

MINUTES

METROPOLITAN EMPLOYEE BENEFIT SYSTEM INVESTMENT COMMITTEE

August 27, 2013 @ 8:30 a.m.
Howard Office Building, 700 2nd Avenue South, 1st Floor

The Investment Committee met on Tuesday, August 27, 2013 at 8:30 a.m.

Those Investment Committee members present were:

Chairman: Richard Riebeling
Members: 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
ING Representatives: Jamie Wewetzer and John Cox
Other attendees: Stuart Nicholson and Dr. Erick Huth

- **MetroMax 457 Plan review:** Mr. BouSamra explained that the 2nd quarter 457 Plan report will consist of an activity update rather than performance review due to the fund changes expected to be implemented in October.

Ms Wewetzer distributed and reviewed the 2nd quarter 2013 MetroMax 457(b) Deferred Compensation Plan Report. She reported that on August 16 participants were mailed notifications of the new investment options that will become available October 7. Discontinued options will be mapped to new funds on October 14. ING will be promoting saving for retirement through seminars and mailings as part of the National Save for Retirement week October 20-26. The Committee requested that the Human Resources Department forward information to employees regarding the new investment options.

- **Review Metro pension 2nd quarter 2013 performance:** Mr. Ralph reviewed Summit Strategies' economic summary and the Metro Plan's performance. The total fund returned 0.63% for the quarter, outperforming the Policy Index of 0.37%. The Plan ranked in the 20th percentile among peers for the quarter. The total fund returned 14.22% for the fiscal year, outperforming the Policy Index of 10.96% and ranking in the 17th percentile among peers. He noted that Metro's diversification over the past 5 years into Alternative Fixed Income, the overweight in Equities relative to the benchmark and the overall asset allocation benefited the performance of the Plan. 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.

- **Establish a quorum:** Upon Ms Bradley's arrival Mr. Riebeling established that a quorum was present and the meeting was called to order.
- **Approval of minutes from the May 29, 2013 meeting:** Mr. Curtis made a motion to approve the May 29 minutes. Ms Bradley seconded the motion. The motion passed unanimously.
- **Recommendations:** Mr. Ralph and Staff presented four investment recommendations for consideration.

Emerging Market: Mr. Ralph discussed the Emerging Market market. Summit and Staff are recommending the addition of two Emerging Market strategies.

Oaktree Capital Management Emerging Market Equity strategy: Mr. Ralph reviewed a presentation detailing the Oaktree Capital Management Emerging Market Equity strategy. The strategy was discussed in detail and Committee members asked about the overall fit within the asset allocation. Metro is invested in the OCM Euro Principal Opportunities Fund III in Alternative Fixed Income. Mr. Curtis made a motion to accept Staff's written recommendation to make a \$30-40 million initial commitment to Oaktree Capital Management Emerging Market Equity strategy. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

ABS Investment Management Emerging Market Equity Long/Short: Mr. Ralph reviewed a presentation detailing the ABS Investment Management Emerging Market Equity Long/Short strategy. Mr. BouSamra explained that the fund will be a holding within the Miro One fund currently managed by ABS. Summit and Staff believe that security selection in Emerging Markets has the potential to add alpha and the Long/Short allocation will mitigate some of the volatility. Mr. Curtis made a motion to accept Staff's written recommendation to a \$15 million initial commitment to the ABS Investment Management Emerging Market Equity Long/Short strategy. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

Private Equity: Summit and Staff recommended a commitment to a fund of funds focused on European buyouts.

LGT Crown Europe Small Buyout: Mr. Ralph reviewed a presentation detailing the LGT Crown Europe Small Buyout Fund. The recommendation was discussed in detail. Mr. Curtis made a motion to accept Staff's written recommendation to commit \$30 million to the LGT Crown Europe Small Buyout Fund. Ms Bradley seconded the motion. The Committee voted unanimously in favor.

Alternative Fixed Income: Staff and Summit are recommending a separate account with Marinus Capital Advisors focused on Asset Backed Securities. The separate account will allow for a more favorable fee structure for Metro.

Marinus Capital Advisors: Mr. Ralph reviewed a presentation regarding Marinus Capital Advisors. The fund will focus on asset backed securities primarily in the non-agency RMBS (Residential Mortgage Backed Securities). Mr. BouSamra explained that while the Plan achieved high returns in the past in RMBS, going forward he only expects high single digits to low double digit returns. Mr. Curtis made a motion to accept Staff's written recommendation to make a \$25 million initial commitment to Marinus Opportunities Fund. Ms Bradley 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. Mr. BouSamra distributed the GMO 7-Year Asset Class Real Return Forecasts and the PIMCO Capital Market Assumptions for Asset Allocation Studies.
 2. Pending contracts from the last meeting have been completed, with the exception of EPOCH.
 3. The Nashville.gov website access for Investment Committee members will be launching soon.
 4. CBRE Capital Partners funds will be undergoing a change as a result of the departure of a key person in management. Staff and Summit have elected to cash out the Main Fund. Metro, along with the other Limited Partners of the Special Situations fund will remain in the fund and elect a new General Partner.
 5. Mr. BouSamra distributed a book to each Committee member regarding
 6. Sideways Markets.

The meeting was adjourned at 10:00 a.m. The next meeting is on November 26, 2013 at 8:00 am.

Approved 11/26/13 by 
(Date) Richard Riebeling, Chairman