

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

Monday, December 16, 2024 @ 2 p.m.
Investment Committee Meeting

Howard Office Building – Sonny West Conference Room
700 President Ronald Reagan Way, Nashville, TN 37210

The Investment Committee met on Monday, December 16, 2024 @ 2:00 p.m.

Those Investment Committee members present were:

Kevin Crumbo, Gilbert Gonzales, Tom Curtis, and Christy Pruitt-Haynes

Other attendees:

Meketa: Aaron Lally and Tad Fergusson

Voya: Jonathan Cox

NEPC: Dan Beaton

Staff: Sharon Sepik, Assistant Metropolitan Treasurer, Katelyn Richie, Finance Manager – Investments, Kevin Brown, Finance Deputy Director, and Cole Davis, Treasury Analyst

Metro Legal: Joshua Thomas & Samuel Keen

- **Establish a Quorum:** Mr. Crumbo established a quorum was present, and the meeting was called to order.
- **Public Comment Period:** Ms. Richie and Ms. Sepik noted no participants signed up for the public comment period.
- **Approval of Minutes from the Meeting on September 26, 2024:** Mr. Crumbo made a motion to accept the minutes as written. Mr. Gonzales seconded the motion. The motion passed unanimously.
- **Operational Update:** Ms. Sepik and Ms. Richie attended several meetings with Investment Managers as well as annual conferences in the last quarter.

Ms. Richie updated the committee on the status of the Sound Mark commitment approved at the May Investment Committee Meeting. In May, the committee approved a commitment of \$30MM to Sound Mark's closed end fund, contingent upon Sound Mark raising an additional \$70MM in other LP commitments. If that target was not reached, the commitment would redirect to the open-end fund. In September, Sound Mark made the decision to liquidate the open-end fund, and further to that, Sound Mark was unable to reach the target of additional commitments by 12/31/24. Given the new developments, the previous commitment approved by the committee is no longer valid.

Ms. Richie also detailed a new shared Email Inbox has been set up for the Treasury staff as a measure of continuity of business.

- **2025 Private Markets Investment Plan:** Mr. Fergusson reviewed the Private Markets Investment Plan. These types of investments require consistent commitments over the years to maintain the desired level of exposure to the asset class, so Meketa puts together the plan yearly to ensure adequate exposure in each private asset class. Private markets make up a target of 46% of the total portfolio. Private Equity and Real Assets are slightly underweight currently and that is reflected in the recommended commitment levels for 2025. Mr. Ferguson outlined the recommended commitment levels in each asset class and the rationale behind the targets is to be conservative in the pacing but also disciplined in consistent commitments in the coming year. The committee discussed various topics with Tad including exposure to venture capital, mitigating concentration risk with fewer managers, as well as the effects of future economic outlook as a new administration enters the White House.
- **3rd Quarter 2024 Pension Performance:** Mr. Lally gave a brief economic overview and effects of the new administration on the economy as new policies come into play.

Mr. Lally reviewed the annualized return vs. annualized standard deviation of the plan on a 5-year basis which outlines how much return you're getting for the risk taken. He explained the ideal ranking is in the upper left quartile of higher returns and lower risk, which is where Metro's plan plots on a 5-year basis. Mr. Lally explained the plans long term returns are strong relative to the policy benchmark and relative to the actuarial return target. On the one year, there was significant underperformance to the benchmark, but the absolute return of 13.1% is excellent and well exceeds the plan's actuarial assumed rate of return of 7%. Mr. Lally also outlined each asset class is within the target range allowed by the Investment Policy Statement.

Mr. Lally spoke to some under performance of a manager in the US Equity space. He explained they are currently underperforming relative to the benchmark, but their strategy inherently excludes many market sectors that the benchmark has outperformed in. He explained Meketa believes the firm is holding true to their strategy and admittedly had some poorly timed exits which led to underperformance in 2022 and 2024. Meketa will continue to conduct due diligence with the manager but there is no recommendation to make any change at this time.

- **Investment Recommendations:** Mr. Lally presented findings of an evaluation conducted on the International Equity segment of the plan's portfolio. The analysis of the International Equity program showed the structure has some overweight's to emerging markets, small cap, and value tilt. Meketa then evaluated the actual strategies the plan is using and are they the best ones. Meketa's opinion is to terminate Oaktree Emerging Markets and Mr. Lally explained how to reallocate those funds. The analysis compared 3 potential firms that would be complementary to the remainder of the portfolio. He presented an eventual structuring plan to be implemented slowly over time. The goals of the restructuring are to reduce an

overweight to emerging markets, reducing manager concentration risk, and replacing and underperforming manager.

International Equity:

Recommendation: Terminate Oaktree Emerging Markets Fund and re-allocate funding in an equal split to RBC Emerging Markets and an EAFE index fund. Alongside this termination and reallocation, steps shall be taken in the next year to revisit the International Equity asset class to rebalance.

Motion: Mr. Curtis made a motion to accept the recommendation as presented. Mrs. Pruitt-Haynes seconded the motion. The vote passed unanimously.

- **457b Performance Report & Annual Fee Review:** Mr. Beaton delivered the 457b fee review looking at investment cost for each individual fund on a peer basis against morning star medians and other NEPC Defined Contribution plans of similar size. They also review the recordkeeping fee as well. Mr. Beaton stated investment fees are all below median for similar institutional products. Mr. Beaton also mentioned the recordkeeping fees are in line with peers.

The weighted-average expense ratio for investment fees is 0.25% vs. the Institutional Peer Median of 0.50%. On the recordkeeping side, Voya charges a 0.07% fee which equates to approximately \$37.23 per account, this is below the median of peers which is \$24 to \$69 per account.

Mr. Beaton reviewed the 457b Performance Report. NEPC reviewed our investment policy and recommends no updates or actions to be taken. Mr. Beaton noted that Nuveen saw Jay Rosenberg retire from the firm after 20 years of service and Vanguard appoint a new CEO that is the first hire of a CEO for the firm outside of Vanguard. Vanguard has been placed on a NEPC Firm watch status.

Mr. Beaton detailed during his legal and regulatory review the rise of lawsuits against managed accounts. Metropolitan Nashville does not currently participate in this; however, it should be noted that accounts of this kind are under a legal microscope.

Mr. Beaton delivered a Macro update noting positive markets and plan performance with a good quarter for small cap U.S. equities and international stocks. He noted that Vanguard rallied this quarter and outperformed its peers, however, saw underperformance in its PRIMECAP strategy.

- **Voya 457b Activity Report:** Mr. Cox explained plan assets were at an all-time high of over \$463 million, with over 8000 participants. He explained that Rollovers and DROPs brought in ~\$8.5M and payroll contributions are up to \$18.2M for the year.

Mr. Cox gave insight into an updated investment dashboard and detailed efforts to increase enrollment and plan participation in 2024. He will have further data and insights into what efforts led to increased participation at a future meeting.

- **Meeting dates for 2025:**

- March 5, 2025, 2:00-3:30pm (Regular Meeting – Review of Q4 2024)
- June 10, 2025, 2:00-3:30pm (Regular Meeting – Review of Q1 2025)
- September 9, 2025, 2:00-3:30pm (Regular Meeting – Review of Q2 2025)
- November 21, 2025, 9:00-10:30am (Regular Meeting – Review of Q3 2025)

Approved 3/7/2025 | 6:35 AM CST by Jennine Reed
(Date)