



**City of Cincinnati Retirement System
Investment Committee Meeting
Minutes
February 1, 2024 / 12:00 P.M.
City Hall – Council Chambers and remote**

Committee Members Present

Bill Moller, Chair
Tom Gamel, Vice Chair
Kathy Rahtz
Mark Menkhaus, Jr.
Monica Morton
John Juech
Tom West
Seth Walsh
Aliya Riddle

Administration

Jon Salstrom

Law

Linda Smith
Ann Schooley

Marquette

Brett Christenson

CALL TO ORDER

Chair Moller called the meeting to order at 12:04 p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, Juech, West, Walsh, and Riddle were present.

PUBLIC COMMENT

No public comment.

APPROVAL OF MINUTES

Approval of the minutes of the Investment Committee meeting of November 2, 2023, was moved by Trustee Gamel and seconded by Trustee Menkhaus. The minutes were approved by unanimous roll call vote.

Old Business

Brett from Marquette was in attendance to present.

Update on asset allocation from 2023

Brett walked through asset allocation changes from 2023 and highlighted that all investment managers are in compliance, except for J.P. Morgan SPF, which was terminated from the real estate portfolio. The return of the fund was 11.7% for 2023. Some investments are unreported through December 2023. The private debt managers, infrastructure, and the total private equity

portfolio are not yet reported. Brett explained that 15.5% of the fund has yet to come in and expects the return will end up somewhere over 12% once they get a full reporting on the year.

- *Fixed Income Funding* - He explained that we were much more underweight on fixed income at the last meeting but made some changes and eliminated mid-cap value and moved it up to fixed income, so we are now very close to target and only off by 1.5%. We just funded Reams on core plus fixed income and will be funding Diamond Hill very soon.
- *Private Credit Pacing* - The private debt portfolio is significantly underweight by 4.6% but we did increase this target to 6.5%. This asset class will take a very long time to fund. Brett explained that today, Marquette is recommending hiring three new managers and adding more to the two core managers already in this portfolio. It will probably still take about five years of very steady capital calls to fund up. He believes most of the private debt underweight will be funded by the overweight in private equity.

New Business

Quarterly Investment Report

Brett explained CRS's preliminary performance results as of December 31, 2023. Trustee Rahtz motioned to approve the 4th Quarter Investment Report and seconded by Trustee Gamel. The motion was approved by unanimous roll call vote.

Current Market Environment Report

Brett explained that the 12/31 market value ended just north of \$2.286B and holding steady in this range. In Fixed Income, Reams Core Plus was just funded with \$120M from the Agg Bond fund so there is plenty to fund Diamond Hill. There is a great opportunity to build the Private Debt portfolio up to 6.5% by expanding managers. U.S. Equity is down to 4.5% with the large-cap value and small-cap value and most assets are now contained in the straight Russell 3. As things settle, will look at continuing to eliminate that value bias. J.P. Morgan is being terminated from the Real Estate portfolio. There are multiple older managers in Private Equity which should produce larger withdrawals because interest rates should come down a little this year, which should free up some liquidity.

Private Credit Search

Brett explained that six managers were selected from Marquette's list of private debt – evergreen structure investment managers that they felt would be complementary to the two existing evergreen products. CRS has already made \$20M commitments to Carlye and Blue Owl. Over the course of the last 2 months, Director Salstrom and Brett conducted interviews with all 6 managers, as well as both current managers, to ensure a strong understanding of each product's value offering to CRS. They found all managers to be exceptionally suited for selection due to strong investment teams, underwriting, track records and portfolio construction. They then segregated the candidates by their focuses market segment to differentiate them.

Brett explained the differentiators between the private debt managers and his recommendations. He recommended diversifying the private debt investment portfolio 40%/40%/20% by upper-middle market, core-middle market, and lower-middle market. He also recommended

considering core-middle market managers most unique from the Blue Owl and Carlyle to eliminate overlap of industries. As a result, Marquette is recommending the following portfolio construction:

40% Upper-middle	[\$30M to Blue Owl (\$10M additional commitment)
		\$30M to Carlyle (\$10M additional commitment)
40% Core-middle	[\$30M to Bain Capital Credit
		\$30M to JP Morgan Lynstone Capital Opportunity
20% Lower-middle	-	\$30M to AG Direct Lending Evergreen Fund

Chair Moller explained that the goal of the Investment Policy was to hire two private debt managers. Director Salstrom and Brett conducted interviews and recommended hiring 3 private debt managers. Chair Moller motioned to approve the recommendation and seconded by Trustee Gamel. The motion was approved by unanimous roll call vote.

Investment Policy Update

Chair Moller motioned to approve the Investment Policy Update which included hiring three more private debt managers with a \$30M commitment to each and adding an additional \$10M to each of the \$20M already committed to Blue Owl and Carlyle and seconded by Trustee Rahtz. The motion was approved by unanimous roll call vote.

Update Investment Committee Objectives for 2024

Chair Moller motioned to include three additional objectives in the Investment Committee Objectives for 2024. He recommended adding the implementation of Option B on the asset allocation, the updated Investment Policy that includes the implementation of Option B, and the Evergreen private debt search which was conducted today. The motion was seconded by Trustee Menkhous and approved by unanimous roll call vote.

Adjournment

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Rahtz. The Committee approved the motion by unanimous roll call vote. The meeting adjourned at 1:37 p.m.

Meeting video link: <https://archive.org/details/crs-investment-2-1-24>

Next Meeting: Thursday, May 2, 2024, at 12:00 P.M. City Hall Council Chambers and via Zoom



Secretary