

RESOLUTION NO. RS2018-1243

A resolution requesting the Investment Committee of the Metropolitan Employee Benefit Board, the Metropolitan Finance Department, and the Metropolitan Office of the Treasurer to review contracts regarding the management of Metro's pension fund and explore other options in order to lower pension management fees and expenses.

WHEREAS, pursuant to the Metropolitan Charter Section 13.04, the Investment Committee of the Employee Benefit Board has full and complete control over all investments, including investment of the Metropolitan pension fund; and

WHEREAS, pursuant to Metropolitan Charter Section 13.11, these pension funds are kept separate from all other funds of the Metropolitan Government and savings associated with the pension fund would likely be required to be reinvested in the pension; and

WHEREAS, the Metropolitan pension fund, as of June 30, 2017, had assets of nearly \$3 billion; and

WHEREAS, that year, the investment expenses associated with Metro's pension fund totaled over \$39 million; and

WHEREAS, according to Pew Charitable Trusts, the average external management fee for large state pensions was approximately .34 percent of its assets; and

WHEREAS, Metro's pension investment fees, as a percentage of the assets under management, appear to be much larger than those of other pension funds, including the State of Tennessee; and

WHEREAS, the external investment management fees of the Tennessee Consolidated Retirement System (TCRS) were reportedly \$41 million for fiscal year 2017, only two million dollars more than the fees paid by Metro even though TCRS's assets are valued at over ten times that of Metro's pension; and

WHEREAS, Metro has what is considered by some to be a high-risk portfolio; and

WHEREAS, the TCRS had a 2017 return of 11.42%, and an annualized rate of return of 5.78% over the prior three years, 8.70% over the prior five years, and 5.87% over the prior 10 years; and

WHEREAS, Metro's total plan return was 13.5% in 2017, 6.6% over the prior three years, 10.3% over the prior five years, and 5.9% over the prior 10 years, although it is important to note that pension managers have changed in the last few years; and

WHEREAS, these differences merit research into whether Metro should take actions to lower the management fees associated with the pension fund, including exploring whether Metro's pension could be managed by the TCRS.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY:

Section 1. That the Metropolitan County Council hereby goes on record as requesting the Investment Committee of the Metropolitan Employee Benefit Board, the Metropolitan Finance Department, and the Metropolitan Office of the Treasurer to review contracts pertaining to the management of Metro's pension fund and to explore other options for pension fund management that would lower management fees and other expenses related to the pension fund. This should include exploring whether Metro's pension fund could be managed by the Tennessee Consolidated Retirement System.

Section 2. The Metropolitan Clerk is directed to send a certified copy of this Resolution to the members of the Investment Committee of Metropolitan Employee Benefits Board, the Director of Finance, and the Metropolitan Treasurer.

Section 3. That the Investment Committee of the Metropolitan Employee Benefit Board are further requested to inform The Metropolitan Council of the feasibility and/or the suggestions related to the request contained in Section 1 hereof, not later than June 30, 2018.

Section 4. This Resolution shall take effect from and after its adoption, the welfare of The Metropolitan Government of Nashville and Davidson County requiring it.

INTRODUCED BY:

Steve Glover

Robert Swope

Members of Council