**MINUTES OF MEETING**
**COUNTY EMPLOYEES RETIREMENT SYSTEM**
**BOARD OF TRUSTEES MEETING**
**MARCH 10, 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 March 10, 2025, the following members were present: George Cheatham, Dr. Patricia Carver, Michael Foster, Jim Tony Fulkerson, Dr. Merl Hackbart, William O'Mara, Betty Pendergrass, and Jerry Powell. Staff members present were CERS CEO Ed Owens, III; Ryan Barrow; Erin Surratt; Victoria Hale; Michael Lamb; Steve Willer; D'Juan Surratt; Brian Caldwell; Anthony Chiu; Joe Gilbert; Kristen Coffey; Shaun Case; Ashley Gabbard; Sandy Hardin; and Sherry Rankin. Others present included Eric Branco and Collin Costillo with Johnson, Branco, & Brennan LLP; David Lindberg, Chris Tessman, and Craig Morton with Wilshire; and Tracey Garrison and Larry Lowe with Humana.

1. Mr. Cheatham called the meeting to order.

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

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

   Mr. Cheatham introduced the agenda item ***Public Comment*** *(Video 00:06:33 to 00:06:43).* Ms. Rankin indicated that no public comment was submitted.

4. Mr. Cheatham introduced agenda item ***Approval of Minutes – December 2, 2024; December 17, 2024; December 19, 2024; January 3, 2025; and February 11, 2025*** *(Video 00:05:45 to 00:06:33).*

   Mr. Powell made a motion to approve the December 2, 2024; December 17, 2024; December 19, 2024; January 3, 2025; and February 11, 2025, minutes as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

5. Mr. Cheatham introduced agenda item ***Chairman's Corner*** *(Video 00:06:43 to 00:11:55).* Mr. Cheatham recognized Trustees, Mr. Jerry Powell and Ms. Betty Pendergrass, for their exceptional contributions to the County Employees Retirement System (CERS). Both were praised for their leadership, dedication, and pivotal roles in shaping the future of CERS. Ms. Pendergrass's service began in 2013, and during her tenure, she served two consecutive years as Chairperson of the CERS Board of Directors. She played a key role in implementing House Bill 484, which granted CERS self-governance. Mr. Powell, who joined in 2017, served as Vice Chair of the CERS Board as well as two terms as Chair. His leadership was also critical to the successful passage of House Bill 484, ensuring the long-term financial stability of CERS. Their experience and guidance were celebrated, and their impact was acknowledged. Other Board members expressed personal gratitude for their mentorship and influence. The discussion concluded with heartfelt appreciation for their legacy and service.

6. Mr. Cheatham introduced agenda item ***Personnel Committee*** *(Video 00:11:55 to 00:15:28).* Mr. Fulkerson presented the Summary of Personnel Committee Meeting report to the CERS Board of Trustees. He noted that the CERS Personnel Committee held a meeting in January, during which several items were reviewed. He reported that the Committee had reviewed and approved the CERS CEO Performance Plan. Mr. Fulkerson concluded by requesting that the CERS Board of Trustees ratify the actions taken by the Personnel Committee. At the request of Ms. Pendergrass, Ms. Casey briefly reviewed the contents of the performance plan.

   Dr. Hackbart made a motion to approve the CERS CEO Performance Plan as presented. Mr. Powell seconded the motion. The motion passed unanimously.

   Mr. Fulkerson then provided an update regarding the CERS Trustee election, noting that we will have the results by March 15, 2025.

Mr. Fulkerson also reported that Mr. Owens presented a proposal to standardize Trustee education by adopting the calendar year as the trigger point for compliance, replacing the current two trigger points. The Committee recommended completing the current fiscal year under the existing process and transitioning to the new system in fiscal year 2026. The Committee also discussed coordinating a Trustee retreat for all three Boards, with KPPA managing the scheduling.

7. Mr. Cheatham introduced agenda item ***Finance Committee*** *(Video 00:15:28 to 00:27:49).* Mr. O'Mara reported that the Finance Committee held its regularly scheduled meeting on February 17, 2025, and presented the following topics to the Board of Trustees.

    a. The first item was a hazardous duty request for a total of nine positions, which had been reviewed and recommended by staff. Mr. Surratt was available to address any questions regarding this matter. The Finance Committee presented this request to the full Board for ratification.

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

    b. Mr. O'Mara reported that the second item was the Finance Committee Strategic Plan. He noted that the Committee had reviewed several components, discussed updates, and unanimously approved the plan. The Committee added measures and targets to the plan previously presented to the Board. Ms. Pendergrass stated that the Finance Committee Strategic Plan could be included as part of the total Board Strategic Plan and could be brought forward for final approval later in the agenda.

    Mr. O'Mara noted the Finance Committee had received a good presentation from XTP on contract governance, custodial bank compliance, and contract optimization. XTP's fee is based on savings achieved over two years. While the

potential benefits were discussed, concerns about the procurement process needed further investigation.

c. Mr. O'Mara then introduced Mr. Lamb to present the financial reports for the quarter. Mr. Lamb first reported on the GASB 68 and 75 reports, which were presented to the KPPA Audit Committee on February 25, 2025, and are pending final approval at the March 20, 2025, KPPA Board meeting. Draft reports and schedules are available on the KPPA website for employers and external auditors, with records included in the appendix of the meeting materials. He then reviewed the quarterly financial reports for the six-month period ending December 31, 2024. He highlighted the Combining Statement for Fiduciary Net Position, Combining Statement of Changes in Fiduciary Net Position, the CERS Contribution Report, Outstanding Invoice Report, the Penalty Invoices Report, the Administrative Budget for FY 2024-2025, and the JP Morgan Chase Credit Earnings and Fees for the Fiscal Year Ending June 30, 2025.

8. Mr. Cheatham introduced agenda item ***Investment Committee*** *(Video 00:27:49 to 01:06:49).* Dr. Hackbart reported that the CERS Investment Committee held its regular meeting on February 26, 2025. He noted that he would be presenting four action items for voting. Following these, the Committee would receive an update on the portfolio's performance and engage in a discussion regarding the economic outlook, particularly in light of the recent presidential administration change and its potential implications for both the economy and the portfolio.

a. Dr. Hackbart explained that the Investment Committee, in consultation with the KPPA Investment Office and Wilshire, recommended allocating the CERS Large Cap Equity position to two new Investment Managers. The Committee unanimously approved J.P. Morgan and T. Rowe Price to manage equal allocations, which will be funded from the KPPA internal U.S. Large Cap Factor-based portfolio and the internal S&P 500 portfolio. He noted that the decision followed extensive discussions and detailed presentations.

Dr. Hackbart moved to ratify the Investment Committee's approval of an investment of up to 12.5% of the U.S. Large Cap Equity investment allocation with an initial funding of approximately 6.6% into the J.P. Morgan U.S. Large Cap Core Equity Strategy and T. Rowe Price U.S. Structured Research Equity Strategy as presented. Ms. Pendergrass seconded the motion. After Mr. Willer and Mr. Gilbert provided an overview of the differing management styles and historical performances of both strategies, the motion was unanimously approved.

b. Mr. Willer reviewed the public equity performance benchmark recommendation. He explained that the KPPA Investment Office, in consultation with Wilshire, recommended adopting the MSCI All Country World Investable Market Index (MSCI ACWI IMI) as the new benchmark, as it better aligns with the portfolio's actual exposure and strategy. The Investment Committee unanimously approved the change to the public equity benchmark. At the request of Mr. Cheatham, Mr. Tessman from Wilshire explained the move to the MSCI ACWI IMI Index.

Dr. Hackbart made a motion to ratify the Investment Committee's approval to change the Public Equity Asset Class benchmark from the MSCI All Country World Index USD to the MSCI All Country World Investable Market Index as presented. Ms. Pendergrass seconded the motion. The motion passed unanimously.

c. Dr. Hackbart reported that the KPPA Investment Office had presented the Committee with an opportunity to invest $70 million in the new Arctos American Football Fund. He noted that the Committee had previously approved a $250 million investment in Arctos Sports II. After reviewing the recommendation, the Committee voted unanimously to approve the $70 million investment in the Arctos American Football Fund. Mr. Willer and Mr. Chiu then provided an overview of the fund for the Board of Trustees.

Dr. Hackbart made a motion to ratify the Investment Committee's approval to

invest up to $70 million of the Real Return allocation into the Arctos American Football Fund, subject to successful contract negotiations, as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

d. Dr. Hackbart reported that the KPPA Investment Office presented the Committee the opportunity to increase the CERS commitment ($250 million) in American Rivers Fund, LLC, managed by Maritime Partners. After the presentation, the Committee voted unanimously to increase the CERS commitment by an additional $70 million. Mr. Willer and Mr. Chiu gave an overview of the fund for the Board of Trustees.

   Dr. Hackbart made a motion to ratify the Investment Committee's approval of an additional investment of up to $70 million of the Real Return allocation into the American Rivers Fund, LLC, subject to successful contract negotiations, as presented. Mr. O'Mara seconded the motion. The motion passed unanimously.

Mr. Willer, with input from Mr. Lindberg of Wilshire, presented an update on last quarter's portfolio performance, noting that while the CERS Pension and Insurance Composites slightly underperformed their benchmarks, Real Return and Specialty Credit portfolios were standout performers. They discussed the long-term economic outlook, addressing heightened market volatility, evolving policies under the new administration, and their impact on the portfolio. Fixed income is expected to outperform equities over the next decade due to a negative equity risk premium, as highlighted through historical context and forward-looking assumptions. The Committee's focus on diversifying investments and strengthening non-equity assets has been commendable and aligned with the current market environment.

9. Mr. Cheatham introduced agenda item ***CERS Strategic Plan*** *(Video 01:06:49 to 01:31:54).* Ms. Pendergrass presented the final draft of the CERS Strategic Plan for 2025-2029, beginning with background information on its development since March 2022. She reviewed the mission, vision, core values, and strategic goals, which were crafted by

individual committees. Key discussions included aligning funding targets with legislative projections, reviewing investment committee objectives, addressing financial reporting measures to ensure compliance with state and federal standards, establishing an escalation policy for financial decision-making, maintaining up-to-date employer participation regulations, improving trustee election participation rates, and enhancing trustee education through structured training sessions.

Ms. Pendergrass made a motion to approve the CERS Strategic Plan as presented. Dr. Carver seconded the motion. The motion passed unanimously.

10. Mr. Cheatham introduced agenda item ***Joint Retiree Health Plan Committee*** *(Video 01:31:54 to 01:42:38).* Mr. Jerry Powell noted the Joint CERS and KRS Retiree Health Plan Committee met on Thursday, February 13, 2025. He noted there were no action items to be brought before the Board. He then invited Ms. Pettyjohn to review the highlights of the meeting. Ms. Pettyjohn noted the Committee reviewed an informational presentation from Humana covering 2024 member satisfaction results, CMS call notices, 2025 implementation updates, and value-added services. Key highlights included a 92% plan satisfaction rate in 2024, a Net Promoter Score of 74.68, and strong customer service metrics. Tracey Garrison, presenting Humana, addressed a 2025 implementation issue affecting 7,000 members, which was resolved before the effective date. Updates were provided on CMS policy changes for 2025, with more details expected in April. Ms. Pettyjohn noted Humana presented an update to the Value-Added Items and Services which included discounts on dental, EyeMed, TruHearing, Lifeline Alert System, Mom's Meals, prescriptions, travel insurance, and pet telehealth. KPPA staff reported open enrollment statistics showing stable web enrollment, reduced calls, and increased virtual and in-person appointments.

Ms. Pettyjohn extended her gratitude to Mr. Powell for his dedicated service on the Retiree Health Plan Committee, where he has served as chair for many years, and for his representation on the Kentucky Group Health Insurance Board overseeing the Kentucky Employees Health Plans. His commitment to attending monthly meetings, diving into the

complexities of the benefits system, and mastering a new language of benefits has been exemplary. His efforts have significantly benefited retirees, especially through his attention to detail and advocacy. She noted the Committee deeply appreciates his contributions and unwavering dedication. Mr. Powell expressed his heartfelt gratitude for the kind acknowledgment of his service. He shared that it has been a true pleasure working alongside the committee members and Humana, highlighting the collaborative efforts and shared commitment to advancing the Retiree Health Plan Committee's goals. He remarked that the crowning achievement has been the funding level, which exceeded 100% for most plans over the past two years, ultimately improving the quality of life for some retirees.

11. Mr. Cheatham introduced agenda item ***CERS Election Update/Timeline*** *(Video 01:42:38 to 01:45:00)* Ms. Coffey presented an update on the CERS election, which closed on March 1, 2025. As of March 9, 2025, there were 6,791 votes counted, with additional paper ballots expected to be collected until March 14, 2025. A final report of the election results will be sent on March 15, 2025, to the Chair and CEO. Ms. Coffey noted that voter turnout for this election currently stands at 2.38%, continuing the declining trend observed in previous elections. Despite various initiatives to boost participation, the lack of engagement remains a concern.

12. Mr. Cheatham introduced agenda item ***CEO Quarterly Update*** *(Video 01:45:00 to 01:47:24).* Mr. Ed Owens III noted the report was in the presentation materials. He highlighted that an issue arose during the election process, but Ms. Coffey and everyone involved effectively resolved it, ensuring a smooth outcome. The situation highlighted inefficiencies in the procurement process, prompting a recommendation that the CERS CEO serve as a technical advisor in significant procurement matters. While not a voting member under KRS 45-A, the CEO's involvement could bring valuable insights and efficiencies to the process. Mr. Cheatham acknowledged the importance of reviewing this matter further.

13. Mr. Cheatham introduced agenda item ***KPPA Quarterly Update*** *(Video 01:47:24 to 01:49:58).* Acknowledging the heavy agenda, Mr. Barrow advanced to the final item on

his report, offering kudos to various teams across the organization for their exemplary work. He highlighted Michael Board and the legal team's dedication, including their collaboration with the CEOs, Boards, and outside counsel on settlement efforts that required significant time and effort. He acknowledged HR and other departments for exceeding goals and fostering statewide team building through philanthropic initiatives. He commended the Investments and Accounting teams, noting Carrie Bass's role in advancing key projects and the exciting developments on policy. Mr. Barrow recognized Ms. Pendergrass for bringing attention to awards received for the ACFRs and praised the Communications team for producing the summary SAFR report, an effort involving the entire organization. Additionally, he applauded Ms. Rankin and the IT team's adaptability in facilitating seamless remote operations, enabling the Board to carry on its essential work uninterrupted. Mr. Barrow expressed his sincere gratitude for everyone's hard work, particularly over the past few challenging months, and emphasized his deep appreciation for the collective efforts of the organization.

14. Mr. Cheatham introduced agenda item ***Closed Session*** *(Video 01:49:58 to 01:50:59).* Mr. Powell made a motion to enter closed session to discuss pending litigation pursuant to KRS 61.810(1)(c). The motion was seconded by Ms. Pendergrass. The motion passed unanimously.

Mr. Branco 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(1)(c), because of the necessity of protecting the confidentiality of the Systems' litigation strategy and preserving any available attorney-client privilege.

***Closed Session*** *(Video - Part 2 - 00:00:13 to 00:00:49).*

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, and this was seconded by

Mr. Powell. The motion passed unanimously. Mr. Cheatham stated that no action was taken as a result of the closed session discussions.

15. There being no further business, Mr. Cheatham declared the meeting ***adjourned.***

Copies of all documents presented are incorporated as part of the Minutes of the Board of Trustees held March 10, 2025, except documents provided during a closed session conducted pursuant to the Open Meetings Act and exempt under the Open Records Act.

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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 March 10, 2025, were approved on April 16, 2025.

Chair of the Board of Trustees

I have reviewed the Minutes of the March 10, 2025, Board of Trustees Meeting for content, form, and legality.

Executive Director
Office of Legal Services