

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

May 25, 2022 @ 9:00 a.m.
Investment Committee Meeting

Howard Office Building
Sonny West Conference Room

The Investment Committee met on Wednesday, May 25, 2022 @ 9:00 a.m.

Those Investment Committee members present were:

Christine Bradley, Tom Curtis, and Kelly Flannery

Other attendees:

NEPC: Keith Stronkowsky

Voya: John Cox

Staff: Michell Bosch, Treasurer, Fadi BouSamra, CIO, and Tammara McGee, Finance Officer

Others Attending: Josh Thomas and Lexie Ward, Metro Legal

- **Establish a quorum:** Ms. Bosch established that a quorum was present, and the meeting was called to order.
- **Approval of minutes from the February 23rd, 2022 meeting:** Ms. Bradley made a motion to accept the minutes as written. Mr. Curtis seconded the motion. The motion passed unanimously.
- **1st Quarter 2022 Pension Performance:** Mr. Stronkowsky discussed key market highlights including interest rates moving up, geo-political issues, global inflation and negative GDP in the 1st quarter of 2022. Metro's assets totaled over \$4.4 Billion as of March 31st, 2022. The plan returned -2.4% net of fees for the quarter; 3.9% for the fiscal year to date, outperforming the benchmark by 4.8%. Mr. Stronkowsky went over the sharpe ratio; the Plan is getting rewarded for the risk.

Mr. Stronkowsky reviewed the results of the private markets covering Fixed Income Alternatives, Private Equity, and Real Assets. He compared commitments, paid in capital, capital to be funded, and cumulative distributions. Private investments have returned \$1.61 for every \$1 invested. The IRR for all private market investments is at 11.79% since inception.

Mr. Curtis made a motion to accept the Performance Report as presented. Ms. Bradley seconded the motion. The motion passed unanimously.

- **Secondary Sale:** Mr. BouSamra and Ms. Bosch explained we have started the process with the PE Secondary Sale. Mr. BouSamra explained investment staff is seeking the authority to

move forward with a sale if bids are deemed to be adequate. After a detailed discussion regarding the authorized discretion, best practices and the need for proper documentation of the bidding process, all Committee Members confirmed they are comfortable with staff using their discretion to award the secondary sale in order to execute in a timely manner.

- **Recommendations & Updates:** Mr. BouSamra reviewed the following General Updates:
 - **General Updates:**
 - Cash at Metro: \$13,885,497
 - We will look for opportunities to rebalance the portfolio in the coming months
 - PIMCO managed vol strategy will need to have exposure adjusted similar to what was done in March of 2020 during the COVID market correction
 - We expect the correction in tech stocks to effect PE valuations in the next few quarters
 - In the last quarter of 2021 PE NAV declined by 28 million, distributions totaled 100 million and capital calls totaled 26 million.
 - In the first quarter of 2022 we saw approximately 30 million in distributions and 60 million in capital calls
 - As of now the PE portfolio looks to be down 1 to 2%, we expect to be flat to down 10 by the time we get the December 2022 valuations. Worst case scenario is to be down 20 to 25% by end of year
 - This is a very good time to deploy new capital

- **International Allocation:**

Mr. Stronkowsky explained NEPC provided their focused list of managers for ACWI-ex US as well as EAFE mandates. They searched for managers that could manage developed market positions in a separately managed account, while getting the emerging markets exposure through a fund to avoid the registration issues in many EM countries. We are recommending one manager to replace our existing allocation to Lazard and GMO. Additionally, we are recommending retaining another manager to be funded at a later date as we rebalance the portfolio.

Recommendation: Retain Arrowstreet Capital to manage a portion of the assets to their EAFE mandate and a smaller portion to EM mandate. Based on May 18 fund balance the plan will invest \$50 million in the Arrowstreet EM mandate and \$243 million in the Arrowstreet EAFE strategy. The EM strategy is capacity constrained and that is likely to continue.

Recommendation: Retain William Blair to manage a growth ACWI ex US strategy. William Blair is currently managing a small cap growth strategy for the Pension that follows the same process as the international mandate. This strategy will be funded as the plan rebalances in the future.

Motion: Ms. Flannery entertained a motion to accept both international recommendations as outlined. Mr. Curtis made the motion, and Ms. Bradley seconded the motion. The motion passed unanimously.

- **Private Equity Recommendations:**

Mr. BouSamra explained we have invested in 3 previous iterations of this fund and Open View has a great track record.

OpenView Partners VII: The fund is focused on enterprise software typically in series A and B rounds. The firm continues to execute in the enterprise software space and the pension is invested in the three previous iterations of this fund.

Recommendation: Invest up to \$10 million in OpenView Venture Partners VII.

Motion: Mr. Curtis made a motion to accept staff's recommendation as outlined. Ms. Bradley seconded the motion. The motion passed unanimously.

- **Real Assets:**

Angelo Gordon Realty Fund XI: The fund will invest in value-add real estate investments primarily in the U.S. with up to a maximum of 20% in Asia and Europe. The pension invested in the previous three iterations of this strategy with Angelo Gordon.

Recommendation: Invest up to \$20 million in Angelo Gordon Realty Fund XI.

Stonelake Opportunities Partners VII: The fund will invest in equity real estate in office, multifamily and industrial often making improvements or new developments. Primary geographic focus is on Texas and the Southeast of the U.S. The pension is invested in Stonelake Opportunities IV and VI.

Recommendation: Invest up to \$20 million in Stonelake Opportunities Partners VII.

Motion: Mr. Curtis made a motion to accept staff's recommendation for both Real Assets recommendations as outlined. Ms. Bradley seconded the motion. The motion passed unanimously.

- **Distribute 1st Quarter 2022 457b Reports:** Ms. Bosch distributed both the Voya Activity report and NEPC Performance Report - 457 plan. Mr. Curtis made a motion to approve the 457b reports as distributed. Ms. Bradley seconded the motion. The motion passed unanimously.

Approved _____ by _____ Approved by the Investment Committee on 8/17/22
(Date)