

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

February 26, 2020 at 9:30 a.m.
Investment Committee Meeting

Howard Office Building-700 2nd Ave. South, 2nd Floor
2nd Floor-Finance Hallway-OMB Conference Room

The Investment Committee met on Wednesday, February 26th, 2020 at 9:30 a.m.

Those Investment Committee members present were:

Stephanie Bailey, Christine Bradley, Kevin Crumbo, and G. Thomas Curtis

Other attendees:

NEPC: Dan Beaton, & Keith Stronkowsky

Voya: John Cox

Staff: Fadi BouSamra, CIO, Phil Carr, Chief Accountant, Tom Eddlemon, Treasurer, & Katelyn Richie, Finance Officer

Others Attending: Margaret Darby, Metro Legal, and Josh Thomas, Metro Legal

- **Establish a quorum:** Mr. Crumbo established that a quorum was present, and the meeting was called to order.
- **Approval of minutes from the November 21st, 2019 meeting:** Ms. Bailey made a motion to approve the minutes as written. Ms. Bradley seconded the motion. The motion passed unanimously.
- **CAFR & Summary Reports:** Mr. Carr, Chief Accountant, presented the most recent pension numbers in the June 2019 CAFR. He reviewed the income statement, including the net investment income/loss figure. Mr. Carr also discussed investment expenses disclosed in the CAFR in detail. Accounts worked closely with the custodian to better represent fees and expenses associated with the investments. Mr. BouSamra explained that the Investment Expenses reported in the CAFR include Investment Advisory fees, Performance fees, Partnership Expenses, Carried Interest and Financing Costs. Mr. Carr also discussed a schedule depicting the total pension liability the actuary has calculated for Metro's Pension and compared it to the investments we have set aside to fund the liability; he also pointed out the pension plan is well funded.
- **4th Quarter 2019 Pension Performance:** Mr. Stronkowsky reviewed the Metro Plan's performance. He discussed the total fund returned 5.18% for the quarter; outperforming the policy index by 0.04%. The total fund returned 13.66% for the 1-year period; underperforming the policy index by 3.84%. Mr. Stronkowsky explained Metro ranked in the 5th percentile relative to public fund peers for the 3 year timeframe & in the 4th percentile relative to public fund peers for the 5, 7, and 10 year timeframes.

Mr. Stronkowsky & Mr. BouSamra explained the plan ranks 1st in risk adjusted returns compared to over 320 other public plans. Mr. Stronkowsky explained this means we are getting more return for less risk compared to the other public plans within the investor force universe.

- **Recommendations & Updates:** Mr. BouSamra and Mr. Stronkowsky reviewed the following recommendations and General Updates:

General Updates:

- Cash in Metro MIP as of 12/31/2020 - \$35 million
- Staff and NEPC are working on updating the private investments pacing plan. The analysis shows that we need to reduce the private equity commitments and increase the fixed income alternative commitments relative to the preceding plan. This is primarily due to PE performance and distributions from AFI. We will present this at the next quarterly meeting once we have matched up the plan with fund raises and completed the Real Asset pacing plan.
- We decided to pass on the purchase of funds in the secondary market.

Recommendations:

Alternative Fixed Income:

- **PIMCO Corporate Opportunities III-** Mr. Stronkowsky discussed the fund utilizes PIMCO platform to source corporate distressed and special situations. The Metro Pension invested \$40 million in the predecessor fund.
 - **Recommendation** – Invest up to \$20 million in PIMCO Corporate Opportunities III. Ms. Bradley made a motion to accept the recommendation as presented, and Ms. Bailey seconded the motion. The Motion passed unanimously.
- **MC Credit Partners SMA** – Mr. BouSamra proposed the Metro Pension set up a separately managed account with \$100 million in equity utilizing up to one turn of leverage. Mr. Stronkowsky explained after an extensive search we have identified MCCP as the future partner for the Metro Pension domestic lending separately managed account. He also explained MCCP credits investors with the interest they retain when a portion of the loan is syndicated and has agreed to a low fee arrangement.
 - **Recommendation** –\$100 million to a separately managed account with MCCP. The funds will be available to deploy over the next three years; capital calls will be limited to a maximum of \$30 million in 2020, \$35 million in 2021 and \$35 million in 2022. Ms. Bailey made a motion to accept the recommendation as presented, and Ms. Bradley seconded the motion. The motion passed unanimously.

- **4th Quarter 2019 MetroMax review:** Mr. Beaton reviewed the executive summary which highlights fund performance including the range of core fund returns from -0.9% to 12.1% for the quarter. He also explained NEPC is not recommending any action as it relates to the plan's managers at this time due to performance or other concerns.
- **4th Quarter 2019 MetroMax Activity Review:** Mr. Cox reviewed the MetroMax 4th Quarter 2019 Activity Report. He explained as of 12/31/2019 there was an all-time high of 7,568 participants. Mr. Cox also explained payroll contributions increased 12.32% from 12/31/2018 to 12/31/2019.

Approved _____ by _____ ****Minutes approved at virtual Investment Committee Meeting on 05/27/2020****
(Date)