MINUTES OF MEETING
COUNTY EMPLOYEES RETIREMENT SYSTEM
INVESTMENT COMMITTEE MEETING
NOVEMBER 25, 2025, 2:00 P.M., E.T.
VIA LIVE VIDEO TELECONFERENCE

At the November 25, 2025, County Employees Retirement System Investment Committee Meeting, the following committee members were present: Dr. Merl Hackbart, George Cheatham, Jim Tony Fulkerson, William O'Mara, and Tommy McGraw. Staff members present were CERS CEO Ed Owens III, Ryan Barrow, Erin Surratt, Michael Lamb, Michael Board, Victoria Hale, Steve Willer, Brian Caldwell, Joe Gilbert, Ian Blaiklock, Shaun Case, Sherry Rankin, and Sandy Hardin. Also in attendance were Eric Branco of Johnson, Branco & Brennan LLP and David Lindberg, Chris Tessman, and Craig Morton, with Wilshire.

1. The meeting of the CERS Investment Committee was called to order by Dr. Hackbart.

2. Mr. Branco read the Legal Opening Statement.

3. Ms. Hardin called the roll.

4. Ms. Hardin noted that no ***Public Comment*** was received.

5. Dr. Hackbart introduced agenda item ***Approval of Minutes*** *(Video 00:07:04 to 00:08:29).* Mr. O'Mara made the motion to approve the minutes of the June 13, 2025, Investment Committee Meeting as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

   Mr. O'Mara made the motion to approve the minutes of the August 27, 2025, Investment Committee Meeting as presented. Mr. Cheatham seconded the motion. The motion passed unanimously.

6. Dr. Hackbart introduced agenda item ***Specialty Credit Recommendation*** *(Video 00:08:29 to 00:40:11).* Mr. Willer introduced an investment recommendation for the specialty credit

asset class and commended staff and Wilshire for a thorough search process. He explained that the recommendation reflects both a discrete search and ongoing monitoring of opportunities. While the current public loans manager has met expectations, continuous evaluation identified potential benefits from alternatives. This led Mr. Caldwell, Mr. Blaiklock, and Wilshire to initiate a formal search, which was presented to the committee.

Mr. Caldwell reported that KPPA staff and Wilshire recommend replacing Shenkman Capital with Oaktree Capital Management as manager of the bank loan mandate for all CERS portfolios, subject to contract negotiations. The recommendation would allocate up to 20% of each portfolio within the specialty credit allocation, without changing overall asset class exposure, and aims to improve performance consistency, risk management, and mandate alignment. He noted the September 30, 2025, market values and explained that the proposed structure would be a separate account managed by Oaktree. Mr. Blaiklock presented analytics showing Oaktree's strong performance relative to volatility and drawdowns, with top-quartile rankings across multiple time periods. Mr. Caldwell added that due diligence confirmed Oaktree's strengths in risk discipline, performance history, team structure, and cost efficiency, with no placement agents involved. Mr. Morgan emphasized that this was a thoughtful review, not an emergency replacement, and highlighted Oaktree's high operational due diligence scores, compliance systems, technology investments, and significant fee savings.

Mr. Willer clarified that terms such as senior loans, bank loans, broadly syndicated loans, floating rate loans, and leveraged loans are often used interchangeably to describe the same asset class.

Dr. Hackbart asked for clarification on the term "bank loan mandate." Mr. Willer explained that it refers to a manager overseeing a portfolio under an investment agreement, specifically managing bank loans such as broadly syndicated or leveraged loans. The current portfolio is managed by Shenkman, but the recommendation is to replace Shenkman with Oaktree. The transition will involve in-kind asset transfers and cash,

maintaining exposure throughout. Oaktree will then adjust holdings according to its style and risk process. While a 20% cap exists within the specialty credit allocation, the transition will be a one-to-one replacement without immediate exposure changes.

Dr. Hackbart confirmed that the transaction does not increase the specialty credit commitment but transitions management. Mr. Willer agreed, noting the target allocation is 20% (range 16–24%), with current exposure around 20–20.3%, expected to remain stable.

Mr. Cheatham asked about T+1 vs. T+14 settlement timelines. Mr. Willer explained that "T plus" refers to trade date plus settlement days. Under T+1, cash is available the next day; leveraged loans may take up to T+14 due to legal and processing complexities. These instruments are less liquid than public equities but more liquid than private credit.

Mr. Willer then reviewed the specialty credit allocation structure and explained how the proposed change fits within the existing portfolio framework, noting the current manager lineup and that future adjustments would occur through normal rebalancing with committee approval.

Mr. McGraw made the motion to approve the KPPA Investment Staff's recommendation to replace Shenkman Capital with Oaktree Capital Management as presented, subject to successful negotiations. Mr. Cheatham seconded the motion. The motion passed unanimously.

Dr. Hackbart introduced agenda item ***Performance Benchmark Recommendation for Private Equity*** *(Video 00:40:11 to 00:59:01).* Mr. Willer introduced Mr. Lindberg from Wilshire, who would be presenting. Mr. Willer noted the ongoing discussions about the gap between private equity performance and its current benchmark (public equity plus 300 basis points). Since the 2022 benchmark change, this gap has caused significant volatility. The recommendation for the CERS Investment Committee is to adopt a neutralizing approach for benchmarking private equity. Under this method, the actual time-weighted private equity performance would serve as the benchmark where it contributes to the total

fund benchmark. In addition, private equity would be evaluated using dollar-weighted Internal Rate of Return (IRR), which would be compared to a dollar-weighted Public Market Equivalent (PME) calculation on a quarterly basis. These results would be included in quarterly Investment Committee materials to provide greater transparency and clearer insight into the performance of the private equity program. In his presentation, Mr. Lindberg reviewed alternative methods and recommended this new benchmark structure to reduce short-term volatility, better reflect private equity returns, and improve overall transparency. Mr. Willer further noted that the private equity portfolio returned 8.33% versus a benchmark of 18.3%, creating a large mismatch that drove reported underperformance. This gap stems from using an unrealistic benchmark, which can distort results, making the portfolio look great when public equities fail and poor when they rise, despite actual performance being in line with private equity markets.

Mr. Cheatham made the motion to adopt the neutralized approach for benchmarking private equity as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

7. Dr. Hackbart introduced agenda item ***Investment Policy Statement Amendment*** *(Video 00:59:01 to 01:16:53).* Mr. Owens reviewed the proposed amendment, clarifying rules for expedited disposition related to private equity fund extensions. He emphasized that co-investments and continuation vehicles will never qualify for expedited disposition and require full Board approval due to their significance.

   The new section (Section E) introduces a narrow process allowing expedited decisions for fund extensions only when three conditions are met:

   1) No new funds are requested.
   2) Fees are lower than current levels.
   3) The CIO obtains written authorization from two of three leaders (Investment Committee Chair, Board Chair, and CEO).

This process applies only when timing falls between scheduled meetings and a decision is time sensitive.

Mr. Willer raised concerns about inconsistencies between the Investment Procurement Policy (IPP) and the revised Investment Policy Statement (IPS) regarding co-investments, suggesting fine-tuning. He also noted an increase in administrative requests—such as changes to investment periods or capital recycling—that do not fall under current fund extension language. Mr. Willer recommended broader language to address these requests and reduce special meetings. He clarified that even if a fund extension is denied, investments often remain in wind-down for an extended period.

Mr. Owens agreed that codifying every scenario is impractical but supported handling administrative requests similarly to fund extensions, emphasizing flexibility and a roadmap approach. Mr. Cheatham stressed that the changes set clear guardrails, even if not perfect, and will reduce unnecessary meetings. He added that private equity represents only about 7% of the portfolio, so the committee should avoid spending disproportionate time on it and address future issues as they arise.

Following the discussion, Mr. Cheatham made the motion to adopt the amendment to the Investment Policy Statement as presented. Mr. Fulkerson seconded the motion. The motion passed unanimously.

8. Dr. Hackbart introduced agenda item ***Investment Office Quarterly Update*** *(Video 01:16:53 to 01:55:04).* Mr. Tessman (Wilshire) provided an economic and market update, noting that rising inflation and higher rates have replaced decades of low-rate conditions, creating headwinds. He highlighted rapid U.S. debt growth, Federal Reserve balance sheet expansion, and an expected shift to monetary easing with rate cuts anticipated in December and into next year. Mr. Tessman stressed the role of real assets in inflationary environments, citing gold's recent outperformance versus equities. Labor data showed slowing job growth and slightly higher unemployment, possibly influenced by AI-driven

productivity. He also noted the link between ISM prices and CPI, underscoring the need to monitor inflation as it impacts Fed policy.

Mr. Cheatham asked about economic outlook and asset allocation adjustments, including real assets and private credit. Mr. Tessman advised maintaining current strategic targets until the next asset-liability study (12-18 months), given uncertainty. He noted compressed U.S. equity valuations and a negative equity risk premium of approximately 85 basis points versus the typical 2-3%. Mr. Cheatham agreed, emphasizing risk management. Mr. Tessman offered to prepare slides on tactical de-risking strategies for a future meeting.

Mr. Willer supported Wilshire's neutral stance, noting progress in closing the real return allocation gap (previously under target by 4%, now within 50 basis points). He warned that public equities appear overextended with muted forward returns and suggested overweighting fixed income given current yields. Duration was extended from short to neutral to provide portfolio ballast. Mr. Willer added that underweighting private equity has helped performance, though the team remains opportunistic and recently approved a new mandate. Real estate remains challenging, and non-U.S. equities—while overweight—are viewed as offering better long-term value despite recent underperformance. Mr. Gilbert agreed, citing attractive non-U.S. valuations versus U.S. large caps, which have been driven by AI momentum and lower-quality stocks. He noted minor tilts but no dramatic shifts, positioning the portfolio to hold up in a downturn.

Dr. Hackbart questioned whether current uncertainty is greater than in prior periods. Mr. Gilbert responded that while uncertainty is constant, the frequency of large shocks has increased, raising volatility and reducing predictability. Mr. Tessman added that compelling tactical opportunities—such as post-GFC high-yield spreads—are rare and not currently present, reinforcing Wilshire's neutral stance.

Mr. Willer reported strong positive returns, though slightly below blended benchmarks. Public and private equity drove underperformance due to non-U.S. tilts and quality bias, while specialty credit and real return contributed positively. Real estate posted gains

despite challenges, and internal portfolios met expectations. Asset allocation tilts added value, and all pension and insurance portfolios remain highly efficient on risk-adjusted metrics.

Mr. Willer also updated on capital calls and distributions, noting improved reporting for transparency. Significant capital was deployed into real return investments, and expenses remain well below budget. Investment fees declined year-over-year, driven by lower specialty credit performance costs. Staff continues to monitor and negotiate fees for cost efficiency. Mr. Willer closed by noting rate-cut expectations have fueled volatility, and while consensus favors global equity strength into 2026, staff maintains a cautious outlook focused on discipline, liquidity, and readiness to capitalize on rare dislocations.

9. There being no further business, 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 November 25, 2025, were approved by the County Employees Retirement System Investment Committee on February 25, 2026.

CERS Investment Committee Chair

I have reviewed the Minutes of the County Employees Retirement System Investment Committee Meeting on November 25, 2025, for form, content, and legality.

Office of Legal Services