gains, while sports investments were committed but not fully called yet, using a credit structure for gradual payments. He also noted that regular engagement with managers was important to stay informed.

Before concluding the investment presentation, Mr. Willer emphasized the importance of assessing portfolios based on both absolute performance and the risk taken to achieve that performance. All pension and insurance portfolios have demonstrated exceptional risk-adjusted performance over one (1), three (3), and five (5) year periods, based on Wilshire's All Public Plans universe. He further noted that the asset allocation guidelines help to specify risk parameters and constraints, under which staff construct and manage portfolios, demonstrating the efficiency in risk-adjusted performance measures. The Investment Budget and Compliance Report updates were not further discussed, as they had recently been presented at the CERS Finance Committee meeting and could be found on the KPPA website.

8. Dr. Hackbart introduced agenda item ***IPS Amendment.*** *(Video 01:34:57 to 01:35:52).* Due to time constraints, discussions around the IPS amendment were deferred to a future meeting to allow more time for consideration, upon which participants unanimously agreed.

9. There being no further business, Dr. Hackbart declared the meeting ***adjourned.***

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, do certify that the Minutes of the meeting held on May 29, 2026, were approved by the County Employees Retirement System Investment Committee on August 26, 2026.

CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on May 29, 2026, for form, content, and legality.

Office of Legal Services