

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

May 29, 2013 @ 8:00 a.m.
Howard Office Building, 700 2nd Avenue South, 1st Floor

The Investment Committee met on Wednesday, May 29, 2013 at 8:00 a.m.

Those Investment Committee members present were:

Chairman: Richard Riebeling

Members: Ann Butterworth, Christine Bradley and G. Thomas Curtis

Other attendees:

Summit Strategies Group: Eric Ralph

Office of the Treasurer: Lannie Holland, Treasurer; Fadi BouSamra, CIO; Tom Eddlemon, Deputy Treasurer and Katherine Martin

Metro Legal: Margaret Darby and Catherine Dundon, Metro Assistant Attorneys and Kelsey Boyle, Legal Intern

ING Representatives: Jamie Wewetzer and John Cox

Other attendees: Stuart Nicholson and Doris Ann Hendrix

- **Establish a quorum:** Mr. Riebeling established that a quorum was present and the meeting was called to order.
- **Approval of minutes from the February 26, 2013 meeting:** Ms Butterworth made a motion to approve the February 26 minutes. Ms Bradley seconded the motion. The motion passed unanimously.
- **MetroMax 457 Plan review and recommendations:** Mr. Ralph presented the 457 Plan Observations. The presentation included defined contribution plan best practices, potential areas of improvement, a thorough fee analysis and manager searches. The MetroMax plan ranked in the top decile among peers in fee competitiveness.

MetroMax 457 Plan Fund Additions:

Summit and Staff recommended the addition of 5 new funds.

Recommended new funds:

- a) Vanguard Mid Cap Index I (VMCIX) – Assets from the Pioneer Mid Cap Value fund and the Munder Mid Cap Core Growth Y (MGOYX) will be mapped to the new fund.
- b) Dodge & Cox International Stock (DODFX) – Assets from the Artio International Equity (JETIX) will be mapped to the new fund.
- c) Vanguard Total International Stock Signal (VTSGX) – Large blend index fund

- d) Principal Diversified Real Asset Inst (PDRDX) – Inflation response and diversified real asset exposure
- e) PIMCO Unconstrained Bond P (PUCPX) – Versatile multi asset bond fund

MetroMax 457 Plan Fund Terminations:

Summit and Staff recommended the termination of 7 funds.

Recommended terminations::

- a) Davis NY Venture Y (DNVYX) – Mapped to Vanguard Institutional Index Inst (VINIX)
- b) Janus Forty I (JCAPX) – Mapped to Vanguard PRIMECAP Adm (VPMAX)
- c) Pax World Balanced Inst. (PAXIX) – Mapped to Wells Fargo TD Suite (Multiple)
- d) Pioneer Mid Cap Value Y (PYCGX) – Mapped to Vanguard Mid Cap Index I (VMCIX)
- e) Munder Mid Cap Growth Y (MGOYX) Mapped to Vanguard Mid Cap Index I (VMCIX)
- f) Artio International Equity (JETIX) – Mapped to Dodge & Cox Int Stock (DODFX)
- g) American Funds American High Income (RTIFX) – Mapped to Fixed Account

Ms Butterworth made a motion for the Investment Committee to accept the recommendations and forward to the Benefit Board for final approval. Ms Bradley seconded the motion. The Committee voted unanimously in favor. Mr. BouSamra and Mr. Holland will go over the recommendations at an upcoming Benefit Board study session and place on the agenda of a subsequent monthly meeting.

Ms Wewetzer explained that a booklet summarizing the changes will be mailed to participants. Also, meetings will be scheduled to roll out the changes and answer questions. Participants will be able to make changes before mapping occurs and deadlines will be clearly noted.

Ms Wewetzer noted that ING will become VOYA Financial and will trade under the symbol VOYA on the NYSE.

- **Review Metro pension 1st quarter 2013 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 5.66% for the quarter, outperforming the Policy Index of 4.61%. The Plan ranked in the 41st percentile among peers for the quarter. Mr. Ralph highlighted the Fund's 3-year top quartile performance ranking and bottom quartile risk ranking as measured by the 3-year standard deviation.
- **Recommendations:** Mr. Ralph and Staff presented six investment recommendations for consideration.

Private Equity: Mr. Ralph reviewed the Private Equity presentation. Summit and Staff are recommending the following commitment as part of the targeted commitments for Private Equity this year.

HarbourVest Dover Street VIII Fund: Mr Ralph reviewed a summary presentation detailing the HarbourVest Dover Street VIII Fund. Metro is invested in the Dover Street VII

Fund. Mr. Curtis made a motion to accept Staff's written recommendation to commit up to \$25 million to HarbourVest Dover Street VIII. Ms Butterworth seconded the motion. The Committee voted unanimously in favor.

Alternative Fixed Income: Mr. Ralph reviewed the Alternative Fixed Income presentation. Staff and Summit are recommending the following commitments to Sankaty, EIG and PIMCO BRAVO as part of the Alternative Fixed Income allocation.

Sankaty Middle Market Opportunities Fund II: Mr. Ralph reviewed the two page presentation detailing the Sankaty Middle Market Opportunities Fund II. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$30 million to the Sankaty Middle Market Opportunities Fund II. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

EIG Global Energy Partners XVI: Mr. Ralph reviewed a summary presentation detailing the EIG Global Energy Partners XVI Fund. Metro invested \$30 million in EIG XV. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$30 million to EIG Global Energy Partners XVI. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

PIMCO BRAVO II: Mr. Ralph reviewed the two page presentation detailing the PIMCO BRAVO II Fund. Metro is invested in the first BRAVO Fund. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$30 million to PIMCO BRAVO II Fund. Ms Butterworth seconded the motion. The Committee voted unanimously in favor.

Global Allocation: Mr. Ralph reviewed the Global Dividend Equity presentation. Summit and Staff are recommended two managers as part of the 10% Global Equity allocation.

Epoch Global Equity Shareholder Yield Fund: Mr. Ralph reviewed presentation detailing the Epoch Global Equity Shareholder Yield Fund. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$125 million to the Epoch Global Equity Shareholder Yield Fund. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

PIMCO EqS Dividend Fund: Mr. Ralph reviewed a presentation detailing the PIMCO EqS Dividend Fund. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$125 million to the PIMCO EqS Dividend Fund. Ms Bradley and Ms Butterworth seconded the motion. The Committee voted unanimously in favor.

- **General Updates:** Mr. BouSamra handed out a general update list and highlighted the following items:
 1. Staff will implement a \$100 million allocation to the previously approved PIMCO Unconstrained Bond Fund as soon as the contract with PIMCO is executed.

2. We made a \$50 million withdrawal for the Metro Plan and \$3 million withdrawals for the Teacher plan on April 1st.
3. We expect to schedule a couple of Lunch and Learns in the coming months.
4. We are holding off on submitting the commitment to the True North Fund III approved at the February meeting to monitor progress in Fund II investments.
5. Axiom, Metro's Asia private equity fund of funds, is arranging an Asia annual conference. Metro would have to pick up the cost of travel and reimburse the manager for \$2,000 in lodging, transportation and food.

Mr. Curtis expressed that the trip would be valuable because the portfolio is less traditional than other pension plans and is moving in a global direction. The Committee discussed the conference cost and deferred to Mr. Riebeling for approval.

6. Courage Capital will be coming back to market and Staff has asked Summit to perform a complete review.

Mr. Riebeling informed the Committee that the TN General Assembly approved legislation allowing for pension obligation bonds. There is a possibility that we will recommend these bonds for a portion of Metro's unfunded liability.

The meeting was adjourned at 9:50 a.m. The next meeting is on August 27, 2013 at 8:00 am.

Approved 8/27/13 by 
(Date) Richard Riebeling, Chairman