

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF TRUSTEES SPECIAL CALLED MEETING
OCTOBER 10, 2024, 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 October 10, 2024, the following members were present: George Cheatham, Michael Foster, JT Fulkerson, Dr. Merl Hackbart, William O'Mara, Betty Pendergrass, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III, Ryan Barrow, Rebecca Adkins, Erin Surratt, Michael Lamb, Michael Board, Steve Willer, Shaun Case, and Sherry Rankin. Others present included Patrick Brennan with Johnson Branco & Brennan, LLP; Craig Morton, Chris Tessman, David Lindberg, and Madeline Osadjan with Wilshire; and James Gibson, Shawn Fray, and Steve Webb, CERS Trustee Candidates.

1. Mr. Cheatham called the meeting to order.
2. Mr. Brennan read the Opening Statement.
3. Ms. Rankin called Roll.
4. Mr. Cheatham introduce agenda item ***Public Comment***. Ms. Rankin noted there was no public comment.
5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** (Video 00:10:05 to 00:12:00). First, Mr. Cheatham expressed his gratitude to all CERS candidates who stepped forward to be on the ballot in next year's Trustee election and thanked them for taking the time to attend today's meeting. Next, Mr. Cheatham provided an update on the revisions to the Investment Policy Statement and indicated that it will be brought to the full Board once completed. Also, he, along with Mr. Owens and Mr. Lamb, have been working closely with KPPA CEO Ryan Barrow to resolve some pending legal issues. Mr. Cheatham reported on the collaborative efforts being taken to strengthen the relationships with legislators and employers.

6. Mr. Cheatham introduced agenda item *Investment Committee Recommendation (Video 00:12:00 to 00:24:56)*. Dr. Hackbart noted the CERS Investment Committee held a special meeting on September 17, 2024 to consider Real Return asset recommendations from the Investment Office and discuss the CERS Investment Policy Statement (IPS).

Regarding the Real Asset allocation recommendation, the Investment Committee approved by unanimous vote on allocation of \$60 million dollars to the Investment Manager, Strategic Value Partners, for a continuation vehicle in Project Spurs. After the presentation and discussion, the Investment Committee voted unanimously to approve the recommendation and now requests that the CERS Board of Trustees ratify the action taken by the Investment Committee.

Dr. Hackbart then reviewed the proposed changes made by the Wilshire team to the Investment Policy Statement (IPS). The Board received a redline version of the current IPS, a clean version of the new IPS, and a memo highlighting the proposed changes for consideration. After thoroughly discussing the entire document, the Board requested that a version of the old IPS be created, showcasing the proposed changes side-by-side to help better understand the impact of the proposed changes. Consequently, no vote was taken, and this matter will be revisited at the next regularly scheduled investment committee meeting.

Mr. Anthony Chiu then presented a Real Asset recommendation to the Board. Mr. Chiu gave an informative summary of the proposed investment with Strategic Value Partners (SVP) in a continuation vehicle for Project Spurs. Spurs is a 41-mile toll road asset in Texas between Austin and San Antonio which SVP acquired directly from lenders during a 2017 restructuring. Given the attractiveness of the asset, the compelling market opportunity, and current Real Return allocations, the Investment Staff is recommending a \$60 million-dollar investment to be distributed among all CERS plans, pending successful legal negotiations. When fully funded, this would represent an additional ~0.3-0.4% of plan assets, depending on fluctuations in market value. It is anticipated this investment would be funded by existing cash or the unwinding of proxy positions based on the specific

needs of each plan. Mr. Chiu also reviewed the other Real Return strategies under consideration. Following his presentation, Mr. Chiu answered questions from the Trustees. Dr. Hackbart noted several committee members expressed their appreciation for the presentation format used by the Investment Office, which highlighted other Real Return options that were considered but, for various reasons, not considered for investment at this time.

Mr. Powell made the motion to ratify the CERS Investment Committee's approval to allocate \$60 million dollars to the Investment Manager, Strategic Value Partners, for a continuation vehicle in Project Spurs. Jim Tony Fulkerson seconded the motion, and the motion passed unanimously.

7. Mr. Cheatham introduced agenda item ***CERS Board Election Ballot*** (Video 00:24:56 to 00:09:45). On behalf of Ms. Kristen Coffey, Mr. Owens III announced there are six (6) candidates for the two (2) Non-Hazardous Board of Trustee seats and two (2) candidates for the one (1) Hazardous Board of Trustee seat. All eight candidates were invited to the meeting and given an opportunity to introduce themselves and provide a brief statement regarding their desire to be a member of the Board. James Gibson, Shawn Fray, and Steve Webb were in attendance and briefly introduced themselves to the board members, providing a summary of their background and experience. Kenneth Reynolds, Sr., and Miriam Fisher were unable to attend the meeting. However, they submitted a written statement, which was read by Ms. Rankin. After hearing from each candidate, Mr. Owens III mentioned that a response has been requested from the Attorney General of the State of Kentucky regarding the potential candidates who are currently employed by a State Agency. Discussions surrounded the requirement to leave their current positions within State Government upon appointment to the CERS Board. Following the discussion, the Board requested that this issue will be resolved with the Attorney General as soon as possible but no later than January, when the formal ballots are due to be finalized.
8. Mr. Cheatham introduced agenda item ***CEO Report*** (Video 00:57:08 to 01:03:01). Mr. Owens III presented the CEO Quarterly Report highlighting the key achievements and

updates. He collaborated with the Chair and KPPA Communications Department to create and distribute a CERS press release. This release was sent to local newspapers and radio stations across the state, as well as to the KPPA legislative newsletter lists. The press release highlighted the exceptional returns recorded during the most recent fiscal year. As a result, every legislator received the press release at their official email address. Mr. Owens III also mentioned the positive feedback received from legislators, noting that the work done by the Board was widely heralded by the Kentucky League of Cities (KLC).

He also indicated the collaborative work being done by Wilshire, the KPPA Investment Office, and the CERS Investment Committee Chair to review and revise the Investment Policy Statement (IPS). The IPS was presented at the most recent Investment Committee for approval. However, after a very robust discussion, it was determined additional work needed to be completed before the entire IPS could be approved. He stated that the Investment Committee, as well as the full CERS Board, realize the importance of the IPS and deem it is the most significant policy determination the Trustees will make, and the deliberation process will ensure the most comprehensive policy and the best application of their fiduciary responsibility.

9. Mr. Cheatham introduced agenda item ***KPPA Executive Director Report*** (Video 01:03:01 to 01:10:00). Mr. Barrow provided the CERS Board of Trustees a written KPPA Update. In his review, he covered topics including communication, legislator meetings, legislation tracking, Louisville office update, the National Association of State Retirement Administrators Conference, rating agencies, Public Pension Oversight Board Meeting, the upcoming risk management training, All Employee Meetings, and the Kentucky Employee Charitable Campaign. Mr. Barrow announced that Steve Willer, CIO, received the Markets Group 2024 Elite Award celebrating Chief Investment Officers from Public Pension Funds, Endowments, Foundations, and Corporate Pension Funds for their excellent contributions and innovative strategies in their respective areas.
10. Mr. Cheatham introduced agenda item ***Closed Session*** (Video 01:10:00 to 01:10:20). Mr. Branco noted there was no business to discuss in Closed Session.

11. There being no further business, Mr. Cheatham requested a motion to *adjourn*. Mr. Fulkerson made a motion to adjourn and was seconded by Mr. O'Mara. The motion was 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 October 10, 2024, were approved on December 2, 2024.

Chair of the Board of Trustees

I have reviewed the Minutes of the October 10, 2024, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services