**MINUTES OF MEETING**
**COUNTY EMPLOYEES RETIREMENT SYSTEM**
**BOARD OF TRUSTEES MEETING**
**DECEMBER 1, 2025, AT 2:00 P.M. ET**
**VIA LIVE VIDEO TELECONFERENCE**

At the Regular Meeting of the County Employees Retirement System Board of Trustees held on December 1, 2025, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, and Steven Webb. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Nathan Goodrich, Leigh Ann Davis, D'Juan Surratt, Steve Willer, Anthony Chiu, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Connie Davis, Phillip Cook, Sherry Rankin, and Sandy Hardin. Others present included Eric Branco with Johnson, Branco & Brennan, LLC; David Lindberg with Wilshire; Lealan Miller and Roger Alfaro with Eide Bailly; and Tonya Smith, Anchorage Middletown Fire & EMS.

1. Mr. Cheatham called the meeting to order.

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

3. Ms. Rankin took ***Roll Call***.

4. Mr. Cheatham introduced the agenda item ***Public Comment***. Ms. Rankin indicated that no public comment was submitted.

5. Mr. Cheatham introduced agenda item ***Approval of Minutes*** *(Video 1 - 00:07:50 to 00:10:26)*. Mr. Webb made the motion to approve the minutes from the meeting held on September 8, 2025, as presented. Mr. Foster seconded the motion. The motion passed unanimously.

   Dr. Carver made the motion to approve the minutes from the meeting held on October 22, 2025, as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.

Mr. Fulkerson made the motion to approve the minutes from the meeting held on October 23, 2025, as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

6. Mr. Cheatham introduced agenda item ***Chairman's Corner*** *(Video 1 - 00:10:26 to 00:12:41).* Mr. Cheatham provided an update on recent activities since the last Board meeting. He reported that he and Mr. Owens have held multiple meetings with employer partners, including KLC, KACo, and the Kentucky School Boards Association, with another meeting scheduled soon. They also met with legislative partners to keep them informed about developments within the CERS system, noting positive feedback on recent results. Additionally, Mr. Cheatham shared that he and Mr. Owens met with KRS leadership two weeks ago to address ongoing differences, aiming to establish a framework for resolving organizational and legal issues. He stated that updates will be provided as progress occurs. Due to scheduling conflicts with Mr. Board and Mr. Branco, Mr. Cheatham requested moving the closed session, originally scheduled for the end of the meeting, to the next item of business.

****Agenda Item 12 was taken up next, out of order, at Video timestamp 12:41.****

7. Mr. Cheatham introduced agenda item ***Finance Committee*** *(Video 2 - 00:01:26 to 00:35:30).* Mr. O'Mara reported the County Employees Retirement System Finance Committee met on November 24, 2025, and approved three items for Board ratification: (1) acceptance of the draft Annual Comprehensive Financial Report (ACFR) for fiscal year ending June 30, 2025, with an unmodified audit opinion from Eide Bailly, along with related auditor communications; (2) approval of a letter addressing Government Finance Officers Association (GFOA) recommendations to support CERS's application for the Certificate of Achievement for Excellence in Financial Reporting; and (3) approval of 17 Hazardous Duty designation requests that met statutory guidelines.

   Mr. Lamb introduced members from Eide Bailly. Mr. Miller thanked staff for their cooperation during the first-year audit and highlighted Eide Bailly's expertise in government and public pension plans. He reported that CERS's draft financial statements for June 30, 2025, are

expected to receive a clean, unmodified opinion with only minor changes and no identified issues. Mr. Alfaro added that the audit found no material misstatements or disagreements with management. Significant risk areas included management override of internal controls, contribution revenue and receivables, calculation of initial benefit payments, valuation of alternative investments, and pension/OPEB liability and actuarial information.

Mr. Cheatham asked whether the significant risks identified in the audit were standard for all clients or specific to CERS. Mr. Alfaro explained that these risks are typical for state pension systems due to their operations, including contribution collection, benefit payments, and accurate actuarial disclosures. He clarified that these areas are considered sensitive from an audit perspective—not because issues were found, but because they are more susceptible to misstatement. In response to Mr. Cheatham's question on mitigating such risks, Mr. Alfaro emphasized the Board's role in governance and ensuring a strong internal control framework, with management responsible for design and implementation. He confirmed that testing showed financial statements were fairly presented and no deficiencies were identified.

Mr. Lamb informed the Board that draft GASB 67 and 74 reports from GRS, along with certification letters, were added to the appendix of the board books. These actuarial reports are used to calculate pension and OPEB liabilities in the financial statements and will be included with the ACFR for approval. After CERS Board approval, the reports will be forwarded to the KPPA Board for publication. Mr. O'Mara confirmed these reports are essential for member organizations' planning, and Mr. Lamb agreed.

Mr. Fulkerson made the motion to ratify the CERS ACFR as well as GASB 74 report included in the appendix as presented. Dr. Carver seconded the motion. The motion passed unanimously.

Mr. Fulkerson made the motion to accept the GASB 67 report. Mr. O'Mara seconded the motion. The motion passed unanimously.

Mr. Lamb reported that last year's CERS ACFR was submitted as a standalone report to the GFOA and received the Certificate of Achievement for Excellence in Financial Reporting. The GFOA provided comments for improvement, and those suggestions—such as clarifying the table of contents and adding a note disclosure about CERS being a multiple-employer cost-sharing plan—have been incorporated into this year's ACFR. A response letter outlining these improvements will accompany the submission of the current ACFR to GFOA for consideration of the award. Mr. O'Mara noted that the Finance Committee unanimously voted to accept the letter and submit it to the Board of Trustees for ratification.

Mr. Webb made the motion to approve the GFOA Letter Comments, as presented. Dr. Hackbart seconded the motion. The motion passed unanimously.

Mr. Surratt reported that 17 positions—primarily police, fire, and one paramedic—were requested for hazardous duty coverage. KPPA staff reviewed all questionnaires and job descriptions and confirmed the positions meet statutory guidelines. The CERS Finance Committee unanimously approved these requests to be forwarded to the Board for final approval.

Mr. Foster made a motion to ratify the Finance Committee's approval of the Hazardous Duty Coverage Requests as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

Mr. Lamb reviewed the quarterly financials for the period ending September 30, 2025. He noted a fiduciary net position for the pension/insurance funds stood at approximately $20.87 billion, up 8.61% from the first quarter FY 2025, with strong gains in public equities and specialty credit and a decline in private equity exposure. Both pension plans had an increase in benefit payments from the first quarter of the last fiscal year. Mr. Lamb noted improvements in negative cash flow ratios: the non-hazardous plan decreased from 0.87% to 0.76%, and the hazardous plan from 0.38% to 0.28%. Both remain well within the industry benchmark, which considers any ratio below (3.0%) as healthy. Past-due invoices decreased to $1.54 million, with most attributable to one employer under legal action. Administrative spending was on

track with approximately 76% of the budget remaining. Mr. Lamb noted that the $100 million has been allocated to the five pension plans based on the approved hybrid percentage for this year. He then reviewed the tracking of the JP Morgan interest earned on the bank accounts.

8. Mr. Cheatham introduced agenda item ***Investment Committee*** *(Video 00:35:30 to 01:10:18).* Dr. Hackbart reported that the CERS Investment Committee met on November 25, 2025, and discussed three key items: specialty credit investment recommendation, performance benchmark recommendation, and the Investment Policy Statement (IPS) Amendment. In addition to those three considerations, the committee also had an updated quarterly report on investment performance.

   Dr. Hackbart first addressed the recommendation by the Investment Office Staff and Wilshire to replace Shenkman Capital with Oaktree Capital Management as the manager of the bank loan mandate for all CERS plans. The recommendation was to allocate up to twenty (20%) percent of the CERS Specialty Credit allocation to this manager. After a thorough and comprehensive presentation and detailed discussion, the committee voted unanimously to accept the recommendation and to forward the recommendation to the CERS Board for ratification.

   Dr. Hackbart made the motion to ratify the CERS Investment Committee's recommendation to replace Shenkman Capital with Oaktree Capital Management as presented, subject to successful contract negotiations. Mr. O'Mara seconded the motion. Following an overview by the Investment staff and Wilshire, the motion passed unanimously.

   Dr. Hackbart reported the second item to come out of the November 25, 2025, Investment Committee meeting deals with a recommendation provided by Wilshire. It involves changing the performance benchmark for private equity investments to a different performance benchmarking strategy. Instead of utilizing the Russell 3000 plus 3%, Wilshire recommended that the committee neutralize the impact private market investments has on Total Fund performance by focusing on IRR evaluations of private market investments with IRR-type benchmarking. Thereby allowing the System to use actual Private Equity time-weighted

performance as a benchmark. Following the discussion, the committee voted unanimously to recommend the private market benchmarking change to the Board of Trustees for ratification.

Following the detailed report by Mr. Willer and Wilshire, Dr. Hackbart made the motion to ratify the Investment Committee's recommendation to use the actual time-weighted private equity portfolio performance as the performance benchmark for private equity asset class at the total fund level and to use the dollar-weighted IRRs for private equity and compare those to a dollar-weighted PME calculation for quarterly performance reporting. Mr. Fulkerson seconded the motion. The motion passed unanimously.

Mr. Hackbart noted that the third action item they talked about at the November 25, 2025, meeting was a recommendation developed by Mr. Owens to deal with an issue of expedited co-investment and continuation vehicles. Following Mr. Owens review of the amendment, Dr. Hackbart made a motion to ratify the Investment Committee's recommendation to amend the Investment Policy Statement as presented. Mr. Foster seconded the motion. The motion passed unanimously.

Dr. Hackbart reported that the last item for the Investment Committee is the quarterly report by Mr. Willer and Wilshire over the previous quarter. Mr. Willer highlighted strong quarterly performance for CERS portfolios, with pension and insurance composites returning 4.29% and 4.19%, respectively, though both trailed the blended benchmark of 5.20%. Underperformance was driven by private equity and public equity, particularly due to non-U.S. tilts and a quality bias in a risk-on market. Private equity returned 3.3%, in line with private market benchmarks, but lagged public equity benchmarks significantly. Positive contributors included specialty credit, which returned 2.50% for the quarter and 9.24% over 12 months, and the real return portfolio, which gained 3.7% for the quarter and 12.5% over 12 months, aided by strong MLP and infrastructure performance. Real estate strategies also posted gains and outperformed long-term benchmarks. Mr. Willer introduced a new report showing individual manager performance versus benchmarks and noted that asset allocation tilts added value. He emphasized that all pension and insurance portfolios rank in the top decile for risk-adjusted performance over one-, three-, and five-year periods, underscoring portfolio efficiency and strong Sharpe ratios.

9. Mr. Cheatham introduced agenda item ***Trustee Education Policy*** *(Video 01:10:18 to 01:14:12).* Mr. Owens noted that the policy consolidates trustee education tracking to a single calendar-year cycle, replacing the previous multiple trigger points (March 31 and June 30) that created administrative challenges. Beginning in 2026, all trustees will start at zero hours and must complete 12 hours by year-end, simplifying compliance and reporting. The policy also removes KPPA sign-off, leaving approval to the CERS and KRS CEOs.

   Mr. Webb made the motion to amend the Trustee Education Policy as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

10. Mr. Cheatham introduced agenda item ***CEO Quarterly Update*** *(Video 01:14:12 to 01:17:05).* Prior to reporting on the CEO Quarterly Update, Mr. Owens noted that contribution rates, traditionally addressed in December, were approved in November to manage today's agenda. For CERS Non-Hazardous employers, rates decreased from 18.62% to 17.43%, and Hazardous rates dropped from 35.73% to 34.72%, both over a percentage point reduction for pension and insurance. He added that contribution collections from employers and employees are up compared to last year's first quarter. Mr. Cheatham clarified that these rates are based on actuarial recommendations to keep the system on track for full funding by 2049, as mandated by the legislature, likening the adjustments to a reverse floating-rate mortgage.

    Mr. Owens noted that the CEO report is included in the presentation materials for review and invited questions from the Board, of which there were none.

11. Mr. Cheatham introduced agenda item ***KPPA Report*** *(Video 01:17:05 to 01:23:50).* Mr. Barrow announced Erin Surratt's appointment as Deputy Executive Director, noting her experience will complement the leadership team. He outlined minor staff realignments and confirmed Mike Lamb's CFO role now reports at the executive level. Strategic planning remains a priority, focusing on resource allocation and initiatives such as IT modernization, reducing paper checks, and expanding trustee education opportunities. He highlighted progress with the Leadership Academy, survey enhancements, and ongoing efforts to prioritize projects for maximum impact. Mr. Barrow also reported on the Retiree Health Update presented to PPOB, approval of renovation plans for the Louisville investment office, and upcoming lease

execution. He recognized staff achievements, including Mr. Lamb's team for their contributions that helped earn the 2025 Public Pension Standards Award and Liza Welch for hosting the 12th Veterans Day Lunch to honor veterans. Mr. Cheatham inquired about the square footage of the new investment office. Mr. Barrow stated he would follow up with an email with that information.

12. Mr. Cheatham introduced agenda item ***Closed Session*** *(Video 00:12:41 to 00:14:12).* Mr. Foster made the motion to enter into closed session pursuant to KRS 61.810(c) to discuss pending litigation. Mr. Fulkerson seconded the motion. The motion passed unanimously.

    Mr. Cheatham read the following closed session statement: A motion having been made in open session to move into a closed session for a specific purpose, and such motion having carried by majority vote in open, public session, the Board shall now enter closed session to consider litigation, pursuant to KRS 61.810(c). Closed session is necessary because of the necessity of protecting the confidentiality of the CERS's litigation strategy and preserving any available attorney-client privilege.

***Closed Session*** *(Video - Part 2 - 00:00:35 to 00:01:26).*

Coming back into open session, Mr. Cheatham requested a motion to come out of closed session. Mr. Foster made a motion to return to open session. Mr. Webb seconded the motion. The motion passed unanimously. Mr. Cheatham stated that no action was taken within closed session discussions.

13. There being no further business, Mr. Cheatham requested a motion to ***adjourn.*** Mr. Fulkerson made a motion to adjourn. Mr. Webb seconded the motion. The motion passed unanimously.

## 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 December 1, 2025, were approved on March 9, 2026.

Chair of the Board of Trustees

I have reviewed the Minutes of the December 1, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services