

**MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
SPECIAL CALLED INVESTMENT COMMITTEE MEETING
SEPTEMBER 17, 2024, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE**

At the September 17, 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, Erin Surratt, Rebecca Adkins, Carrie Bass, Steve Willer, Anthony Chiu, Joseph Gilbert, Ashley Gabbard, Shaun Case, Sherry Rankin, and Sandy Hardin. Also in attendance were CERS CEO Ed Owens III; Patrick Brennan with Johnson, Branco & Brennan LLP; and David Lindberg, Chris Tessman, Craig Morton, and Jamie Gnall with Wilshire.

1. Dr. Hackbart called the meeting to order.
2. Mr. Brennan read the Legal Opening Statement.
3. Ms. Rankin called roll.
4. Ms. Rankin indicated there was no **Public Comment** (*Video 00:06:30 to 00:06:31*).
5. Dr. Hackbart introduced agenda item **Investment Policy Statement** (*Video 00:06:31 to 00:57:35*). Mr. Lindberg from Wilshire presented to the committee a detailed overview of suggested Investment Policy Statement (IPS) edits.

Mr. Tessman from Wilshire expressed that they were seeking guidance from the committee on the Co-Investment Policy (Section III, D). As written, this policy allows for co-investments to be made at the CIO's discretion with some limitations. This was adopted to allow flexibility because co-investment opportunities are sometimes available for a limited time which could necessitate a decision and approval in a matter of weeks.

Allowing CIO discretion as currently written provides guiderails while maintaining flexibility to take advantage of more co-investment opportunities, while requiring a traditional approval process offers greater Board oversight but may sacrifice the ability to do some deals. Discussions surrounded how best to proceed regarding the Co-Investment Policy, and the Investment Staff and Wilshire provided answers to the Committee's questions.

Mr. Cheatham made the motion for language to be inserted in Section D with regard to the Co-Investment Policy that upon recommendation of the CIO to the IC Chair and Board Chair and, in the absence of one of those, the CEO for final approval for investment into a Co-Investment opportunity. Ms. Pendergrass seconded the motion, and the motion passed unanimously.

Mr. O'Mara referenced the Investment Policy Statement and emphasized the need to discuss the new requirements for selection, as well as the communication that must be provided to the Investment Committee.

Mr. Tessman noted the change was to provide more of a process as to how investments would be brought to the Investment Committee. First, a recommendation is made by staff. Then staff is asked to outline where the location of investment is within the strategic asset allocation; the sizing of the investment; a summary of the search process of final candidates; key risks, fees, and liquidity terms; and investment vehicle to be used. All the intricate details that would be involved in making an investment should be outlined in a standardized document when bringing an investment to the Investment Committee.

Next, Mr. Tessman remarked about the section of the policy that states staff will conduct a formal search process documenting how the universe was narrowed to the top options. He further explained that most recently regarding private investors, there has been commentary about having multiple options brought within a particular investment, and not all private markets are going to have peers that are actively raising funds to be able to compare side by side and allow the Investment Committee or Board to vote on a particular

investment. In essence, there will not always be a comparable universe for the Investment Committee to choose from or see how a universe was filtered down to a particular investment.

Discussions ensued regarding the evaluation process and comparison. Mr. Cheatham asked for clarification regarding “Notwithstanding the CIO responsibilities when selecting a new investment, when the KPPA Investment Staff seeks a new mandate, staff will conduct a formal search process documenting how the universe was narrowed to the top options.” Mr. Lindberg from Wilshire agreed to provide some language for clarification.

Some inconsistencies were noted between the presented redline version and the clean copy of the Investment Policy Statement. From this discussion, Wilshire offered to revise the Investment Policy Statement to reflect all the changes and comments and build a redline off the current Investment Policy Statement versus what is going to be proposed.

At the request of Ms. Pendergrass, there was some discussion about the Board requiring six (6) Trustees to ratify the actions of the Investment Committee. Since Ms. Vicki Hale from Legal was not present, Ms. Pendergrass recommended adding Board ratification to the agenda of the next meeting when the updated Investment Policy Statement is reviewed.

In the section regarding “Selection,” Mr. Cheatham referred to the sentence, “In order to create an efficient and effective process, the CERS Investment Committee or CIO may, in their sole discretion, utilize an RFI, an RFP, third party proprietary software or database, review of existing service provider capabilities, or any combination of these or other methods to recommend service providers.” He then asked for clarification of “sole discretion.” Mr. Willer reassured that the Procurement Policy addresses required approval for expenditures and lists thresholds. Mr. Cheatham suggested the wording to be changed to “...previously contracted third party proprietary software or database...”

Dr. Hackbart concluded the next step is to provide a clean version of the Investment Policy Statement, incorporating the proposed redlines and adjustments from this discussion, for the next regular Investment Committee meeting.

6. Dr. Hackbart introduced agenda item ***Real Return Investment Recommendation*** (*Video 00:57:35 to 01:28:52*). Mr. Steve Willer and Mr. Anthony Chiu presented and answered questions regarding the proposal of a Real Return investment opportunity with Strategic Value Partners in a continuation vehicle for Project Spurs. This investment would be part of the Real Return asset allocation and would be allocated proportionally across all Pension and Insurance Portfolios. Mr. Willer also provided a brief overview of other Real Return strategies currently under review or consideration, as well as the current Real Return allocations.

Given the attractive asset, compelling market opportunity, and current Real Return allocations, the Investment staff is recommending an investment of sixty (60) million dollars to be shared among all CERS plans pending successful legal negotiations. 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.

The motion was made by Mr. O'Mara to approve the Real Return investment recommendation as presented. Mr. Cheatham seconded the motion, and the motion passed unanimously.

7. There being no further business, Ms. Pendergrass made the motion to ***adjourn*** the meeting. Mr. Cheatham seconded the motion. With the motion passing unanimously, Dr. Hackbart adjourned the meeting.

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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 September 17, 2024, were approved by the County Employees Retirement System Investment Committee on November 26, 2024.

CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on September 17, 2024, for form, content, and legality.

Office of Legal Services