



City of Cincinnati Retirement System Board of Trustees Meeting

Agenda

October 7, 2021 / 2:00 P.M.
City Hall, Council Chambers and via Zoom

Members

Tom Gamel	John Juech
Bill Moller	Betsy Sundermann
Don Stiens	Kathy Rahtz
Mark Menkhaus Jr.	Erica Winstead

Administration

Paula Tilsley
Renee Kabin
Ann Schooley

Call to Order

Approval of Minutes

- ✚ Meeting Minutes – September 2, 2021

Unfinished Business

- ✚ Outstanding Opinions:
 - K. Rahtz Board Approved Motion, October 3, 2019
 - Item 1. Explain why City's changes to retiree healthcare are permitted under the CSA without Court approval.
 - Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor's Office will not give counsel.
- ✚ Search for Executive Director
- ✚ Board's Annual Report to Council
- ✚ Asset/Liability Study Follow-up
- ✚ Governance Rules of the Board

Informational

- ✚ Investment Update
- ✚ August 2021 Monthly Investment Report
- ✚ 115 Health Care Trust Funding Policy
- ✚ Pending Board Items: Fiduciary Performance Audit.

Adjournment

Next Meeting: Thursday, November 4, 2:00 P.M. City Hall, Council Chambers and via Zoom



**City of Cincinnati Retirement System
Board of Trustees Meeting
Minutes
September 2, 2021 / 2:00 P.M.
City Hall – Council Chambers**

Present

Bill Moller, Chair
Tom Gamel, Vice Chair
John Juech
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Betsy Sundermann
Erica Winstead

Staff Present

Paula Tilsley
Renee Kabin
Ann Schooley
Bev Nussman

CALL TO ORDER

The meeting was called to order at 2:02 p.m. and a roll call of attendance was taken.

The agenda was taken out of order to accommodate Cheiron's presentation of the Asset Liability Study. Janet Cranna, Margaret Tempkin and Kevin Woodrich from Cheiron presented. Using the expected investment returns and standard deviation of the system's current asset allocation, the study showed the impact of possible investment scenarios on the projected long-term financial positions of the pension and health care trusts.

Board Action

M. Menkhaus, Jr. made a motion to approve the Asset Liability Study report presented by Cheiron. D. Stiens seconded the motion. Following are the results of the roll call vote:

B. Moller – Y
T. Gamel – Y
J. Juech – Y
M. Menkhaus, Jr. – Y
K. Rahtz – Y
D. Stiens – Y
B. Sundermann – Y
E. Winstead – Y

The motion to approve the Asset Liability Study as presented by Cheiron passed.

APPROVAL OF MINUTES

D. Stiens made a motion to approve the revised minutes of the August 5, 2021 Board of Trustees meeting. E. Winstead seconded the motion to approve. Results of the roll call vote follow:

Mr. Moller– Y
Mr. Gamel – Y
Mr. Menkhaus, Jr. - Y
Ms. Rahtz - Y
Mr. Stiens – Y
Ms. Sundermann –Y
Ms. Winstead - Y

The motion to approve the revised minutes of the August 5, 2021 Board meeting passed.

+ Governance Committee Report

Mark Menkhaus, the new Committee Chair, reported that the Committee continued to review the Rules of the Board and approved a number of changes. Due to the amount of detail, the approved changes will be presented to the full Board at a future meeting.

UNFINISHED BUSINESS

+ Outstanding Opinions:

Rahtz Board Approved Motion, October 3, 2019

- Item 1. Explain why City’s changes to retiree healthcare are permitted under the CSA without Court approval.
- Item 2. Explain why the Board cannot retain outside counsel on matters which the Solicitor’s Office will not give counsel.

A. Schooley reported there is no update.

+ Executive Director Search

B. Moller reported that the search is progressing with good candidates who are moving through the process and expects to have an update in the next few weeks.

+ Board’s Annual Report to Council

B. Moller reported that the Board of Trustees Annual Report will be presented to City Council through the normal process in addition to sending the report directly to the Mayor and each Council Member individually.

Board Action

T. Gamel made a motion to send the Annual Report to the Mayor and City Council through the City’s standard procedures and directly to each individual. D. Stiens seconded the motion. Results of the roll call vote follow:

Mr. Moller – Y
Mr. Gamel – Y
Mr. Juech – Y
Ms. Rahtz – Y
Mr. Stiens – Y

Ms. Sundermann – Y
Ms. Winstead - Y

The motion to send the Board of Trustees Annual Report to the Mayor and City Council through the City’s normal procedures and directly to each individual passed.

✚ Future Board Meeting Methods of Participation

The Board discussed the additional guidance provided by the City regarding the ability of City Boards and Commissions to continue to meet remotely. The guidance clarified that members of the public be given access through the same methods of participation that are provided to the CRS Trustees. Mr. Moller stated his personal preference for in-person meetings but queried other members for their input. T. Gamel expressed a preference for maintaining the current methods of both in-person and by Zoom. J. Juech affirmed the same preference. E. Winstead asked if this also applies to the standing committee meetings, and Mr. Moller replied that it does. Consensus was to continue as is for the near future and revisit when the concerns of the Covid pandemic have been addressed.

INFORMATIONAL

✚ Monthly Investment Report

No discussion occurred.

✚ 115 Health Care Trust Funding Policy

P. Tilsley reported there are no updates.

✚ Fiduciary Performance Audit

B. Moller provided commentary on the impact of such an audit, that it is not financial but pertains more to how the trustees are performing in their fiduciary capacity and how that could be improved.

Regarding the Asset Liability Study, Mr. Stiens asked if the projections reflected the actual return achieved in 2020. P. Tilsley replied yes and would confirm with the actuary. Mr. Stiens requested that Cheiron prepare an additional projection using the geometric projection of 7.93 percent provided by CRS investment consultant, Marquette.

Board Action

With no other business before the Board, J. Juech made a motion to adjourn. D. Stiens seconded the motion. Roll call vote results follow:

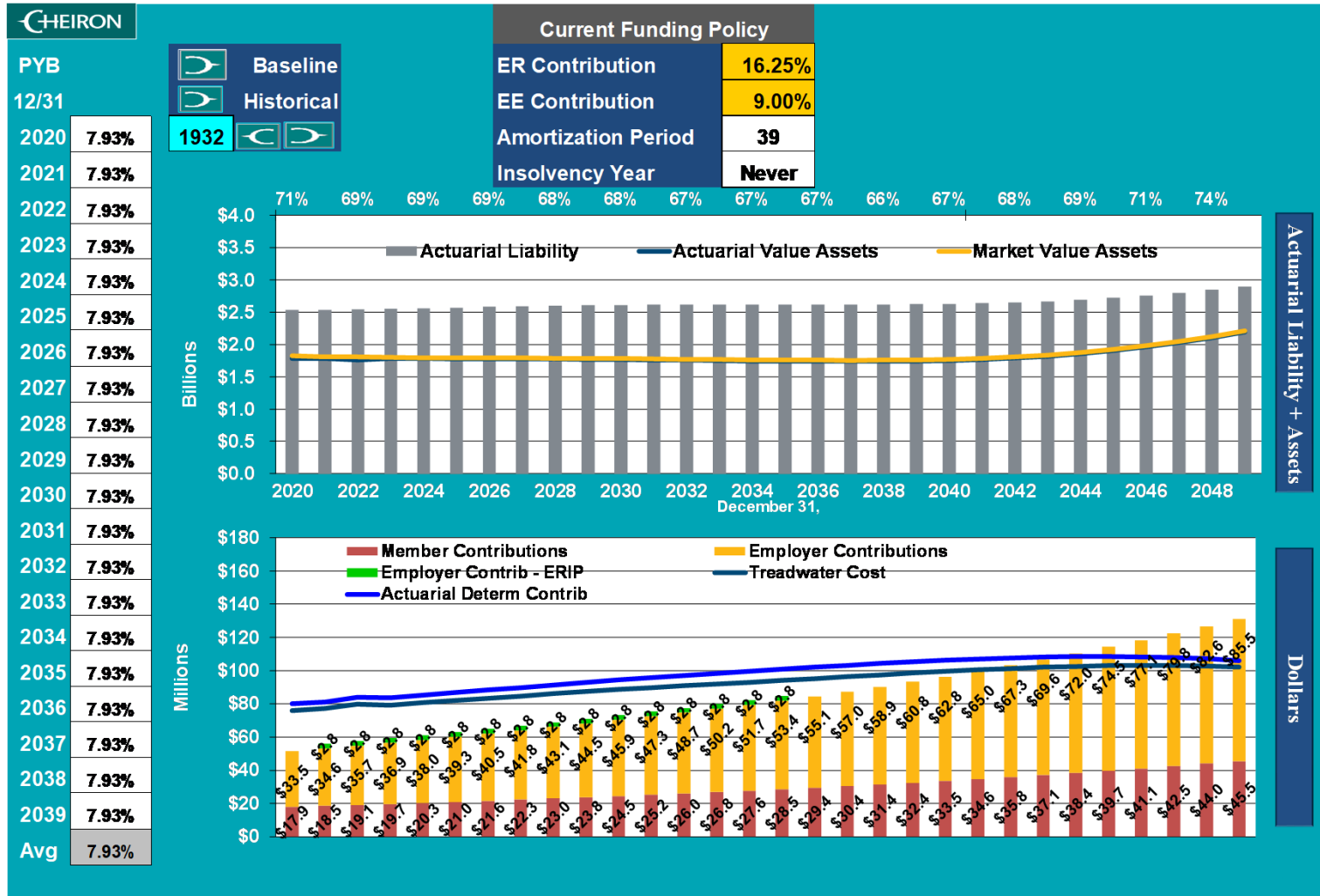
- B. Moller - Y
- T. Gamel – Y
- J. Juech - Y
- M. Menkhaus, Jr. – Y
- K. Rahtz – Y
- D. Stiens – Y
- B. Sundermann – Y
- E. Winstead - Y

The motion to adjourn passed. Meeting adjourned at 2:55 P.M.

Deterministic Projections - Pension



Assume 7.93% per year for all years based on Marquette's long-term expected geometric return.



Funded status shown above bars is Actuarial Value of Assets divided by Actuarial Liability.



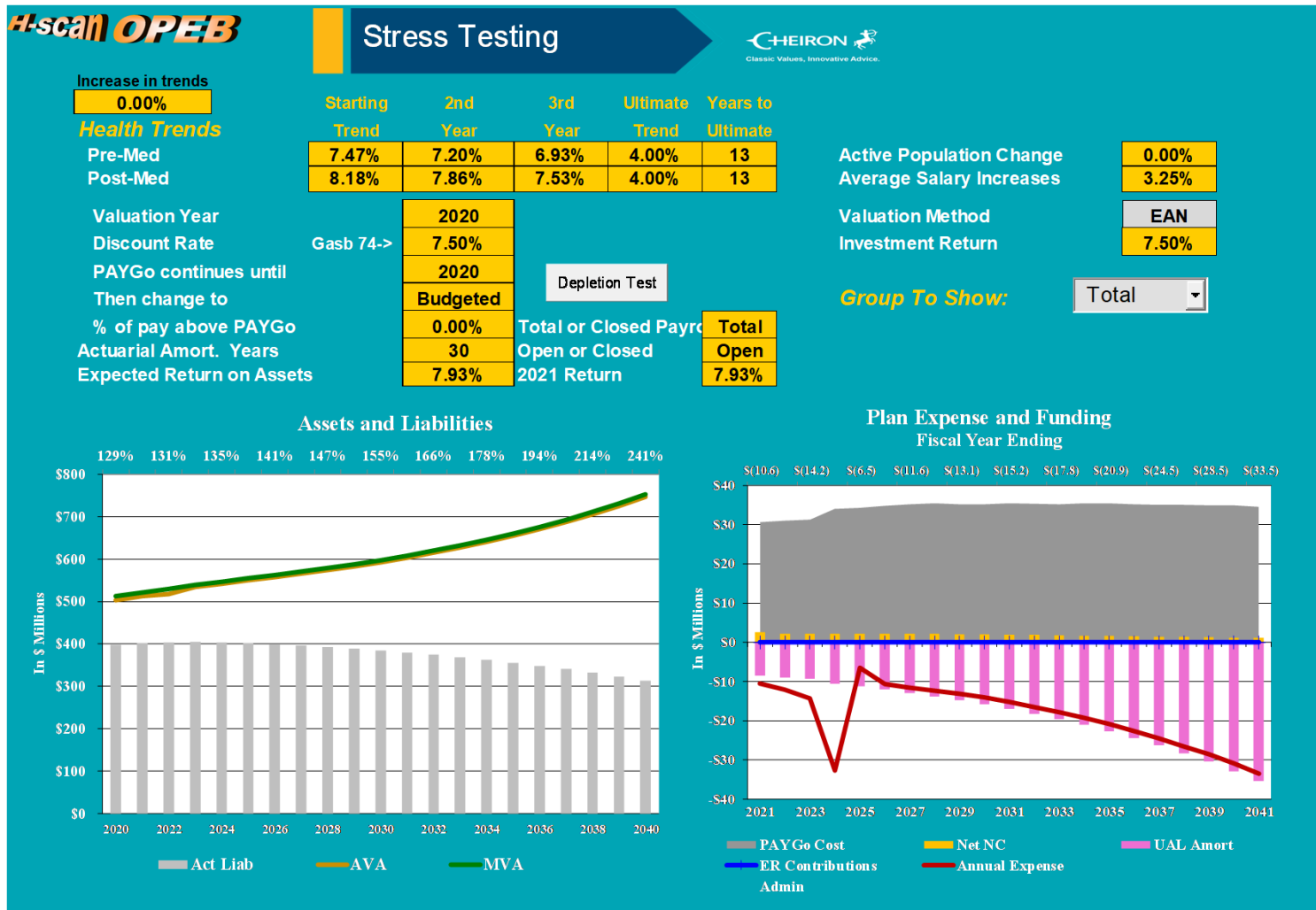
Classic Values, Innovative Advice

September 24, 2021

Deterministic Projections - HW



Assume 7.93% per year for all years based on Marquette's long-term expected geometric return.



Required Disclosures



The purpose of this presentation is to present the asset liability study for the Cincinnati Retirement System (CRS or System). This presentation is for the use of the Board and System staff.

In preparing this presentation, we relied on information (some oral and some written) supplied by the Cincinnati Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

The actuarial assumptions and methods are the same as those used in the preparation of the Actuarial Valuation Reports as of December 31, 2020. The census data provided to us by CRS was as of December 31, 2020.

The assumptions reflect our understanding of the likely future experience of the System, and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this presentation are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Cheiron utilizes ProVal, an actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate the liabilities, normal costs and projected benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this actuarial valuation.

Projections in this presentation were developed using *P-Scan*, our proprietary tool for developing deterministic projections to illustrate the impact of changes in assumptions and actual experience (particularly investment experience) on the future financial status of the System.

This presentation and its contents were prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This presentation was prepared solely for the Cincinnati Retirement System for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

Janet Cranna, FSA, EA, MAAA
Principal Consulting Actuary

Kevin Woodrich, FSA, EA, MAAA
Principal Consulting Actuary

Margaret Tempkin, FSA, EA, MAAA
Principal Consulting Actuary



Classic Values, Innovative Advice

September 24, 2021

Progress of Board Investment Decisions Approved November 5, 2020 through August 5, 2021

- 1) The status of the motions approved at the November 5, 2020 Board Meeting:
 - a. The approved Portfolio E resulted in the Investment Policy being updated and approved at the February 2021 meeting
 - b. Increase commitments to IFM by \$37M and JP Morgan Infrastructure by \$41M
 - i. IFM commitment was increased by end of November 2020.
 - ii. While the commitment has increased, IFM has not called capital.
 - iii. JP Morgan Infrastructure increase processed by end of December 2020.
 - iv. While the commitment has increased, JP Morgan has not called capital.
 - c. The addition of the NTGI Aggregate Bond, NTGI Russell 3000 and NTGI ACWI ex-US funds to the Northern Trust agreement was completed by end of December 2020.
 - d. The movement of \$80M from BlackRock Strategic Fund to NTGI Aggregate Bond fund was completed by the end of January 2021.

- 2) The status of the February 4, 2021 Board investment decisions:
 - a. JP Morgan Private Equity Fund VIII investment commitment period was extended to February 21, 2023 and J P Morgan Private Equity Group to remain as the general partner of the fund. The consent form was returned by end of February 2021 and amendment to agreement was received in May.
 - b. The Investment Committee voted to accept and approve Marquette's recommendations in their memo on fixed income, U.S. equities, and non-U.S. equities.
 - i. Fixed Income:
 1. The movement from BlackRock Strategic Income assets of \$70M to NTGI Aggregate Bond Fund was completed by end of February 2021.
 2. The reduction of Shenkman Four Points by \$32M in favor of the NTGI Aggregate Bond Fund has not been completed. It is scheduled for December 31, 2021.
 - ii. U.S. Equities:
 1. The transition of the total assets of the NTGI Russell 1000 Growth (\$129M) and NTGI S&P 400 (\$100M) to the NTGI Russell 3000 ACWI ex US was completed by the end of March 2021.
 2. The reduction of the NTGI Russell 1000 Value by \$90M, Vanguard Mid Cap Value by \$54M, and the NTGI Russell 2000 Value by \$97M in favor of the NTGI Russell 3000 was completed by the end of March 2021.
 - iii. U.S. Equities:
 1. The transition of the total assets of the NTGI MSCI EAFE (\$245M), DFA International Small Value (\$115M), DFA Emerging Markets Value (\$57M), and the DFA Emerging Markets Core (\$63M) to the NTGI ACWI ex-US Index Fund was completed by the end of March 2021.
 2. The reduction of the DFA Emerging Markets Small Cap by \$10M in favor of the NTGI ACWI ex-US Index Fund completed by the end of March 2021.

- 3) The status of the motions approved at the May 6, 2021 Board Meeting:
 - a. The rebalancing of the portfolio by moving a total of \$53 million from value equities to core bonds, composed of \$33 million from small cap value, \$10 million from mid-cap value and \$10 million from large cap value was completed by the end of May 2021.
 - b. The rebalancing of the portfolio by moving \$18 million from the NTGI ACWI ex-US and placing it in the NTGI Russell 3000 was completed by the end of May 2021.
 - c. The commitment of \$40 million to JP Morgan Private Equity Fund X was completed by the end of June 2021.

- 4) That status of the August 5, 2021 Board meeting investment decisions:
 - a. The completed documents have been submitted to Ullico Infrastructure Fund for the investment of \$50 million. The tentative closing date is October 1, 2021.
 - b. The addition of \$8 million commitment to the JP Morgan's Infrastructure Fund was completed in August 2021.
 - c. The movement of 50% from AQR Risk Parity to the new investment in Neuberger Berman S&P 500 PutWrite Strategy is in process. The new investment is being reviewed by legal counsel.
 - d. The movement of \$12.9 million to cash, comprised of \$3.4 million from DFA Emerging Markets Small Cap, \$5 million from NTGI ACWI ex-US and \$4.5 million from Russell 1000 Value was completed by the end of August 2021
 - e. The movement of \$23 million from NTGI Russell 3000 to NGTI Aggregate Bond Fund was completed in August 2021.



Cincinnati Retirement System

City of Cincinnati
Retirement System
Executive Summary
August 31, 2021

Summary of Cash Flows

	Last Month
Beginning Market Value	\$2,526,670,007
Net Cash Flow	-\$15,102,455
Net Investment Change	\$31,768,727
Ending Market Value	\$2,543,336,279

Market Value

	Market Value (\$)	% of Portfolio	Policy %	Policy Difference (\$)
Total Fund Composite	2,543,336,279	100.0	100.0	0
Fixed Income Composite	479,873,190	18.9	14.0	123,806,111
Private Debt Composite	4,889,680	0.2	3.0	-71,410,408
U.S. Equity Composite	760,479,994	29.9	27.5	61,062,517
Non-U.S. Equity Composite	579,201,259	22.8	23.0	-5,766,085
Risk Parity Composite	111,534,430	4.4	5.0	-15,632,384
Real Estate Composite	204,891,219	8.1	7.5	14,140,998
Infrastructure Composite	159,988,343	6.3	10.0	-94,345,285
Private Equity Composite	237,414,616	9.3	10.0	-16,919,012
Total Cash Equivalents	5,063,548	0.2	--	5,063,548

Performance

	1 Mo	3 Mo	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception	Inception Date
Total Fund Composite	1.3%	2.7%	12.9%	26.9%	10.6%	10.4%	9.4%	9.2%	May-85
Target Benchmark	1.3%	2.1%	11.2%	23.5%	11.1%	10.8%	9.4%	--	May-85
Fixed Income Composite	0.0%	1.7%	1.3%	5.2%	6.2%	5.1%	4.6%	5.8%	Nov-95
Bloomberg US Aggregate TR	-0.2%	1.6%	-0.7%	-0.1%	5.4%	3.1%	3.2%	5.0%	Nov-95
Private Debt Composite	0.0%	9.4%	-13.8%	--	--	--	--	-3.6%	Sep-20
Bloomberg US Aggregate TR	-0.2%	1.6%	-0.7%	-0.1%	5.4%	3.1%	3.2%	0.0%	Sep-20
U.S. Equity Composite	2.7%	5.1%	25.2%	46.1%	14.6%	15.7%	14.6%	10.0%	Feb-89
Russell 3000	2.9%	7.2%	20.4%	33.0%	17.9%	18.0%	16.2%	11.2%	Feb-89
Non-U.S. Equity Composite	1.8%	-0.1%	11.9%	29.7%	8.1%	8.7%	7.0%	6.4%	May-93
MSCI ACWI ex USA	1.9%	-0.4%	9.4%	24.9%	9.4%	9.9%	6.6%	--	May-93
Risk Parity Composite	0.0%	5.0%	10.7%	17.8%	10.0%	8.3%	--	5.4%	Jul-12
60% Wilshire 5000/40% BarCap Aggregate	1.7%	5.1%	11.9%	19.1%	13.3%	12.2%	11.1%	11.0%	Jul-12
Real Estate Composite	0.4%	4.0%	6.8%	9.6%	6.1%	6.8%	9.9%	5.4%	Aug-07
NFI	0.0%	1.2%	5.7%	6.9%	4.2%	5.4%	8.4%	4.4%	Aug-07
NPI	0.0%	1.2%	5.4%	6.8%	5.1%	5.9%	8.6%	6.1%	Aug-07
Infrastructure Composite	-0.1%	1.2%	3.8%	9.8%	7.9%	5.6%	6.9%	8.0%	Aug-08
3 Month T-Bill +4%	0.3%	1.0%	2.7%	4.0%	5.1%	5.1%	4.6%	4.5%	Aug-08
Private Equity Composite	0.0%	3.1%	13.1%	40.0%	18.2%	16.5%	13.7%	8.7%	Jul-93
Cambridge Associates All PE	0.0%	0.0%	9.9%	33.4%	20.3%	19.2%	15.9%	16.3%	Jul-93

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