



**City of Cincinnati Retirement System  
Investment Committee Meeting  
Minutes  
November 2, 2023/ 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

**CALL TO ORDER**

Chair Moller called the meeting to order at 12:02p.m. and a roll call of attendance was taken. Trustees Moller, Gamel, Rahtz, Menkhaus, Morton, West, Walsh, and Riddle were present. Trustee Juech was absent.

**PUBLIC COMMENT**

No public comment.

**APPROVAL OF MINUTES**

Approval of the minutes of the Investment Committee meeting of August 3, 2023, was moved by Trustee Gamel and seconded by Trustee Rahtz. The minutes were approved by unanimous roll call vote.

**Old Business**

Brett from Marquette was in attendance to present.

*Review of Board recommendations to asset allocation from Feb. '23 – Fixed Income Funding Update*

Brett walked through recent asset allocation changes from Q1'23 and highlighted the current asset allocation, which showed an overweight to infrastructure and private equity and limited distributions are the primary contributors to being underweight the approved increase in fixed

income allocation.

The February asset allocation changes include the following:

- Increase the core bond target from 6% to 9% (currently \$13M short)
- Increase the core plus bond target from 6% to 11.5% (currently \$117M short)
- Decrease the U.S. large cap value target from 18% to 16% (done)
- Eliminate the 2.5% risk parity target (done)
- Decrease the private equity target from 10% to 8% (currently \$81M high)
- Withdrawal \$17M from IFM infrastructure (done)
- Withdrawal \$8M from J.P. Morgan infrastructure (early December receipt)
- May meeting – additional \$15M from J.P. Morgan infrastructure

Outstanding withdrawals (\$60M)

- \$8M (February) and \$15M (May) for a total of \$23M from J.P. Morgan infrastructure - early December
- \$28,557,590 from J.P. Morgan Strategic Property Fund – small quarterly distributions
- \$9,169,251 from Principal Enhanced Property Fund – small quarterly distributions
- \$8,096,078 from Morgan Stanley Prime Property Fund – small quarterly distributions

## **New Business**

### *Quarterly Investment Report and the Current Market Environment Report*

He explained CRS's preliminary performance results as of September 30, 2023.

### *Asset Allocation Study*

Brett explained that Marquette believes that real estate is still viable and an important asset class for client portfolios. However, Marquette also feels that private debt has a stronger outlook over the next 10 years versus real estate. CRS still has significant value-bias in the public equity portfolio (U.S. Large-Cap, Mid-Cap, Small-Cap and Emerging Markets Small-Cap) that Marquette would like to see reduced. The current value bias is approximately 19% (9% value investments/46.5% total public equity target). Marquette would like to propose increasing the private debt target from 3% to 6.5%, reducing the real estate target from 7.5% to 6.0%, reduce the international equity target from 18% to 16% and reducing the value-bias in public equities to 10% (4.5% / 44.5%).

In addition to having a better risk/return profile, these changes would help free up some liquid assets to fund CRS's increased exposure to fixed income. In addition to the asset allocation proposal, Marquette also recommends moving all infrastructure and real estate managers to dividend distribution instead of dividend reinvestment.

### *Recommendations:*

Brett explained that through the allocation study, Marquette recommends CRS to consider the option B portfolio. This option brings the current average annualized 10-year return from 7.71% to 7.72%, the average annualized 10-year volatility from 9.92% to 9.42%, and the average return/average volatility from 0.78 to 0.82. Marquette also recommends CRS to terminate Vanguard Mid Cap Value, DFA Emerging Markets Small and J.P. Morgan Strategic Property Fund as a result of the asset allocation re-alignment and conduct another evergreen

private debt search to add an additional private debt manager.

Chair Moller motioned to accept the recommendation for Option B on the Asset Allocation discussions (page 12), which will be to terminate several managers and conduct an Evergreen private debt search. To accept the modeling form on proposed changes on page 10, noting that some dollar amounts may be different, but the model is there. Trustee Gamel seconded, and the motion was approved by unanimous roll call vote.

**Adjournment**

Following a motion to adjourn by Trustee Gamel and seconded by Trustee Menkhaus. The Committee approved the motion by unanimous roll call vote. The meeting adjourned at 2:16 p.m.

Meeting video link: <https://archive.org/details/crs-investment-comm-11-2-23>

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



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Secretary