

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE MEETING
NOVEMBER 26, 2024, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the November 26, 2024, County Employees Retirement System Investment Committee Meeting, the following committee members were present: Dr. Merl Hackbart (Chair), George Cheatham, William O'Mara, and Betty Pendergrass. Staff members present were Ryan Barrow, Rebecca Adkins, Erin Surratt, Victoria Hale, Michael Lamb, Steve Willer, Brian Caldwell, Ashley Gabbard, Shaun Case, and Sherry Rankin. Also in attendance were CERS CEO Ed Owens, III, 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 no *Public Comment* was received.
5. Dr. Hackbart introduced agenda item *Approval of Minutes – August 15, 2024; August 28, 2024; September 17, 2024; and October 22, 2024. (Video 00:05:50 to 00:09:52).*

Ms. Pendergrass requested the August 15, 2024, minutes be pulled from the agenda and not be put to a vote at this meeting. She will review the video recording with Ms. Hardin to incorporate additional details and make necessary revisions. The updated minutes will be presented at the February 26, 2025, meeting.

A motion was made by Ms. Pendergrass and seconded by Mr. O'Mara to approve the August 28, 2024, minutes as presented. The motion passed unanimously.

A motion was made by Mr. O'Mara and seconded by Mr. Cheatham to approve the September 17, 2024, minutes as presented. The motion passed unanimously.

A motion was made by Mr. Cheatham and seconded by Mr. O'Mara to approve the October 22, 2024, minutes as presented. The motion passed unanimously.

6. Dr. Hackbart introduced agenda item *Investment Office Quarterly Update (Video 00:09:52 to 01:15:28)*. Mr. Steve Willer asked the Wilshire staff to present the Economic Update for the quarter ending September 30, 2024. Mr. Lindberg invited the committee members to the Wilshire Client Conference on April 8 and 9 at the Ritz Carlton in Rancho Mirage, California. Mr. Craig Morton spoke about the economic updates, and Mr. Lindberg gave an overview of the markets and rates.

Dr. Hackbart inquired about the potential impact on inflation and the overall economy as a result of President-elect Trump's newly announced tariffs on Mexico, Canada, and China. He also asked whether any insights or discussions with forecasters had taken place. Mr. Lindberg responded that numerous conversations have been held on this topic. He explained that their forecasts focus on long-term projections (10 years and beyond) and do not attempt to factor in short-term impacts due to the many variables involved. While they have an inflation forecast, they recognize that various factors could influence these numbers. Although the third-quarter economic perspectives did not include specific expectations regarding the tariffs, they are closely monitoring the situation.

Dr. Hackbart inquired whether other states are also reducing their equity investments. Mr. Lindberg confirmed that many states have, and similar recommendations have been made in various cases. He noted that funds have had the opportunity to reposition risk without sacrificing returns, based on ten-year, forward-looking expectations. Mr. Willer added that many plans have extended the risk spectrum over the past three (3) years due to near-zero yields, which did not offer much benefit. This situation has changed, with yield-

type investments now offering more attractive return profiles. These changes in the yield environment are significant for future performance expectations.

After reviewing the September 2024 Asset Class Assumptions chart, Mr. Cheatham inquired if Wilshire had their projections for each asset class targeted over the last five years and requested to see that graph. Mr. Lindberg confirmed that these projections are charted and published annually in the asset allocation papers, which are released in January. He mentioned that they can share the most recent chart from nine months ago and will have an updated version available in a few months.

Next, KPPA Chief Investment Officer Mr. Steve Willer presented the CERS Performance and Asset Allocations for the quarter ending September 30, 2024. He reviewed the CERS Nonhazardous and CERS Hazardous performance data for all plans for the period ending September 30, 2024, and introduced their new report, Internal Portfolios Performance, which shows the internally managed portfolios. He also reviewed the Pension and Insurance Portfolios Performance reports, which were created in response to requests from trustees. Mr. Willer noted that they have been working with BNY to develop asset class level performance reporting for the individual CERS funds, which they hope to include in future reports. Additionally, he provided a compliance review for the period ending September 30, 2024. He then announced that Ms. Carrie Bass has started her new role as Compliance Officer and is already working on overhauling the compliance function and reporting, which is expected to be a significant enhancement. Lastly, Mr. Willer reviewed the Investment Budget and Investment Fees and Expenses for the period ending September 30, 2024.

Ms. Pendergrass noted significant volatility in Wilshire's data over the years and asked if previous years were on a cash basis rather than an accrual basis. Mr. Willer responded that a reduction in overall fees might not be reflected, and there was a reporting delay in fiscal year 2023. He explained that efforts were made to normalize the data to four quarters of fees per fiscal year to ensure accuracy.

Mr. Cheatham highlighted the emergence of new private equity-based investment products in the public market and inquired about including them in benchmark reporting. Mr. Lindberg and Mr. Willer discussed various benchmarking options and emphasized the importance of tracking the internal rate of return (IRR) of private investments compared to public market equivalents. They agreed to explore different benchmarks and service providers to accurately measure performance and address underperformance issues. Mr. Willer stated he would work with Wilshire to present suggestions at the next Investment Committee meeting on alternatives for calculating benchmark performances and evaluating the overall portfolio performance.

7. There being no further business, Dr. Hackbart requested a motion to *adjourn* the meeting. Mr. O'Mara made a motion and was seconded by Ms. Pendergrass to adjourn the meeting. The motion passed unanimously.

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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 November 26, 2024, were approved by the County Employees Retirement System Investment Committee on February 26, 2025.

CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on November 26, 2024, for form, content, and legality.

Office of Legal Services