



**City of Cincinnati Retirement System
Investment Committee Meeting
Minutes**

August 5, 2021 / 12:00 P.M.
City Hall – Council Chambers

Present

Bill Moller
Tom Gamel
Mark Menkhaus, Jr.
Kathy Rahtz
Don Stiens
Betsy Sundermann (joined approx. 1:59 PM)

Absent

Erica Winstead
John Juech

Staff Present

Paula Tilsley
Renee Kabin
Bev Nussman
Keva Eleam

Meeting was called to order at 12:12 P.M. and a roll call was taken of attendance.

APPROVAL OF MINUTES

K. Rahtz made a motion to approve the minutes from the May 6, 2021 meeting. M. Menkhaus, Jr. seconded the motion. A roll call vote was taken, and the results follow:

Mr. Gamel – Yes
Mr. Menkhaus, Jr. -Yes
Mr. Moller – Yes
Ms. Rahtz -Yes
Mr. Stiens – Yes

Minutes of the May 6, 2021 Investment Committee meeting were approved.

NEW Business

Ullico Presentation: Luke Howe, Managing Director of Marketing and Client Services, and Reed Singer, Portfolio Manager, presented an overview of their company's opened-ended Core Infrastructure Fund. B. Moller asked how Ullico conducts due diligence and about the differences between renewable and non-renewable energy sources and how each are chosen. T. Gamel asked Mr. Singer to restate the returns year-to-date and wanted to know if Ullico itself invests in their funds, and if so what percentage. M. Menkhaus asked how much more advantageous it is to invest in this fund versus directly into energy company stocks. Mr. Menkhaus also asked about how negative cash flow is handled, specifically if institutional investors are protected from liability beyond their capital. P. Tilsley asked if there were plans to invest outside of the U.S. and Canada, and the presenter Mr. Singer stated there is not.

Neuberger Berman Presentation: Derek Devins and Will Waters of Neuberger Berman presented their Put-Write investment strategy, and how it reduces risk while preserving returns through the use of S&P 500 index options. T. Gamel asked about competitor companies in this arena. Mr. Devins reassured him that unlike some of their competitors, this fund is fully collateralized. D. Steins requested a more detailed breakdown of returns from Neuberger Berman's Put Write strategy over the last few years, as well as for Ullico, similar to what Marquette provides each quarter. B. Moller asked for a simplified explanation for what would happen to a hypothetical \$100 investment.

K. Rahtz asked Mr. Devins to go into a bit more detail regarding calls and how that relates to the insurance analogy. T. Gamel wanted to know how to better understand risk. M. Menkhaus, Jr. asked about the difference between the current risk management strategy, being made up of one-third each bonds, commodities and equities, and the high correlation of the put-write strategy to the S&P index. M. Menkhaus, Jr. observed the potential loss of exposure to commodities, and the resulting reduction in volatility exposure. B. Christenson concurred and expanded on the previous explanation about how the volatility risk premium category is better and the overall returns beat AQR, in addition to being less complex and easier to understand.

Brett Christenson, Managing Director & COO, Marquette Associates

2nd Quarter 2021 Executive Summary Review

Market Value of Assets - \$2.5 Billion

Mr. Christenson discussed the advantages of the volatility risk premium category and how it mitigates risk while providing liquidity. He further discussed the current companies IFM and JP Morgan compared with Ullico which showed comparable returns with much less volatility. B. Christenson recommended moving \$50 million to Ullico as a third manager in the infrastructure asset class and an additional \$8 million to JP Morgan to take advantage of the discounted fees available at the \$100 million level.

Committee Action

B. Moller made a motion to add \$8 million to the current investment in JP Morgan and to invest \$50 million in Ullico. T. Gamel seconded the motion. During discussion, D. Stiens expressed concern that the returns based on the limited current data are not sufficient in reaching our 7.5 percent target. B. Christenson reminded the Committee that each management company is not expected to maintain the plan's target but that the unique characteristics of each fund add to an overall asset allocation that can achieve the target.

A roll call vote was taken and the results are as follows:

T. Gamel – Y
M. Menkhaus, Jr. – Y
B. Moller – Y
K. Rahtz – Y
D. Stiens - abstained

B. Moller made a motion to take the current five percent investment in risk parity and divide it evenly between AQR and Neuberger Berman defensive equity. K. Rahtz seconded the motion. During discussion, T. Gamel asked about the strategic thinking behind this, and it was determined best to start with this more conservative approach and assess results at a future meeting. M. Menkhaus asked if the division of these assets would affect the fee structure and it was determined that it would not. A roll call vote was taken and results follow:

T. Gamel: - Y
M. Menkhaus, Jr. – Y
B. Moller – Y
K. Rahtz – Y
D. Stiens - Y

The motion to divide the CRS investments in risk parity evenly between AQR and Neuberger Berman passed.

B. Moller introduced a request to rebalance that was not on the agenda. B. Christenson recommended a rebalancing request for a total of \$36 million, divided between \$23 million from the NTGI Russell 3000 to the NTGI Aggregate Bond and \$12.9 million to cash consisting of \$3.4 million from DFA EMSC, \$4.5 million from NTGI Russell 1000 Value and \$5 million from NGTI ACWI Ex-US.

Committee Action

T. Gamel made a motion to rebalance \$36 million consisting of \$23 million from NTGI Russell 3000 to NGTI Agg Bond, and \$12.9 million to cash consisting of \$3.4 million from DFA EMSC, \$4.5 million from NTGI Russell 1000 Value and \$5 million from NGTI ACWI Ex-US.

D. Stiens seconded the motion. A roll-call vote was taken and the results follow:

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

The motion to rebalance \$36 million, divided between \$23 million from the NTGI Russell 3000 to the NTGI Aggregate Bond and \$12.9 million to cash consisting of \$3.4 million from DFA EMSC, \$4.5 million from NTGI Russell 1000 Value and \$5 million from NGTI ACWI Ex-US passed.

B. Christenson gave a brief overview of the Second Quarter report. The strong performance in equities helped CRS reach \$2.5 billion market value and the investment return was in the first quartile compared to peers. A simplified equity portfolio has everything going in the right direction for now. The value tilt has been reduced from two thirds to one third. There are no concerns with current managers.

Committee Action

M. Menkhaus, Jr. made a motion to accept the Second Quarter 2021 Investment Report. T. Gamel seconded the motion. Roll call vote results are as follows:

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

B. Sundermann joined the meeting at this time. The motion to accept the Second Quarter Investment report passed.

Committee Action

Having no further business D. Stiens made a motion to adjourn. T. Gamel seconded the motion to adjourn. A roll call vote was taken, and the results follow:

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

The motion to adjourn passed. Investment Committee Meeting adjourned at 2:09 p.m.

Next meeting: November 4, 2021 at 12:00 p.m.