



**City of Cincinnati Retirement System
Investment Committee Meeting
Minutes
May 2, 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 12:01 p.m. and a roll call of attendance was taken. Committee members 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 February 1, 2024, was moved by Committee member Gamel and seconded by Committee member Menkhaus. The minutes were approved by unanimous roll call vote.

Old Business

Brett from Marquette was in attendance to present.

Update on asset allocation

Brett reminded the Committee that all investment managers are in compliance, other than the termination of J.P. Morgan property fund who are in liquidation. Private Equity, Infrastructure, and Real Estate are overweight. Fixed Income and Private Debt are underweight.

Asset Allocation vs. Target						
	Current	%	Policy	%	Difference	%
Fixed Income Composite	\$494,283,911	21.3%	\$521,585,808	22.5%	-\$27,301,897	-1.2%
Private Debt Composite	\$46,093,009	2.0%	\$150,680,345	6.5%	-\$104,587,335	-4.5%
U.S. Equity Composite	\$665,291,131	28.7%	\$660,675,357	28.5%	\$4,615,774	0.2%
Non-U.S. Equity Composite	\$373,180,456	16.1%	\$370,905,464	16.0%	\$2,274,992	0.1%
Volatility Risk Premium Composite	\$58,857,554	2.5%	\$57,953,979	2.5%	\$903,575	0.0%
Real Estate Composite	\$160,311,891	6.9%	\$139,089,549	6.0%	\$21,222,342	0.9%
Infrastructure Composite	\$244,557,172	10.5%	\$231,815,915	10.0%	\$12,741,257	0.5%
Private Equity Composite	\$260,451,978	11.2%	\$185,452,732	8.0%	\$74,999,246	3.2%
Total Cash Equivalents	\$15,132,045	0.7%	--	--	--	--
Total	\$2,318,159,148	100.0%		100.0%		

- *Fixed Income Funding* - He explained that the Fixed Income portfolio at CRS is generally benchmarked to the Aggregate index; this is the Core Bond index. In the month of March, bonds were up 0.9%, but for the 1st quarter, at -0.8%. The fund has been making significant movements to push more assets to fixed income; trying to take advantage of high interest rates. The Aggregate index is yielding a 4.7% yield to maturity and the active bond managers, which have increased significantly, are yielding higher than that. It is extremely likely that we will have positive returns once we capture the full year of income.
- *Private Credit Contracts* – New target of 6.5%. Significantly underweight but added 3 new managers at \$30 million each and adding \$10 million to Owl Rock and Carlyle. We have \$144 million committed to private debt with a significant portion of that being called over the next couple of years. September is the target for these contract completions.
- *Anticipated Private Equity Capital Calls '24*- Brett highlighted the valuation column on page 26 of the report. There is still about \$11 million sitting in funds from 2007 which should be distributed back to us in the next year or 2. In 2014, there were 3 investments made that are at the end of their cycle and in distribution mode with about \$70 million in those funds. He anticipates a significant amount of this will flow back to our system this year and next. With the market getting used to the new higher interest rates, the private equity markets were a little slow last year. We should look a little more balanced over the next 12-24 months.

New Business

Quarterly Investment Report

Brett explained CRS's preliminary performance results as of March 31, 2024. The Quarterly return for the Total Fund Composite as of March 31, 2024, is 3.1%. The Fiscal Year to Date return for the Total Fund Composite as of March 31, 2024, is 3.1%. The 5 Year Annualized return for the Total Fund Composite as of March 31, 2024, is 8.1%. Committee member Gamel motioned to accept the quarterly investment report and seconded by Committee member Menkhaus. The motion was approved by unanimous roll call vote.

Current Market Environment Report

Brett explained that the market value of the CRS Pension Fund as of March 31, 2024, is \$2,318,159,148, a \$28,634,559 increase from the December 31, 2023, value of \$2,289,524,589.

Funston Investment Committee Recommendations

- (3.1) Develop Statement of Investment Beliefs (pg. 4 & 5)
- (3.4) Develop timeline of Asset Allocation Review (pg. 12)
- (3.5) Develop Rebalancing Policy (pg. 13-15)
- (3.2) Develop Liquidity Policy (pg. 15 & 16)
- (3.3) Develop separate IPS for 115 Trust
- (3.6) Develop Executive Summary for Quarterly Investment Report

Chair Moller explained that the only recommendation listed that has not been included anywhere is the separate Investment Policy for the 115 Trust. The theory behind this is because the 115 Trust is more than 100% funded and CRS should look at a slightly different investment policy. Director Salstrom explained that from a governance perspective, the number one concern is the collaborative settlement agreement overseeing and governing the 115 Trust. In that document, the assumed rate of return is 7.5% so there is difficulty in adjusting the Investment Policy statement that is in the CSA. For example, if CRS lowers the assumed rate of return from 7.5% to 6.5% or 5.5% return, that essentially de-risks the portfolio and it would have to be done over a 3–5-year period. Chair Moller suggested holding off on this item for future discussion.

Director Salstrom explained that he has included the recommendations from Funston, the Funston Report, and the marked-up version of the IPS in the packet. He gave a high-level overview of each recommendation. Chair Moller motioned to accept the Investment Policy that was presented today with the one change to put the date on the chart, which is exhibit 1, and seconded by Committee member Gamel. The motion was 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 was adjourned at 1:30 p.m.

Meeting video link: <https://archive.org/details/crs-investment-comm-5-2-24>

Next Meeting: Thursday, August 1, 2024, at 12:00 P.M. City Hall Council Chambers and via Zoom

Secretary